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Trust and Open Book Accounting

A UK Grocery Sector Case Study

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¹ *The selected case study retailer – one of the 'Big 4' UK grocery retailers*

Abstract

This thesis presents the research programme that was conducted to examine the relationship between suppliers and retailers in the UK Grocery Sector. The research focused on Trust and Open Book Accounting, with a detailed examination of a selection of suppliers to RetailCo – one of the big 4 UK Grocery Retailers. Primary data was collected from some twenty suppliers to RetailCo, which built on the industry survey made available to the researcher from the Advantage Mirror report on RetailCo. Strong Structuration Theory was used as the theoretical lens for the analysis of the case evidence, with Abduction being the methodological approach. A number of conclusions were drawn from the analysed data, which included the very real differences in the relationship styles exhibited by own-label suppliers from that shown by almost all branded suppliers. The own-label suppliers who enjoyed the most positive relationships with RetailCo were those who had adopted an Innovation-Led strategy. This helped buyers to reach their KPI targets, through the sharing of cost data, resulting in greater profitability from cost reduction and the possibility of additional innovation-led sales. The various forms of Open Book were examined, with real benefits of more collaborative working reported by some suppliers who were involved in forms of Open Book programmes.

"The best way to find out if you can trust somebody is to trust them."

Ernest Hemingway (1899 – 1961)

Notes

1. The research was carried out with one of the Big 4 UK Grocery Retailers², known throughout this document as RetailCo.
2. The very senior officer at RetailCo who was instrumental in both permitting and encouraging the research programme amongst RetailCo's suppliers was, at the outset of the programme the Senior Vice-President & Chief Merchandising Officer for RetailCo. During the programme, he was promoted to a new role as Chief Customer Officer, whilst retaining his Senior Vice President role. Sometime after the 2014/2015 interviews were concluded, he left RetailCo and after an interval, took on the role of Managing Director at an FMCG retailer. For the sake of simplicity, he is referred to throughout this document as CCO, except when further clarification is required.

² 'Big 4' UK Grocery Retailers are Tesco, Sainsbury's, ASDA and Morrisons

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CHAPTER ONE - Introduction and Overview

1.1 Background to the Research and the Researcher

This thesis describes the research conducted to ascertain whether trust is exhibited in the relationships between suppliers and grocery retailers in the United Kingdom, and the potential for Open Book Accounting to change such trust levels in those inter-organisational relationships. There is an analysis of whether trust exists at all in such relationships, or whether what is often termed trust is a less emotive, and a more calculative, characteristic.

The researcher's relevant background was that after completing a full-time MBA in 1990, he joined Harper Adams (now a leading Agricultural University) teaching business strategy and statistics to BSc students on agri-food and RICS-accredited Rural Practice Chartered Surveying sandwich degrees. He was responsible for establishing and running a Department of Trade and Industry (DTI) funded Industrial Enterprise Unit that was charged with Knowledge Exchange with agri-food and rural sector businesses. During that time, he became company secretary of a not-for-profit organisation, Mercian Marketing, based at Harper Adams, which was established with funding from the Ministry of Agriculture, Fisheries and Food. Board members included senior representatives from agricultural banking, grocery retailing, fast food, and the farming community. In 1995, he was appointed as the agri-food sector adviser for the West Midlands Festival of Industry and Enterprise, an initiative created by the Rt Hon Michael Heseltine, working closely with Sir Adrian Cadbury who was the Festival Chair. The Festival attracted the interest of HRH the Prince of Wales with whom the researcher discussed the impact of the initiative at an event at Buckingham Palace in 1997. The DTI funding for the Enterprise Unit came to an end in 1996 and Harper Adams proposed a new relationship with the researcher whereby he established his own agri-food consultancy business, partially contracted back to Harper Adams to help manage their Knowledge Exchange and Technology Transfer projects. The researcher's consultancy focused on global grocery supply chain issues, working with suppliers to the Big 4 grocery retailers in the UK. His already extensive network of contacts in the sector grew considerably, and his hands-on knowledge of the sector and its issues also developed. It became clear to him that relationships between many suppliers and their retailers were strained, with – in many cases – little trust being exhibited by either party towards the other. Both suppliers and retailers seemingly felt the other party had an advantage in the relationship, leading to a power imbalance. Both suppliers and retailers were very conscious of the risks

involved in alienating the other, who were often key supply-chain stakeholder partners. In addition, there was a marked reluctance to share general supply-chain information and cost data, with a lack of trust in the potential uses to which shared data might be put. Those three issues (power, risk and trust) were considered by both suppliers and retailers to be of major significance in their inter-organisational relationships, and were felt to be detrimental to the success of their businesses. In addition, partly due to the aforementioned power imbalance, many suppliers considered they were in a weak negotiating position *vis-a-vis* their customers, with little or no opportunity to engage more deeply with them through - *inter alia* - Joint Business Plans (JBPs) and Long Term Agreements (LTAs). As a result, many of the inter-organisational relationships between suppliers and their customer retailers were dyadic and transactional – one deal at a time.

The advent of category management, adopted in some form by many suppliers, only seemed to aggravate the relationships. Retailers observed that few suppliers seemed committed to the relationship with their customer, which they felt was demonstrated by a lack of New Product Development (NPD), an unwillingness to invest in developing the relationship, and in some cases a perceived favouring of competitor retailers.

In 2011, the Management School at the University of Sheffield asked the researcher to take on an Advanced Visiting Lectureship to teach Master's students Supply Chain Accounting & Finance. Once installed in that role, he became interested in studying in more depth the issues he had observed and which were set out briefly in the paragraphs above. He wanted to explore those issues from an academic perspective, and accordingly he successfully applied to study for a PhD supported by Sheffield University the Management School of the University of Sheffield, with an outline theme of researching trust, risk and power in inter-organisational relationships, and how the use of certain accounting tools might impact those relationships. He chose to conduct the research in the sector he knew best – suppliers to the UK Grocery Sector.

As a preliminary step to gaining an academic insight into the issues that he had observed during his work as a consultant, he studied a selection of supply chain academic papers. He found particular relevance in the research conducted by Clinton Free (Free, 2007; 2008) which analysed many of the issues that the researcher had observed when working in the grocery

sector. The researcher created a diagram that mapped the grocery sector actors, their issues and their inter-relationships (Figure 1.1).

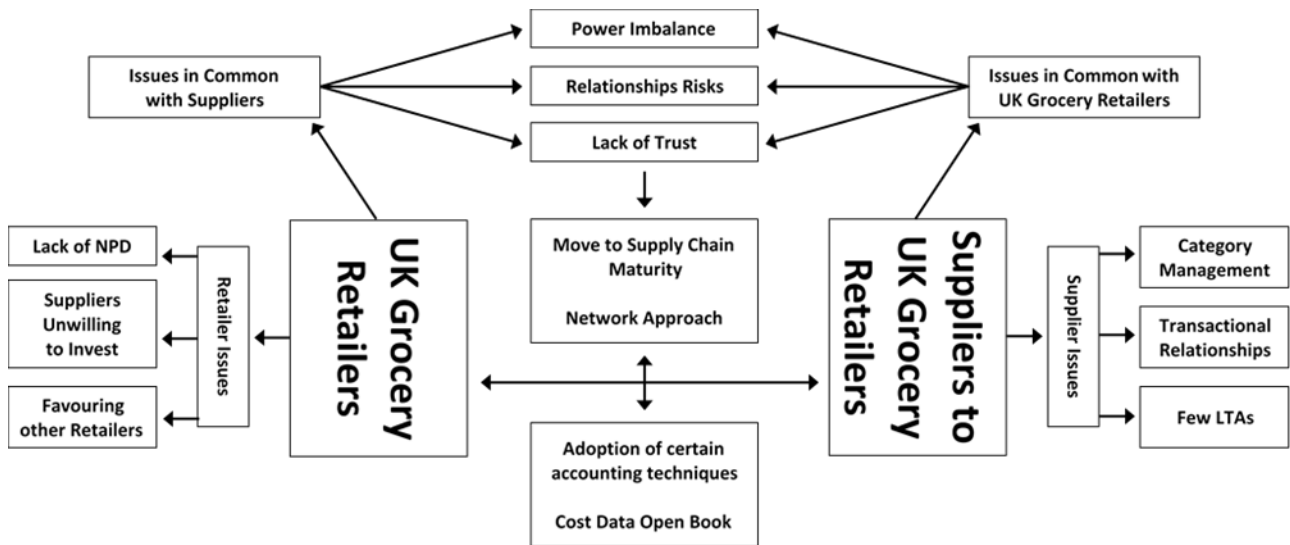


Figure 1.1 – A Diagrammatic View of the Grocery Sector Structural Issues

At the early stages of the research programme, for the confirmation review, the research aims were stated to be as follows:-

- i. To consider the nature of the relationship between suppliers and retailers in the UK food supply chain;
- ii. To explore the nature and extent of trust exhibited between those parties; and
- iii. To consider what effect the adoption of certain accounting techniques would have upon the levels of trust exhibited between suppliers and their food retailer customers.

The thesis describes, in this and the following chapters, the journey taken in the development of the manner in which the research would be conducted, and the research questions that the programme would seek to answer. After conducting the detailed literature review, and determining the theoretical framework that would be adopted for the research, three research questions were identified and adopted for the primary data analysis. The finally adopted research questions are:-

RQ1 – How are power, risk and control factors evident in supplier-retailer relationships in the UK food industry?

RQ2 – Does Open Book Accounting enable or constrain supplier-retailer relationships in the UK food industry?

RQ3 – How and why is trust built or destroyed in supplier-retailer relationships in the UK food industry?

1.2 The UK Grocery Sector

The establishment of the Grocery Code Adjudicator in the United Kingdom (Groceries Code Adjudicator Act 2013), which also created a code of conduct for retailers in their relationship with suppliers, brought into clear view the seemingly common and widespread lack of collaborative working relations between those two categories of actors who have, necessarily, mutuality in their need for one another. Their relations are characterised by being asymmetrical in two distinct ways:-

First, numerically; there are far more suppliers than retailers. Supplier numbers are hard to obtain, but a good guide can be provided by the UK's Food Standards Agency which, as at 1st July 2018, listed 6,448 establishments that were approved to handle, prepare or produce products of animal origin³ for which requirements are laid down in Regulation (EC) No 853/2004 (ER 2004). That compares with just ten major grocery retailers whose aggregate market share in July 2019 was 96.4%⁴. The Big 4 grocery retailers have seen a diminishing market share recently but still had 67.7% of the market in July 2019.

Second, the power imbalance; supermarkets have dominated the grocery supply chain elements through various measures that have effectively controlled, or sought to control, the relationships they maintain with their suppliers (Free, 2007; 2008). Whilst suppliers are clearly essential contributors to the grocery supply chain, they have struggled to level out the uneven power imbalance with their customers.

In addition to the moves that led to the establishment of the Grocery Code, there has been a growth of public interest in supplier–retailer relations in the UK Grocery market. That occurred partly as a response to food scandals, such as the detection of horsemeat in products labelled as containing only beef (Premanandh, 2013). That had an impact on consumer confidence (Yamoah & Yawson, 2014), which in turn placed pressure on retailers to thoroughly check their supply chains (Brooks et al, 2017). Companies in supply chains that sell to grocery retailers are categorised into tiers. Tier One suppliers sell to the retailer, while Tier Two suppliers sell to the

³ It is recognised that this does not include the growing number of plant-based (vegetarian or vegan) producers, for which there is as yet no known accurate aggregate data

⁴ Kantar World Panel Grocery Market Share, 14 July 2019

Tier One suppliers, with Tiers Three and so on supplying the Tier above them. There can be very many tiers in some supply chains. The complexity of the meat supply chain, which emerged through the horsemeat investigations, meant that Tier One suppliers and the grocery retailer were often completely unaware of the number of tiers that the meat had passed through to reach them. One major frozen food manufacturer, Findus, was found to have significant levels of horsemeat in the beef lasagne products. A media investigation by The Guardian revealed a complex web of relationships, the nine stages of which are summarised in Table 1.1.

1. UK food company Findus ordered lasagne made from beef from supplier A1 in Metz
2. Supplier A1 in Metz requested its subsidiary Supplier A2 in Luxembourg to make the lasagne
3. Supplier A2 ordered the meat from Supplier B
4. Supplier B placed an order to Trader A in Cyprus
5. Trader A in Cyprus sub-contracted the order to Trader B in the Netherlands
6. Trader B in the Netherlands placed the order with Abattoir A in Romania
7. Romanian Abattoir A sent the meat to Supplier A2
8. Supplier A2 sent the meat to Supplier A1 in Luxembourg
9. Supplier A1 sent the lasagne to Findus in the UK

Table 1.1 –Web of relationships. Source: The Guardian: 15 Feb 2013

The Findus example involved three suppliers, two traders, and one abattoir, and tracking down where the meat had originated was not a simple task.

Supplying more than one UK Grocery retailer further exposes the Tier One suppliers – and therefore all of those Tier Two and other businesses that supply Tier One suppliers – to the several vagaries of the complex and highly competitive UK Grocery market. These vagaries in the inter-organisational relationships that suppliers (manufacturers) have with their retailer customers, embrace both the structure of the societal context in which those parties operate, and the nature of the parties themselves. Whilst some Tier 1 suppliers have solus (exclusive) arrangements to supply only one Big 4 retailer, most Tier 1 suppliers have supply arrangements with multiple customers, including more than one of the Big 4. In turn, those Tier 1 suppliers often have many suppliers of their own, resulting in a multi-tiered network of relationships that can go to Tier 7 or beyond, as illustrated above by the horsemeat incident. This structural feature of the grocery market is further complicated by the fact that some Tier 2 or lower level suppliers are in the Global South, and in many cases have limited ready access to alternative markets, resulting in dominant retailers with a heavily dependent lower-tier group of suppliers.

1.3 Issues that were considered in the build up to the research

The work of the Grocery Code Adjudicator had an effect upon supplier confidence in challenging their retailer customers (Mogre et al, 2017). The research that is described in this thesis seeks to offer a novel perspective on the scene through an exploration of the potential role that a greater level of mutual trust would have on actors in the grocery supply chain, in part through the adoption of accounting tools. The researcher had experience of one particular technique - Open Book Accounting – which the researcher felt could provide a framework to develop better relations between the actors, as well as potentially reducing both parties' costs and reducing waste through better communication and controls. However, it is a technique that has many critics. Open Book Accounting has often been thought of as opening up the financial books and records of the parties in a commercial relationship, and in that approach the degree of openness is almost always unidirectional, always in favour of the customer (in this case, the grocery retailer). However, Hoffjan & Kruse (2006) define Open Book Accounting as '*the systematic disclosure of cost information (my emphasis) between legally independent business partners beyond corporate borders*'. (Hoffjan & Kruse, 2006, p 40)

That definition of Open Book Accounting by Hoffjan and Kruse limits the disclosure to cost data, rather than full financials, and if used in that way, Open Book Accounting can be seen as a potentially very useful tool to identify and reduce cost across complex supply chains. A detailed critical analysis of the literature relating to Open Book Accounting, its origins, and its applications, with arguments for and against its adoption, forms the second part of Chapter 2, the Literature Review. The researcher's industry experience enabled him to observe that grocery supplier actors are not all treated in exactly the same way by all grocery retailer actors. There are multiple styles of relationship in this sector, affected by – *inter alia* – the *modus operandi* of the particular retailer, and the power positioning of the supplier, where the effective distinctive could include factors such as whether the supplier actor is a global brand name supplying longer shelf-life processed products, or the supplier of an undifferentiated short-shelf-life agricultural commodity. Equally, the adoption of emerging technologies has become a key feature in the development of the UK's Grocery market, and the differentiation exhibited by the various actors. Technology, current and emerging, has therefore been considered to be one of the principal differentiators that characterise the very different members amongst the ten major UK supermarket players: the Big Four (Tesco, Sainsbury's,

ASDA & Morrisons) and the rest (Aldi, Lidl, Co-op, Waitrose, Iceland and Ocado). Based in part on prior knowledge, the researcher has identified and described a total of nine clear differentiators that illustrate the peculiar and distinct elements of those ten major UK supermarkets. (Table 1.2).

Differentiators of the Top Ten UK Grocery Retailers
1) Their market share (where significant changes have been occurring over the past decade)
2) Their history and associated philosophical basis
3) Their geographical focus (including where their HQ is based)
4) Their routes to market (in-store only, in-store & online, or on-line only)
5) Where they set their price level in comparison to the other main retailers in the UK
6) Their ownership (PLC, foreign owned, or partnership)
7) The ethical policies they propound and how they are seen by suppliers and customers
8) The degree of vertical integration they exhibit
9) Their technology adoption level (in-store, warehousing, and the use of EDI ⁵ systems)

Table 1.2 – Differentiators of the Top Ten UK Grocery Retailers

The differentiators have been combined with other data to form Table 1.3, which illustrates the levels of compliance/adoption of the various criteria exhibited by the Top Ten UK Grocery Retailers. The three right-hand columns, in italics, contain subjective assessments made by the researcher of the top ten UK Grocery retailer differentiators in relation to three categories: ethics, vertical integration and technology adoption. The low-medium-high indicator levels shown have been formed by the researcher and arrived at using his detailed and extensive knowledge of the sector as a whole and of the retailers themselves. This table, and the comparative positions taken by the top ten grocery retailers, is revealing when considering supplier-retailer relations. The origin, ownership and market share changes of the retailers all build up to a picture that will be explored later in the thesis.

The primary data collection for this thesis was carried out in the latter part of 2014 and the spring of 2015. The market share of the top ten grocery retailers in January 2015 was rather different from July 2019. Table 1.3 includes a comparison of the January 2015 data with the July 2019 data, and clearly illustrates the fall in Big 4 domination, from 73.3% to 67.7%, with Aldi and

⁵ EDI – Electronic data interchange

Lidl being the main beneficiaries, though Co-Op also saw a rise from 5.9% to 6.4% - in that same period. Future research into the longer-term changes in market share and shopping patterns, and the impact of those changes on suppliers and customers, would be beneficial.

		Market share from Kantar World Panel July 2019 (January 2015)	History	Geographical focus	Routes to market	Price level (Low, medium, high)	Ownership	Ethics	Vertical integration	Technology adoption
1	Tesco	27.2% (29%)	1919	UK plus	Multi channel	M	PLC	L	L	H
2	Sainsbury's	15.3% (16.7%)	1869	UK	Multi channel	M	PLC	M	L	M
3	ASDA	14.9% (16.9%)	1946	UK	Multi channel	L	Walmart	L	M	M
4	Morrisons	10.3% (11.1%)	1899	UK	Multi channel	M	PLC	H	H	M
Big 4 total		67.7% (73.7%)								
5	Aldi	8.1% (4.9%)	1946	Europe	In store	L	Albrecht Family	H	L	L
6	Co-Op	6.4% (5.9%)	1844	UK	In store	M	Members	L*/H**	L	M
7	Lidl	5.8% (3.5%)	1973	Europe & USA	In store	L	Dieter Schwarz	H	L	L
8	Waitrose	5% (5.2%)	1904	UK	Multi channel	H	John Lewis Partnership	H	M	M
9	Iceland	2.1% (2.2%)	1970	Europe	Multi channel	L	Limited Company	H	L	L
10	Ocado	1.4% (Data n/a)	2000	UK	On line	H	PLC	M	L	H
TOTAL		96.40%					* = supplier assessments			
							** = customer perception			
Source	Kantar Worldpanel	Company Websites	Company Websites	Company Websites	The Grocer	Company Websites	Assessment of retailer level achieved (low-medium-high) derived from prior knowledge			

Table 1.3 – Top 10 UK Grocery Retailer Differentiator Characteristics

1.4 Selection of a Big 4 Grocery Retailer for the research case study

There are some specific features of the UK Grocery Sector structure that impact upon all the players and need to be taken in account when considering the theoretical framework for any research that is to be carried out within and across the sector. Grocery retailers in the UK are not uniform in their approach to suppliers, nor are they uniform in their approach to their personal shopping customers. The research was envisaged to be a qualitative study based on a detailed and in-depth case study working with one of the Big 4 UK Grocery retailers and a selection of their suppliers to obtain what was hoped would be rich empirical data, using in-depth prior knowledge of the sector as a starting point. Before committing to the research programme, the selection of a Big 4 supermarket was necessary. The first approach was to the

CEO of one of the Big 4 retailers who was very well-known to the researcher. He was very interested in the idea of a supported research programme with his Big 4 retail business and a selection of their suppliers, with an examination of the issues around trust levels and the potential for adopting an accounting technique such as Open Book that might have a positive benefit to supplier-retailer relationships being seen as very relevant. However, having discussed the idea with his senior team, he informed me that his retailer had declined to take part, which was felt to have been due to concerns from the senior team due to the close working relationship that had existed between the CEO and the researcher.

That led to an approach to another Big 4 grocery retailer, which resulted in keen interest being displayed by their Senior Vice-President and Chief Merchandising Officer. An initial very positive meeting was held with a member of his team, which led to a request for a project specification sheet to be submitted to the retailer for formal approval of the project, a copy of which is included as Figure 1.2. The case study retailer was thereafter known as RetailCo.

Once the project had been approved, a member of the RetailCo team working with the Senior Vice-President and Chief Merchandising Officer was allocated to work with the researcher to facilitate access to RetailCo's colleagues who would be core to the effective conduct of the research. In order to help ascertain that the thinking behind the research approach being planned was in tune with current thinking in the sector, the researcher carried out initial and informal (therefore not recorded) discussions with members of RetailCo's senior team, and a carefully selected supplier. The supplier discussion was carried out with the managing director and owner of a substantial farm business, known hereafter as S1. S1's MD was well known to the researcher as the researcher had presented S1's farm business with the 'Grower of the Year'⁶ award a few years previously, and had visited the farm on several occasions. The discussion with S1's MD was focused on their relationship with RetailCo. S1 had previously agreed to enter into an Open Book Accounting relationship with RetailCo, one of their major customers, and they had great insight into the benefits and pitfalls of such a relationship.

⁶ Organised by *The Grower magazine*

Trust Project Proposal

I am researching the supplier–retailer–customer interface focusing on trust and possible methods of improving trust through the whole supply chain. The aim is to identify and quantify changes in the supplier–retailer relationship following the adoption of certain techniques, such as Open Book Accounting, using a before and after questionnaire with a scoring system (a weighted score Likert⁷ Scale). From that study, a tool kit would be created for adoption across the supplier base to aim to enhance the trust levels and to also identify ways to maintain those enhanced trust levels. I would like to develop this work with RetailCo, as discussed earlier this week, and it seems that the mutual benefits that would accrue are of interest and real benefit to you. The work would build upon the data RetailCo currently receive through the annual survey of suppliers.

The project would be conducted under the University’s strict confidentiality conditions, and a copy of our standard NDA has been sent to you for perusal. There is no fee cost to RetailCo for the work, though coverage of out-of-pocket expenses agreed in advance would be appreciated. Note that para 11 of the NDA is referring to anti-bribery issues and not reimbursement of expenses or staff discounts etc.

As a crucial part of the fieldwork for my PhD the benefit to me of working with you is considerable. Equally, it is planned that the work will produce significant benefits for RetailCo. An extension of the initial work will be to examine how customers perceive RetailCo and how their levels of trust could also be enhanced. From my experience, that is intrinsically linked to the supplier–retailer relationship.

I have good relationships with many suppliers, both with leading brands and private label manufacturers, and am already engaged in initial discussions with – amongst others – (2 major brands were named here) and a major produce supplier. Only suppliers approved by you would be aware of RetailCo’s involvement in this project. However, it would also be very helpful to examine the relationship with suppliers that you might wish to nominate.

It is envisaged that the project would start early in the New Year and extend over two years, with active participation from me initially one day a week, either at RetailCo HQ, or elsewhere. The detail of how the project would work will be explored once there is formal agreement to the work commencing. However, it is anticipated that in addition to interviewing selected suppliers, I would be utilised by RetailCo to join in workshops and other activities to aid the in-house team. To that end, it would be helpful to have quasi-colleague status so that I could be badged as RetailCo as/if required.

Figure 1.2 – the Trust Project Proposal

Both RetailCo and S1 had identified the same three factors about their relationship:-

- (1) the power of the other party,
- (2) the lack of trust in the relationship, and
- (3) the risk to their business of a cessation, or reduction, of trade with the other.

⁷ Likert, R. (1932). A technique for the measurement of attitudes. *Archives of Psychology*, 22 140, 55. The monograph aims to describe a technique rather than to give results. The appendix, covering ten pages, shows the method of constructing an attitude scale.

That assessment of the prime factors affecting the supplier-retailer relationship was in accord with the industry structural issues that the researcher had mapped from their prior knowledge – Figure 1.1.

Along with another five major grocery retailers, RetailCo subscribed to an annual survey of the sector, looking at those retailers and their suppliers, conducted by the Advantage Group and entitled the Advantage Report – Mirror. The researcher was furnished with a copy of the most recent Advantage Report – Mirror for RetailCo, dated November 2013. Permission to include extracts from the Advantage Report was sought from the company, which was granted. A reproduction of the consent email received from the Advantage Group to use their material in this thesis providing that no retailers nor any suppliers were identified follows:-

Hi Richard,

I have reviewed your material and happy for you to go ahead and use the slides referring to methodology, results and interview comments that you have shared with me, on the understanding that it will done on the fully anonymous basis.

With kind regards,

Julia Pascu

GENERAL MANAGER, UK & IRELAND

The Advantage Group UK Ltd.

Company Registration Number: 06268323

Advantage House, Behind Town, Compton Dundon

Somerton, Somerset, TA11 6PT, UK

20 March 2019

The researcher would like to thank the company for their kind permission to use material from the 2013 report on RetailCo.

1.5 Use of the Advantage Report- Mirror

With the three factors mentioned above in mind, the Advantage Group report on RetailCo was studied to ascertain what insights might be revealed that would aid in the research design and delivery. This source of industry data is an important annual survey that produces a large ring binder full of data, quotations, and statistics from the questionnaire responses received, and from interviews from some 270+ suppliers who participated in the survey. As questionnaires

were sent to staff working in all business units in the suppliers, the number of questionnaire responses was very substantially greater than the number of suppliers. In addition, some 400+ follow-up telephone interviews were carried out by the Advantage Group team. Responses were received from Sales Directors, National Account Controllers, Account Managers and Supply Chain personnel. RetailCo's copy of the 2013 report listed the companies who participated in the survey, though not every one of those companies rated each one of the six retailers included in the annual data collection exercise. The data collection for the 2013 report on RetailCo was carried out between June and September 2013. Before describing the salient points obtained from the secondary data in the Advantage Report, a detailed description of the Advantage Group's data collection and analysis process would be helpful. The following figures are anonymised reproductions or extracts from the Advantage Report – Mirror.

The first extract, Figure 1.3, outlines the detail of the research approach used by the Advantage Group, and refers to thirty-four performance practices that were used in the assessments. The performance practices referred to in Figure 1.3 are detailed in Figure 1.4 & Figure 1.5. Each performance practice was rated by the participating suppliers, providing a detailed analysis of the suppliers' assessment of RetailCo's performance.

ADVANTAGE

ABOUT THE ADVANTAGE REPORT® MIRROR - PROCESS

On-line Questionnaires

- A questionnaire asking manufacturers to rate your company vs. a defined set of the retailers in aggregate against **34** performance practices
- Links sent out to all respondents from June to August 2013
- Questionnaires received from over **270** manufacturers (**not** including subsidiaries and divisions)

One on One Specific Interviews

- We also conducted over **400** follow-up telephone interviews with programme respondents to add qualitative insights to the ratings
- The interviews were conducted from July to September 2013
- As an **additional part of the follow-up interviews**, we have asked the retailer respondents to comment on what are the benefits of close supplier collaboration and what are the key areas in which suppliers can collaborate more closely

Manufacturer personnel, including Sales Directors, National Account Controllers, Account Managers and Supply Chain personnel completed On-line questionnaires rating your company on a variety of performance practices.

All the results are shared in this report on an anonymous and aggregated basis. Your company's ratings will be kept strictly confidential and not shared with other retailers.

Advantage Report® Mirror – FMCG
Core Set – BR + ROL (Major Multiples)

United Kingdom 2013
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Figure 1.3 – Advantage Report – Mirror Methods – from 2013 Report

Overall Performance (Performance Area)
Business Relationship (Performance Area)
Is a good company to do business with (e.g., professional, responsive, makes effective use of our resources, reasonable cost to serve)
Takes a strategic approach to business
Works productively with us to build profitable business for both parties
Clearly communicates company and category strategies/objectives
Implements agreed upon business plans
Personnel/Organisation (Performance Area)
Personnel are appropriately qualified, skilled and experienced
Personnel are readily available when needed, in person, by phone or e-mail
Personnel have authority and use it to promptly execute agreed upon plans and strategies
Organisation has a streamlined decision-making process in the trading department (e.g., product listings, promotional agreements, etc.)
Organisation provides access to senior retailer management as needed (e.g., Category/Business Unit Director & above)
Organisation has good interdepartmental communications between trading and other departments
Category/Business Development (Performance Area)
Builds category assortment based on consumer needs
Drives demand for products through effective customer/consumer-focused marketing programmes (e.g., advertising, display, etc.)
Is quick to market with NPD (e.g., has an efficient and effective process for introducing NPD into their stores)
Uses an effective category management approach (e.g., principles, skills, process, implementation)
Is willing/able to share information as part of the category management/development process
Drives profit through an appropriate balance of consumer sales and efficient buying

Figure 1.4 – Advantage Report – Mirror Performance Practices (1) – from 2013 Report

Retail Execution (Performance Area)
Stores sustain an acceptable level of in-store/on-shelf availability of our products
Stores maintain a high standard of on-shelf display (i.e. adherence to planograms, quality of merchandising, etc.)
Stores execute promotional and retail marketing plans in accordance with commitments
Retailer works with us to forecast and order sufficient stock to maintain displays for the duration of the promotion
Supply Chain Management Personnel/Processes (Performance Area)
Has an efficient and effective supply chain (ordering process, stock handling, stock holding, in-store availability)
Works collaboratively with us towards achieving logistics efficiencies (e.g., willing to discuss supply chain improvements, etc.)
Invests in/uses up-to-date supply chain management technologies/processes (e.g., Information systems, VMI, etc.)
Shares sufficient information to enable effective manufacturer production planning (e.g., collaborative planning and forecasting)
Payment Process (Performance Area)
Has an efficient payment process (e.g., invoice matching, payment)
Is able to resolve invoice/payment issues promptly and efficiently
Private Label Capability (Performance Area)
Retailer has a clear Private Label brand strategy
Is pro-active in working with suppliers to develop new/innovative products/segments
Has an efficient NPD introduction process (from concept to store)
Has sufficient technical capabilities in terms of both experience/knowledge and capacity
Makes sufficient technical/audit visits to production facilities
Has an appropriate long term strategy to enable effective planning (financial, legislation, capacity, etc.)
Overall Private Label capabilities

Figure 1.5 – Advantage Report – Mirror Performance Practices (2) – from 2013 Report

The scoring methodology used by the Advantage Group in creating its comparative scores is set out in Figure 1.6. The rating scale, on the right in the diagram, shows for each question how the

retailers are scored. Ratings 1 & 2 are regarded as favourable, whilst ratings 4 & 5 are unfavourable in comparison with other retailers. A score of 3 indicates they are about the same as other retailers. These scores are then aggregated in three groups; favourable, neutral and unfavourable. In the example given, which is an example based on hypothetical data, a favourable score of +37 is offset by an unfavourable score of -9, resulting in a Net Favourable Score of +28. The 54 who were neutral in this case have no bearing on the Net Favourable score. That score is compared with the scores for the five other retailers covered in the survey, giving a ranked position of fourth out of six in this hypothetical illustrative case.

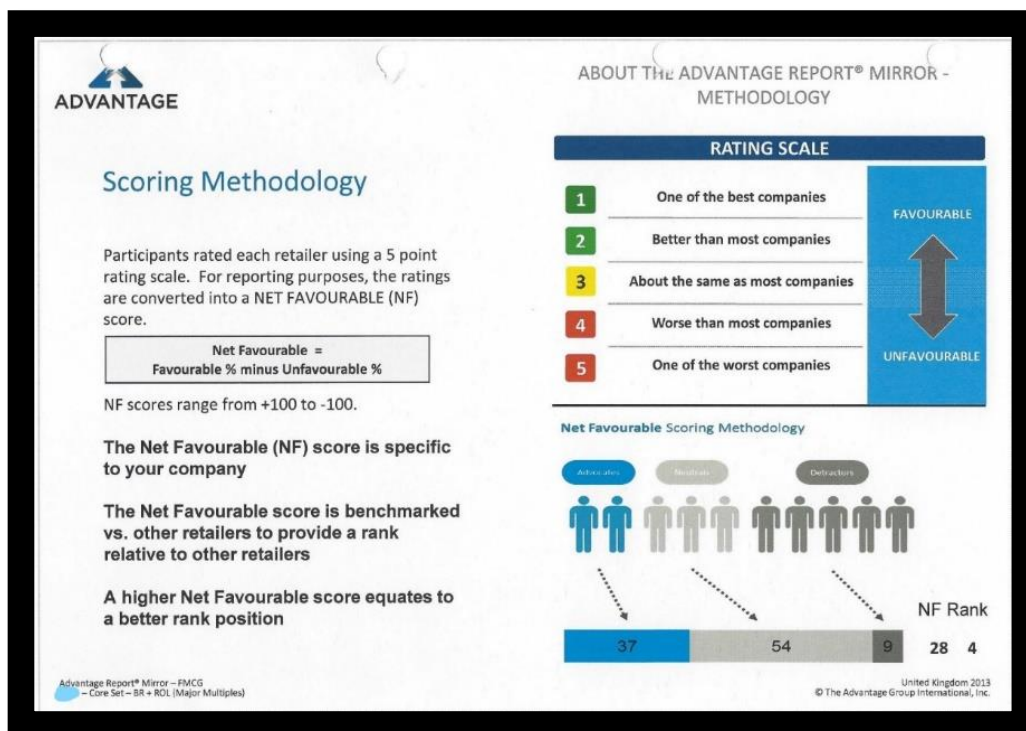




Figure 1.6 – Advantage Report – Mirror Scoring Methodology using hypothetical data – from the 2013 Report (this illustrates the method used, the score here is not relevant to RetailCo).

The Net Favourable Score for RetailCo was derived from the aggregated data from the supplier interviews and questionnaires carried out by the Advantage Group. RetailCo received a Net Favourable score of +40, placing them second out of the six retailers surveyed in 2013. That score was an improvement on RetailCo’s previous year’s score of +36, which had also placed RetailCo in second place. The Advantage Report – Mirror summarised the findings into two tables showing RetailCo’s key strengths and opportunities, as shown in Figure 1.7 & Figure 1.8. The findings are presented by performance area/practice, trend, by business unit and by

priority. The Advantage Report – Mirror uses a standard classification system for the business units which are described in Tables 1.4 to 1.7.

ADVANTAGE		KEY STRENGTHS & OPPORTUNITIES (Based on Both Results and Interview Comments)	
MEASUREMENT AREA	STRENGTHS 	OPPORTUNITIES 	
BY PERFORMANCE AREA/PRACTICE	<ul style="list-style-type: none"> • Business Relationship overall • Personnel/Organisation overall • Category/Business Development overall • Retail Execution overall • An efficient payment process • Supply Chain Management Personnel/Processes overall • Creating and sustaining a climate of cooperation and trust 	<ul style="list-style-type: none"> • Prompt resolution of invoice/payment issues • Retailer has a clear Own Label brand strategy (based on Gap to #1) • Working with suppliers to develop new Own Label products/segments (based on relatively high unfavourable ratings) • Making sufficient technical/audit visits (based on A significant Gap to #1) • Having an appropriate long-term Own Label strategy to enable effective planning (based on a solid NF and large Gap to #1) 	
TREND	<ul style="list-style-type: none"> • A consistently strong Overall Performance • No. 1 ranks achieved in 4 of the 7 Performance Areas • NF improvement in HLP/Pet, Chilled Convenience, Produce and MFP 	<ul style="list-style-type: none"> • A slight decline in NF performance in Retailer Own Label Capability (NF +29, 4/6 from NF +33, 3/6) • NF decline in BWS (NF +16, 4/6 from NF +28, 3/6) 	
BY BUSINESS UNIT (in terms of rank)	<ul style="list-style-type: none"> • Bakery (1/6) • Chilled Convenience (1/6) • Dairy/Chilled (1/6) • Frozen Food (1/6) • Personal Care/Baby (2/8) • Ambient Grocery (2/6) • HLP/Pet (2/6) • Produce (2/6) • MFP (2/6) • OTC/Healthcare (2/8) • Impulse (3/6) – N.B.: the Gap to #1 is small (-4) 	<ul style="list-style-type: none"> • BWS (4/6) 	



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Figure 1.7 – RetailCo Summary Strengths & Opportunities (1) – from 2013 Report

Figure 1.7 shows that RetailCo has considerable strengths in many areas, but also several areas where there was scope for improvement. The Advantage Group term those areas as ‘opportunities’; these included own-label supplier issues, and an apparent inability to resolve payment issues speedily. One business unit – BWS – received a declining score from the previous year, and was therefore a particular concern.

Figure 1.8 shows that suppliers had generally positive views about RetailCo. Interestingly, the first seven ranked priorities for RetailCo were all positive – being viewed as strengths. Payment resolution featured as a concern here too, though in terms of priority, it was ranked eighth.

ADVANTAGE		KEY STRENGTHS & OPPORTUNITIES (Based on Both Results and Interview Comments)	
MEASUREMENT AREA	STRENGTHS 	OPPORTUNITIES 	
BY PRIORITY (in terms of rank)	<ul style="list-style-type: none"> Working productively with suppliers to build profitable business for both parties (1/6) 1st priority Stores sustaining an acceptable level of in-store/on-shelf availability (1/6) 2nd priority Implementing agreed upon business plans (1/6) 3rd priority Working with suppliers to forecast and order sufficient stock (1/6) 4th priority Sharing sufficient information to enable effective manufacturer production planning (1/6) =5th priority Having an efficient payment process (1/6) =5th priority Regarded as a good company to do business with (2/6) =5th priority Personnel are readily available (2/6) 10th priority 	<ul style="list-style-type: none"> Prompt resolution of invoice/payment issues (3/6) =8th priority Stores executing promotional and retail marketing plans in accordance with commitments (3/6) =8th priority 	

Advantage Report® Mirror – FMCG
– Core Set – BR + ROL (Major Multiples)
United Kingdom 2013
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Figure 1.8 – RetailCo Summary Strengths & Opportunities (2) – from 2013 Report

The Advantage Report - Mirror included in the 2013 report for the first time an evaluation of trust calculated as a composite score achieved by RetailCo in comparison with the other five key grocery retailers surveyed - Figure 1.9. As this was a new feature of the Advantage Report – Mirror report in 2013 no comparison with prior years was possible. The ‘Trust Composite’ was arrived at by Advantage asking suppliers to give a favourable, mid-range or unfavourable mark to the statement ‘Creates and sustains a climate of cooperation and trust’. RetailCo was placed 2nd out of the 6 grocery retailers surveyed, with a net-favourable score of 45, being calculated from a favourable score of 54, a mid-range score of 37 and a quite small unfavourable score of only 9. However, that score was at the whole institutional level, with no breakdown into the possibility of differing levels of trust in different personnel in RetailCo. By way of comparison, the top ranked grocery retailer received a net favourable score of 49, with the average score across all six retailers surveyed coming very much lower, in at 27 (calculated from RetailCo’s net favourable score of 45 minus the gap to average of 28).

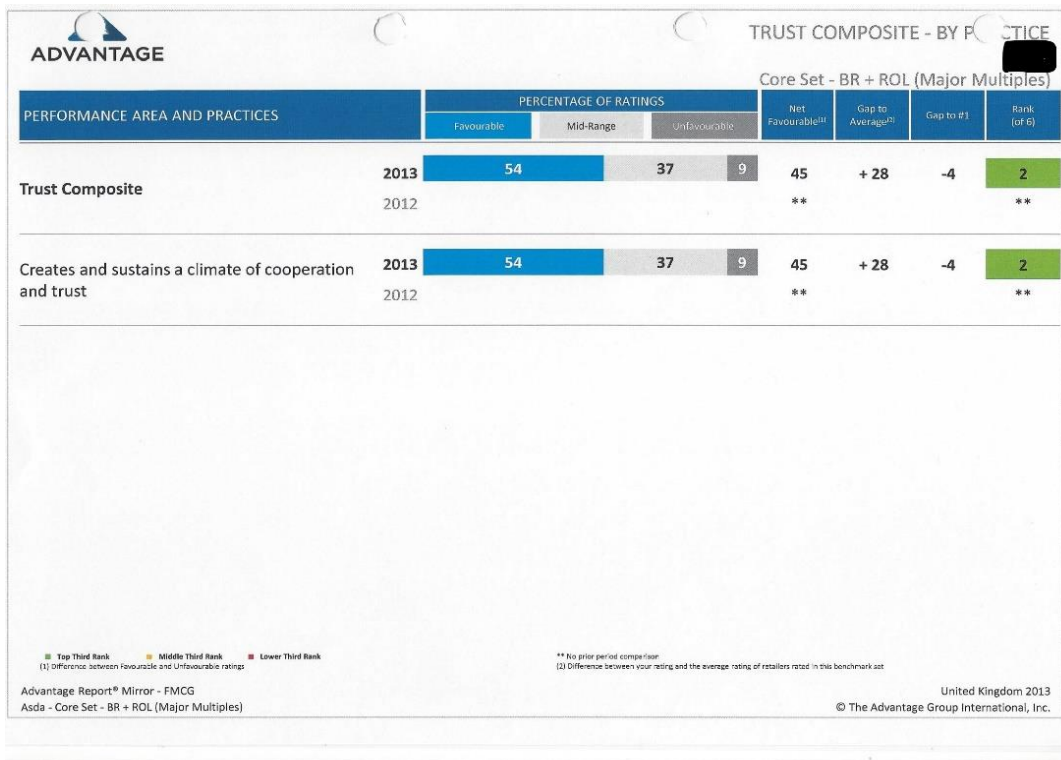


Figure 1.9 – RetailCo Trust Composite Score – from 2013 Report

The final chart taken from the Advantage Report – Mirror on RetailCo, was an annotated and anonymised copy of the assessments given by the management teams of the top 20 suppliers to RetailCo, broken down across seven functional groups within RetailCo (Figure 1.10). The functional groups were determined by the Advantage Group. There are apparent small inconsistencies here. The 2nd listed supplier ranked RetailCo in the top third of the six retailers in all seven functional groups (green in all seven functional groups), whereas the supplier who ranked RetailCo 1st overall included one yellow score amongst the functional groups, a mid-third position ranking in ‘brand/consumer marketing’. Due to the anonymity necessarily accorded to RetailCo and to the suppliers who had participated in the survey it was not possible to correlate the rankings shown in Figure 1.9 to specific business units, which would have been an interesting additional insight into suppliers’ thinking.

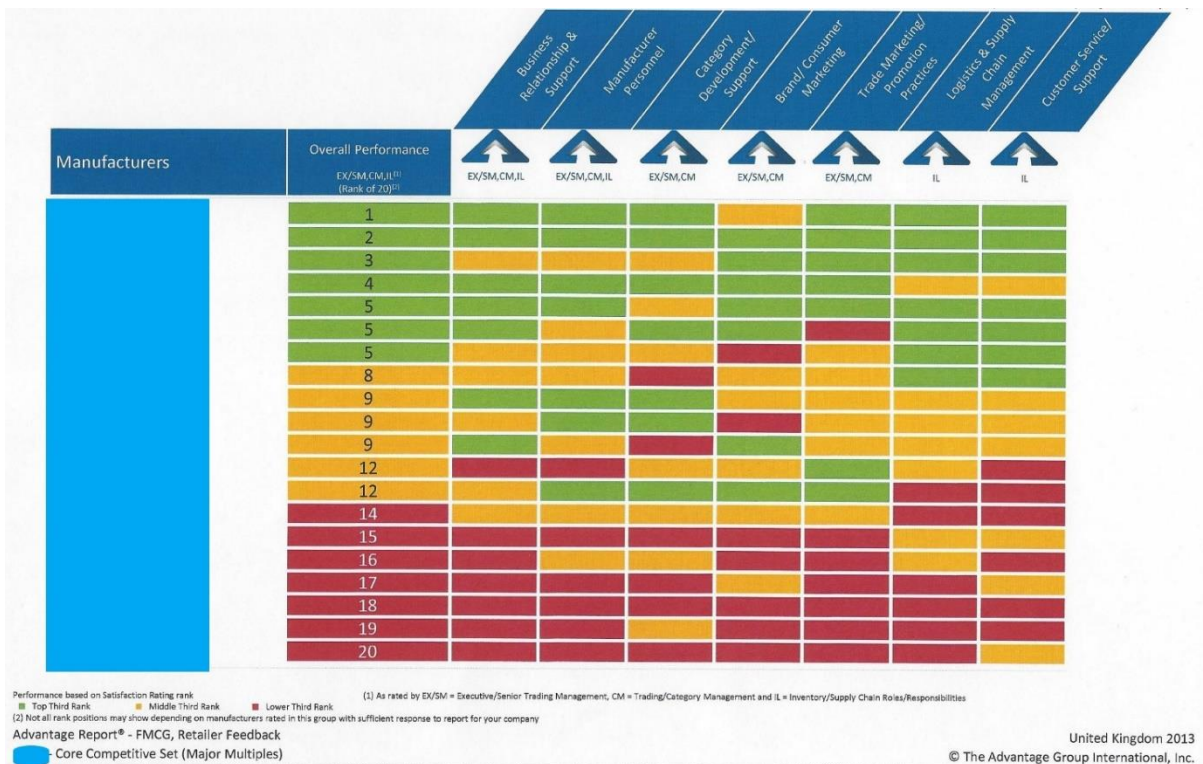


Figure 1.10 – Advantage Report – Mirror – RetailCo's Top 20 Retailer Assessments

1.6 A review of the Advantage Report data

The research design utilised as a starting point both the researcher's prior knowledge of the sector, from their experience of having worked in global food supply chains for over twenty years, and the industry data from the 2013 Advantage Report – Mirror for RetailCo. A critical analysis of the data and interview extracts from the Advantage Report provided a very helpful basis on which to build the detailed research strategy and research questions.

An examination of trust, its existence and its manifestation in grocery supply chains was the starting point of the research. It was identified by the Senior Vice President and Chief Merchandising Officer of RetailCo as a key concern when he emailed selected suppliers to ask for their participation in the research programme. Interestingly though, the Advantage Report – Mirror ranked RetailCo 2nd in the group of grocery retailers they surveyed. That suggested that their suppliers considered them to be far better than much of the grocery retail competition. However, based on the conversations that the researcher had held with suppliers during his commercial work, and with supplier S1 at the start of the research programme, it was clear that there were nuances to trust where suppliers differentiated between an overall assessment of

the retailer's trustworthiness, and how individual actors within the retailers behaved. Differences were perceived between the trustworthiness of senior staff and buyers. The Advantage Report – Mirror provided an excellent source of background material, both quantitative and qualitative, to help develop the research framework, given that it displayed how RetailCo's behaviour was viewed by their suppliers.

A selected series of extracts from the report follows. The extracts were selected as representative of the responses received by the Advantage Group for that category (or business unit as they are described in the report). Where possible, two different suppliers were selected to be included in the tables. Suppliers had ranked RetailCo against their competitors for each business unit. RetailCo was ranked 1st in four business units, being bakery, chilled convenience, dairy/chilled and frozen food, as detailed in Table 1.4. They were ranked 2nd in six business units, which were personal care/baby, ambient grocery, HLP/Pet⁸, produce, MFP, and OTC/healthcare, see Table 1.5. RetailCo was ranked 3rd in just one business unit, impulse, see Table 1.6, and 4th in one business unit, BWS, see Table 1.7. Definitions of each business unit are included in the relevant tables. Table 1.4 includes extracts from suppliers in the four business units that ranked RetailCo 1st.

⁸ HLP/Pet (Home and laundry products, pet food and pet care) was excluded from the research programme for reasons of commercial confidentiality attributable to the very small number of suppliers to RetailCo and so no comments have been included from the Advantage Report – Mirror

<p>Bakery</p> <p><i>All bread and baked products</i></p>	<ol style="list-style-type: none"> 1. <i>The thing that they should do better is to improve the audit process.</i> 2. <i>If they want to ... (take) cost out they have to recognise that sometimes they have to come to the party about product specification and about working with us to take cost out – but they don't always do that.</i>
<p>Chilled Convenience</p> <p><i>Sandwiches and food on the go, etc.</i></p>	<ol style="list-style-type: none"> 1. <i>We would just like more open and honest communication from them. There needs to be more honesty and open dialogue around inflation.</i> 2. <i>We find that they are very dictatorial around meeting dates ... getting diaries together is difficult but sometimes it is more about how they go about it.</i>
<p>Dairy/Chilled</p> <p><i>Milk and milk products, and other chilled foods</i></p>	<ol style="list-style-type: none"> 1. <i>We would like them to stick to the plan that they say they were going to do. To have a bit more adherence to the Joint Business Plan and to be a bit less bullish. Sometimes they can be blinkered in their demands for cash and we have found them quite hard to work with. There seems to be a bit of inexperience around looking at the numbers and the commercial side of it.</i> 2. <i>The thing that we would like them to do better is to be more co-ordinated. They have so many decision-makers now that it is almost impossible to get final decisions from them. We do have a good category team from that point of view but it could be made a lot easier if it was more streamlined.</i>
<p>Frozen Food</p> <p><i>All frozen food</i></p>	<ol style="list-style-type: none"> 1. <i>We would like them to be more receptive on the Joint Business Plan side. We understand that (taking cost out of the supply chain) is their strategy and they are consistent, but we see that with other brands in other areas they don't necessarily stay hooked into (it)</i>
<p><i>Table 1.4 – Observations made by suppliers who ranked RetailCo 1st in those business units Advantage Report – Mirror Interview Quotations from 2013 Report pp 2-21</i></p>	

Despite the fact that the supplier comments above were made by suppliers who had ranked RetailCo 1st amongst the six grocery retailers surveyed, there were some quite critical comments. Clearly, the researcher did not have access to Advantage Reports on the other retailers and therefore could not make any comparisons, but RetailCo was ranked 1st despite the quite critical comments that were made. The other retailers surveyed may be assumed therefore to have more issues with their suppliers in those business units. Improved communication and collaboration were the main themes that emerged, along with a strong focus on cash.

Table 1.5 shows comments from suppliers in business units that had ranked RetailCo 2nd.

<p>Ambient Grocery</p> <p><i>Pasta, rice, cooking sauces, ambient long-life shelf milk, sugar</i></p>	<ol style="list-style-type: none"> 1. <i>We would like the to be less last minute and reactionary to the demands of the market and to be a bit more strategic and maybe discuss longer-term plans as well. To give us a three-to five-year vision of where they want to get to.</i> 2. <i>The main thing we would like from them is to get more air time with them and clarity on what is happening. If they invested more planning time with suppliers up-front they would have less fire-fighting to do in the future.</i>
<p>MFP</p> <p><i>Meat, fish and poultry</i></p>	<ol style="list-style-type: none"> 1. <i>Sometimes we would like them to give us more time to get things done. They are really challenging because, whilst they give us all of the tools and communication, when they want us to do something they want it done very quickly and sometimes that can be a challenge.</i> 2. <i>We just think that sometimes they don't quite land it. They have some great ideas but it is just the final execution that lets them down a little bit and could be so much better.</i>
<p>OTC/Healthcare</p> <p><i>Over-the-counter health products</i></p>	<ol style="list-style-type: none"> 1. <i>The thing that we would like them to do is to try to involve smaller suppliers in more top line strategic work. That would be really helpful for us.</i> 2. <i>There are odd challenges but generally they have been positive.</i>
<p>Personal care / Baby</p> <p><i>Personal grooming products and baby products</i></p>	<ol style="list-style-type: none"> 1. <i>It would be good if they could sometimes try to move beyond price ... our category isn't just about price, it is about ranging and availability and impact in-store and education.</i> 2. <i>Their corporate marketing team is probably one of the most restrictive in the industry and as a result we think that they leave opportunity on the table and have a risk of falling behind other retailers. The traders know that and they are frustrated by it, and if that group continue with the rules and regulations on in-store communication and the look and feel and branding that they have got right now, they will fall behind as a retailer in terms of their in-store environment and their look and feel.</i>
<p>Produce</p> <p><i>Fruit and veg</i></p>	<ol style="list-style-type: none"> 1. <i>They could improve operationally and in-store with the "final 50 yards" from the back room into the store, and having the product when the customer wants it in the appearance that the customer wants. They have tried hard and they have made improvements but for us that is the big win for them.</i> 2. <i>We would like to keep our buying team for many years to come. It takes a good twelve months to understand everything about it because it is seasonal. When we have a team for a short while it is just not long enough.</i>
<p><i>Table 1.5 – Observations made by suppliers who ranked RetailCo 2nd in those business units Advantage Report – Mirror Interview Quotations from 2013 Report pp 2-21</i></p>	

There are similarities with the previous set of responses, with communication and collaboration again a real challenge in a number of ways. Unreasonable expectations by RetailCo on turnaround times and a rapid turnover of RetailCo buyers were also concerns. Again, an interesting observation is that RetailCo was ranked 2nd by suppliers in those business units, yet quite strong criticisms were made.

Table 1.6, focusing just on the impulse business unit, which was ranked 3rd by suppliers, includes extracts from two suppliers.

<p>Impulse</p> <p><i>A combination of soft drinks, biscuits and confectionary – both sweet and chocolate as well as savoury snacks</i></p>	<ol style="list-style-type: none"> 1. <i>We think that at times they are a bit maverick, and can be a bit big and brave and brash without necessarily thinking through all of the consequences.</i> 2. <i>We would probably like them to negotiate more and to be open-minded to negotiate rather than being one-sided.</i>
<p><i>Table 1.6 – Observations made by suppliers who ranked RetailCo 3nd in those business units Advantage Report – Mirror Interview Quotations from 2013 Report pp 2-21</i></p>	

As with the previous two tables, communication style was raised as a quite negative feature of the relationship between suppliers and RetailCo. The final set of extracts, in Table 1.7, refers to BWS, the business unit that was ranked 4th by suppliers.

<p>BWS</p> <p><i>Beer, wine and spirits</i></p>	<ol style="list-style-type: none"> 1. <i>The thing we would like them to improve is the ability to get hold of them and just get things done. We find that nothing comes back from them and on occasion we can hit a brick wall.</i> 2. <i>The thing that we would like them to do better would be around the supply chain. They are very good but we would like a bit more access, because even though they share a lot of information and they communicate regularly ... it can be quite hard to establish a relationship and dialogue in the same way as we do with other parts of their team.</i>
<p><i>Table 1.7 – Observations made by suppliers who ranked RetailCo 4th in those business units. Advantage Report – Mirror Interview Quotations from 2013 Report pp 2-21</i></p>	

Once more, meaningful communication was raised as an issue with business unit BWS, with the second comment in Table 1.7 relating specifically to buyers.

Taking account of all the comments made by suppliers in the Advantage Group survey, of which the above are representative, there is a thread of commonality over the issue of poor communication. What was difficult to determine clearly from the Advantage Report - Mirror was to what extent the representative comments included in the tables above were role-specific. The last extract included (in Table 1.7) was specifically referring to buyers, rather than the category team, but such distinctions were not easy to draw from most of the data. Figure 1.10, being an extract from the Advantage Group report, illustrates suppliers' views of various

functional groups within RetailCo. Whilst that is illuminating, it leaves open a main area for further investigation that this analysis of the Advantage Report has identified: was there a difference between the relationship that suppliers had with their buyers at RetailCo, from the relationship they had with other teams, such as the category teams, or with more senior colleagues? Within that umbrella question a further questions was evident - were trust levels different in those various relationships?

With this information in mind, Figure 1.1, 'the diagrammatic view of the grocery sector structural issues' was re-examined. The diagram focuses on suppliers and retailers, without any differentiation between the organisation as a whole and individual roles and personnel within the organisation. The Advantage Report data has illustrated a generally good perception of RetailCo by their suppliers, whilst at the same time offering some pretty specific negative comments about elements of their trading relationships. Early stage discussions with RetailCo and one supplier had indicated that there were three issues in common – shared by both parties; they were power imbalance, relationship risk and lack of trust. This research will explore those issues in more depth.

1.7 Chapter One Conclusions

Three inter-twining themes relating to supplier-retailer relationships were identified from prior knowledge and confirmed by early stage discussions with RetailCo and one supplier; they were deemed to be the core issues affecting the grocery supply chain relationships, being Power, Risk and Trust. The Advantage Report – Mirror ranked RetailCo 2nd on trust amongst the six grocery retailers considered by their research. However, an examination of the interview transcripts from the Advantage Report revealed concerns amongst suppliers about poor communication and payment query resolution delays.

It was concluded that the primary research that was needed was to ascertain whether there were differences in perceived trust levels through various power positions and the associated risks to both suppliers and RetailCo. Based on prior knowledge and the background material from the Advantage Report, some broad research questions were considered, which were to become refined during the conduct of the research in the light of the research gap identified in the literature review and as a result of the adopted theoretical framework.

A very comprehensive literature review forms Chapter Two, and examines in detail the manifestation of trust in its various forms, and the background to, and application of, Open Book Accounting. The research gap is identified, and the research questions refined to take account of the literature review findings.

The thesis then moves in Chapter Three to a consideration of the appropriate theoretical framework that would be used to conduct the research and analyse the collected data. The adoption of a specific theoretical framework led to the finalisation of the research questions, and formed the basis upon which the methodology for the primary research would be conducted. The methodology, the research methods used, and the data collection are all described in Chapter Four.

Chapter Five contains the data analysis, with the discussion in Chapter Six, which leads to the conclusions, limitations, and proposals for future research in the final chapters, Chapter Seven and Eight.

CHAPTER TWO - Literature Review

This review of the literature first focuses on the issue of trust and its related concepts, including power, and alternative inter-organisational relational concepts such as calculativeness. It also examines relevant work on risk where that is related to trust and/or power. There is then a consideration of open book systems, including the emergence and significance of Open Book Accounting. Whilst this literature review is not sector-specific, there is a thread related to the grocery sector running through the literature, which therefore also includes how retailer systems such as category management interface with grocery sector inter-organisational relationships. Some of the non-grocery literature relates to the automotive sector where a considerable body of research has been carried out in – *inter alia* – Japan and the United States of America. A broad selection of other disciplines' work has also been cited.

2.1 An overview of Trust

Trust as a concept is commonly referred to in all aspects of life and much has been written about it and its nature. A google search for 'trust' produced 22.6 million results⁹. In this thesis the nature of trust in business relationships will be examined and challenged: does trust even play a part in such relationships? The concept of trust may be considered to be analogous to the Biblical concept of faith¹⁰ '*... confidence in what we hope for and assurance about what we do not see*'. That statement is echoed by Luhmann (1979) who avers that trust and time are intrinsically related "*To show trust is to anticipate the future*" (Luhmann, 1979 p10). What is described here, whether termed trust, confidence, or even faith, goes to the heart of relationships, exhibited through both inter-personal and inter-business relationships. Whilst the bulk of the literature recognises the concept of trust in inter-organisational relationships (whether present or lacking) there are many sub-divisions that researchers have created for types of trust, and more recently a school of thought has developed that suggests that what has been termed 'trust' in the literature is actually more of a self-interested desire to make the linkages work, a concept crystallised in Grafton & Mundy (2016), who build on the work of Williamson (1993), Barney & Hansen (1994) and Gibbons & Henderson (2012). Their alternative view is characterised by calculativeness, where one actor is in expectation of a benefit accruing

⁹ Google search for 'trust' carried out on 15 March 2019

¹⁰ Hebrews Chapter 11 Verse 1 – New International Version

from a positive relationship with another actor. Grafton & Mundy (2016) write about the 'myth of trust' and conclude '*... we suggest that the concept of 'trust' adds neither to explanations nor predictions about the management of risks within the alliance, indicating that it is more appropriately described as an ex-post labelling of personal affect by those involved in economic exchange*'. (Grafton and Mundy, 2016 p15)

The argument proposed by Grafton & Mundy (2016) is that what they term as 'relational contracts' are entered into for mutual economic advantage, and thus trust itself plays no part in determining whether to trade or not. The researcher does not completely disagree with that proposition as a common factor in supplier–retailer relations. After careful consideration of the argument proposed most recently by Grafton & Mundy (2016), and as a result of several presentations by the researcher, developed – *inter alia* – at Management Control Association events, with interesting conversations with that paper's authors and others, the researcher has come to appreciate the thrust of the argument presented by what may be termed 'trust dissenters' which has helped the researcher to hone an independent view. Accordingly, whilst respecting the view held by Grafton & Mundy (2016) the researcher does not agree with that view but avers that trust can be, and from time to time is, exhibited in business relationships when one party is prepared to take an economic and commercial risk based on their assessment of the trustworthiness of the other party.

Can institutions and organisations exhibit trust, or behave in a trustworthy manner, or is the concept of trust limited to human actors? Actor Network theory allow for inanimate objects, such as companies, or even concepts, such as accounting techniques, to be actors, but the researcher asserts that it is a too big a leap from accepting inanimate objects as actors to suggest that an organisation, as an actor, can instigate and determine the style of relationship it enjoys with its stakeholders, in displaying trust, although some other researchers would disagree.

The literature search produced a very substantial number of papers relating to aspects of trust. About 250 published papers (and a few books) that had some relevance to this research were identified, from which just over 150 papers and books that were the most directly relevant have been studied. This thesis considers that relational trust, that is trust between people, is a valid basis for considering trust as a descriptor of inter-organisational behaviour. The initial analysis

of the literature reviewed herein attempted to ascertain whether the research literature displayed a chronologically-derived development over time, and to what extent that supported or confounded the researcher's own view that trust was only capable of being experienced in inter-personal relationships. The review of the literature examines that position, and also examines whether inter-organisational, or inter-group trust existed, or was a reflection of inter-personal trust between people in each organisation. The literature review also explores the notion of trust *per se*, and deals with the views of those researchers who view the concept somewhat differently.

Table 2.1 presents an analysis of the literature by date groupings; prior to 2000, 2000 to 2009, and 2010 onwards, with authors listed against an assessment of their most appropriate relevant category. This grouping approach has helped to demonstrate the development of thinking over time. The first such category, 'trust' itself, was used where authors did not define particular aspects of trust, but considered the term 'trust' sufficient in itself. The following categories: phenomenology and calculativeness; risk; power; control; leadership; culture; cooperation and collaboration; legitimacy; and honesty are named using other familiar terms used in a variety of research areas. There then follow some other categories, all with 'trust' in their descriptors: relational trust; contractual, goodwill, and competence trust; system-based, intellectual, and affect-based trust; calculus-based, knowledge-based, identification-based, and performance-based trust; case-specific trust, 'thick' trust and 'thin' trust. Finally, there are three classifications that do not readily fit into the above groupings: social capital; category management; and time.

In some cases, authors who may not have used the specific term describing the classification have been included in that classification if their argument fitted that categorisation. That is particularly true of 'thick trust' which has a strong accounting base. So, writers referring specifically to the trust implications of accounting approaches in inter-organisational relationships have all been included in that heading, which is, interestingly, by far the largest single category in this classification. Many researchers have multiple entries included. In some cases, researchers are listed in Table 2.1 but not referred to specifically in the relevant sections. That is because their work is supportive of others already cited.

This review of the literature on trust will now consider the broad trends in thinking and concept development, category by category, commencing with some of the principal exponents of broad trust theories. To some extent, the categories are artificial in that the cited papers tend not to deal solely with one issue, but any critical analysis that utilises a framework will, inevitably, suffer from that somewhat straightjacketed approach. Providing that the analysis embraces sufficient detail for the reader to grasp the significance of that contribution, then the analysis that this thesis has conducted will have done its job.

There is a very substantial body of literature on trust. The following literature review has sought first to identify the main writers who describe trust as a concept in its own right; this is then followed by a series of sections dealing with certain relevant classifications of trust – relevant, that is, to this thesis. Granted that any form of classification requires some segmentation, the treatment of the cited literature in the manner described above, and detailed below, is aimed to provide a useful structure for the rest of the thesis.

The classification table of the examined literature, and the critique of the cited literature, section by section, follow.

Section	Description	Prior to 2000	2000 to 2009	2010 onwards
2.1.1	Trust (no further definition)	Mauss (1926) Wildavsky (1964) Luhmann (1979; 1988) Barber (1983) Eisenstadt & Roniger (1984) Lorenz (1990)	Gambetta (2000) Tomkins (2001) Kassembaum (2004) Seal et al (2004) Walker et al (2007)	Brinkhoff et al (2015) Möllering (2017) <i>N.B. Much of the more recent literature appears below having focused on the specific themes of trust</i>
2.1.2	Phenomenology & Calculativeness	Husserl (1900; 1901) March & Olsen (1989) Williamson (1993) Barney & Hansen (1994) Løgstrup (1997)	Løgstrup (2007) Claro & Claro (2008)	Gibbons & Henderson (2012) Farina (2014) Frederiksen (2014) Möllering (2014) Poppo et al (2016) Grafton & Mundy (2016) Fehr & Rocha (2018)
2.1.3	Risk	Luhmann (1988)	Jøsang & Presti (2004) Laing & Lian (2005)	Dekker et al (2013) Ding et al (2013) BDO (2019)
2.1.4	Power	Ganesan (1994) Hall & Berenson (1998)	Bachmann (2001) Hofstede (2001) Grimen (2001) Tomkins (2001) Mooij & Hofstede (2002) Seal et al (2004) Woolthuis et al (2005) Graebner (2009) Grimen (2009)	Agndal & Nilsson (2010) Soosay & Hyland (2015) Luhmann (2018) Guy (2019)
2.1.5	Control	Ring & Van de Ven (1992) Simons (1995) Zaheer & Venkatraman (1995) Gulati (1995 & 1998) Chiles & McMackin (1996) Jones et al (1997) Nooteboom (1996) Das & Teng (1998) Rousseau et al (1998)	Das & Teng (2001) Tomkins (2001) Adler (2001) Poppo & Zenger (2002) Dekker (2004) Kraus & Lind (2007) Mao et al (2008) Berry et al (2009) Vosselman & Meer-Kooistra (2009)	Ding et al (2013) Davila (2019) Harris et al (2019) Grunwald-Delitz et al (2019)
2.1.6	Leadership	Berry et al (1994)	Mao et al (2008)	Savolainen et al (2011) Fulmer & Gelfand (2012)
2.1.7	Culture	Nevin (1995)	Adler (2001) Hofstede (2001) Inoue (2006) Mao (2008) Barber (2008)	Puffer et al (2010) Schmidt & Simchi-Levi (2013) Silvestre (2015)
2.1.8	Cooperation & Collaboration	Nevin (1995)	Gadde & Hakansson (2001) Lockamy & McCormack (2004) Inkpen & Tsang (2005) Coad & Cullen (2006) Wagner & Bode (2006)	Cullen & Meira (2010) Nyaga et al (2010) Dyer & Chu (2011) Sequeira & de Carvalho (2012) Kovács & Spens (2013) Boies et al (2015) Datta & Oschlag-Michael (2015)
2.1.9	Legitimacy		Connelly et al (2006)	Porter & Kramer (2011) National Audit Office (2015)
2.1.10	Honesty	Barabba & Zaltman (1991)	Graebner (2009)	
2.1.11	Relational Trust	Dunkelberg et al (1984) Haines et al (1991) Ring & Van de Ven (1994) Doz (1996) Nooteboom et al (1997)	Barringer & Harrison (2000) Saparito et al (2004) Miyamoto & Rexha (2004) Bremmers (2006) Free (2008)	Dyer & Chu (2011) Minnaar et al (2017) Poppo et al (2016) Lu et al (2017)

2.1.12	Contractual, Goodwill & Competence Trust	Barber (1983) Sako & Helper (1998)	Das & Teng (2001) Dyer & Chu (2003) Bunduchi (2005)	Connelly et al (2018)
2.1.13	System-based; Intellectual; & Affect-based Trust		Tan et al (2009)	Cheung et al (2011) Akhavan et al (2014)
2.1.14	Calculus-based; Knowledge-based; Identification-based; & Performance-based Trust	Sabherwal (1999)	Adler (2001)	Datta & Oschlag-Michael (2015)
2.1.15	Case Specific Trust		Bachmann (2001) Walker et al (2007) Heiskanen et al (2008)	
2.1.16 & 2.2	'Thick' Trust (<i>accounting</i>) & 'Thin' Trust (<i>control</i>)	Cm. 9073 (1918) Addison (1934) Loft (1986) Watts & Zimmerman (1990) Kato (1993) Ganesan (1994) Stack & Burlingham (1994) Carr & Ng (1995) Davis (1997) Seal et al (1999)	Hofstede (2001) Tomkins (2001) Kulmala et al (2002) Axelsson et al (2002) Van der Veeken & Wouters (2002) Jack (2004) Kulmala (2004) Ahrens & Chapman (2004) Mishra & Raghunathan (2004) Hughes (2005) Kajuter & Kulmala (2005) Coad & Cullen (2006) Free (2007 & 2008) Yao et al (2007) Jack & Kholeif (2007) Jack & Kholeif (2008) Kraus & Lind (2007) Vosselman & Meer-Kooistra (2009)	Agndal & Nilsson (2010) Cullen & Meira (2010) Bastl et al (2010) Modell (2010) Romano & Formentini (2012) Windolph & Moeller (2012) Jack (2013) Makrygiannakis & Jack (2016) National Audit Office (2015) Ellström & Larsson (2017) Jack (2017 a,b,c) Jack et al (2018) Daff & Jack (2018) Fehr & Rocha (2018)
2.1.17	Social Capital	Mauss (1926) Coleman (1988)	Svendsen & Svendsen (2000) Sligo & Massey (2007)	Lins et al (2017)
2.1.18	Category Management	Chen et al (1999)	Free (2007 & 2008)	Brinkhoff et al (2015)
2.1.19	Time	Luhmann (1979) Mayer (1995)		Vanneste et al (2014)

Table 2.1 – Chronology of Categorisations of Trust

2.1.1 Trust

This initial category contains more general notions of trust, and in particular draws the distinction between inter-personal trust and inter-organisational trust. The question of whether trust exists in organisational relationships with other organisations is discussed later in the paper. Luhmann (1979) and Tomkins (2001) are two leading researchers who have, historically, been much cited on trust. Their views are examined here, and critically compared with others who generally support the conventionally accepted wisdom on trust, and those who take an opposing view. Tomkins' (2001) views are quite clear: he states that it is a matter of fact that all relationships depend on trust. He goes on to aver that regular trading leads to what he

describes as “... *social bonds ... based upon mutual understanding and trust ...*” (Tomkins, 2001, p161). Luhmann (1979), in his extensive treatise *Trust and Power*, points out that ‘... *trust is extended first and foremost to another human being ...*’ Luhmann (1979, p39), stressing the importance of the personal nature of trust. Gambetta (2000) agrees, adding that trust is displayed only by people, asserting that it is a human feeling that affects our decisions and our behaviour. Disentangling personal trust from trust between organisations is complex, especially as most business transactions are actually created and managed by individuals in specific positions in organisations, who may have developed strong inter-personal relations (which could be positive or negative and may change with time anyway) with their colleague(s) in other organisations. As mentioned above, one of the main categorisations of trust draws a distinction between inter-personal trust, and inter-organisational trust. Having examined the literature carefully, the researcher agrees with Gambetta’s (2000) assertion that trust is only displayed by people. Thus, organisations – as inanimate actors – cannot have independent thinking of their own, so inter-personal trust may be seen to be the key to all or most inter-organisational transactions. As an example of the power of personal trust, the role of members of the US Congress in the preparation of the USA Federal Budget was examined by Wildavsky (1964), who found that the elements forming the composition of the budget that had been prepared by the administration were complex in the extreme and beyond the ability of the Congress members to fully understand and evaluate. The Congress members were willing to approve the budget based not on their full understanding of all the elements but on their complete trust in the integrity and trustworthiness of the men and women whom they knew, and who had formed that part of the administration responsible for the budget preparation. That is a compelling example of where trust in an organisational process was entirely reliant on the level of trust exhibited in the people who had overseen the process.

Another example, in a different sector and different culture, is an examination of newly formed Primary Care Partnerships in Australia by Walker et al (2007). They conducted interviews with medics involved in the new medical partnerships as they came together with colleagues previously unknown to them over the period of the formation of the Primary Care Partnerships. Walker et al (2007) determined that trust was a key element of the likely success of the newly formed bodies. It was clear that the medics primarily exhibited trust in other medics, not in the Primary Care Partnerships as inanimate actors; That again seems clear and conclusive ‘*I am*

trusting at an individual level ... then look at having faith or trust in the underlying systems and processes ...' Walker et al (2007 p917).

There are, however, contrary views expressed. For example, Mauss (1926) disagrees with Gambetta's (2000) view, stating that '*...it is groups, and not individuals, which ... make contracts, and are bound by obligations*' (Mauss, 1926, p3). Maybe, but those groups are still made up of individuals. Luhmann (1979) in his extensive treatise *Trust and Power*, is clear that '*... trust is extended first and foremost to another human being ...*' Luhmann (1979, p39) but later postulates three types of trust in trust:-

First – trusting one's own trust,

Secondly – by trusting that (s) he is trusted by other people, and

Thirdly – that other people trust as (s)he does, those Luhmann (1979) calls third parties.

Here there appears to be the start of a move away from a pure form of inter-personal trust into reliance, almost vicariously, on the views of others, from which Mauss' (1926) assertion above can be viewed.

A further example that supports the personal relationship nature of trust is summarised in an examination of sub-contractor relationships in the Rhone Alps by Lorenz (1990) that established that those interviewed emphasised that it was essential to meet and know the people in the other organisations, and therefore being in close proximity really helped build inter-personal trust that led to the organisations in effect trusting each other and being able to resolve any resulting problems or difficulties. The researcher considers that what was observed there was still essentially inter-personal trust as a change in personnel at either organisation would be detrimental to the trust levels. The form of trust described by Lorenz is often termed relational trust.

An additional form of important trust research is concerned with the failure of trust, and the circumstances that led to the failure of trust, in what had previously been trusting relationships. Trust Failure as a concept has been researched by Barber (1983) who identified three elements that may give rise to trust failure:-

First – moral continuity,

Secondly – the ability of the personnel involved, and

Thirdly – legal responsibilities.

Luhmann (1988) expands on Barber's (1983) third element by explaining that this is when the responsibility of actors is to "... *place the interests of others before their own.*" Luhmann (1988 p95). Eisenstadt & Roniger (1984) talk of unconditional trust only being exhibited in families and smaller groups and, whilst recognising the importance of *Gesellschaft* (society) and *Gemeinschaft* (community), doubt that such levels of trust can be observed in more complex societies, which can extend to include larger-scale commercial operations. To some extent, these observations align with the thinking displayed by Grafton & Mundy (2016) in doubting that trust exists at all in inter-organisational relationships.

Kassembaum (2004) suggests that individuals who are displaying trust may be justifiably perceived as representatives of defined groups in certain circumstances, which lends some weight to the concept that organisations can be trusted. However, the researcher's argument is that trust is exhibited from one person to another, not between inanimate objects such as organisations. Clearly, corporate culture or organisational behaviour have a strong bearing on the way that relations with other corporations or organisations are conducted. It should be noted that a form of trust can also be exhibited in a relationship with an inanimate object, and its behaviour, such as the reliability of a car to start, or a light to come on when a switch is pressed. However, Tomkins (2001) notes that his colleague Thomas Ritter ascribes that form of trust to trust in the people who designed and manufactured the product or provided the service. What follows is a consideration of the other trust categories from Table 2.1 where more specific trust-like characteristics are discussed.

2.1.2 Phenomenology & Calculativeness

Phenomenology was originally devised by Edmund Husserl (1900; 1901) and set out in his seminal work *Logical Investigations* (Husserl, 2012 – English edition). Phenomenology is the philosophical study of experience and consciousness, the name being derived from the Greek *phainómenon* (that which appears) and *lógos* (study). Perhaps not entirely helpfully, Farina (2014) writes '*A unique and final definition of phenomenology is dangerous and perhaps even paradoxical as it lacks a thematic focus. In fact, it is not a doctrine, nor a philosophical school, but rather a style of thought, a method, an open and ever-renewed experience having different results, and this may disorient anyone wishing to define the meaning of phenomenology.*' (Farina, 2014, p50).

Nevertheless, Løgstrup (1997; 2007) and others have used the approach in their work in relation to trust. Løgstrup (1997; 2007), in his developing papers, views trust from a phenomenological perspective, concluding that whilst elements of Williamson's (1993) view of the primacy of calculativeness in commercial relations has merit (Williamson, 1993) it is not wholly correct, and that trust is the default which prevails unless doubts start to creep in. Frederiksen (2014) argues that market interactions are complex '*... which may be experienced as familiar, resulting in trust – or risky, resulting in calculativeness. The fact that outcomes may seem calculable to the research by no means implies that calculation does in fact take place.*' (Frederiksen, 2014, p41).

The Journal of Trust Research published a special issue (March 2014) some 20 years after Williamson's (1993) challenge to the conventional wisdom on trust as exhibited in inter-organisational relationships. Guido Möllering (2014), the Special Issue Guest Editor, concluded "*While Williamson has made it very clear that he is against stretching or softening analytical categories, one contribution from trust research that makes it interesting beyond our specialist research community may be that it broadens and enriches our understanding of human deliberation beyond calculation and human interaction in contexts that include but, again, go beyond what has been framed as the economic or commercial realm.*" (Möllering, 2014, p17)

The debate in the literature will continue to discuss whether trust exists in inter-organisational relationships or whether what is often reported and described as 'trust' is in fact a calculated approach to economic risk, which is termed calculativeness. Perhaps the really important questions for inter-organisational relationships are how trust-like behavioural patterns impact on suppliers and customers, and how they affect the adoption of accounting tools such as Open Book Accounting that work most effectively in a collaborative relationship.

Whilst phenomenology and risk are very distinctly different concepts, when related to trust, there are significant parallels, as demonstrated by – *inter alia* – Williamson (1993) and Frederiksen (2014), both referred to above. Those two concepts also have close links with calculativeness – seen especially in Frederiksen's (2014) writings. The concept of calculativeness has been referred to above in relation to phenomenology, with Williamson's (1993) paper starting a discussion taken forward by, amongst others, Frederiksen (2014) and Grafton & Mundy (2016). Of all the concepts discussed in this part of the literature review, whether trust

exists at all in inter-organisational relations is perhaps the most controversial. Proponents of the calculativeness view deem there to be no such thing as trust in those relationships. Grafton & Mundy (2016) propose that whatever actors in transactional relationships describe as 'trust' is more correctly defined as *'self-interested behaviour, enlightened self-interest, and smart capitalism'* (Grafton & Mundy, 2016, p15) – not really trust at all, then. They further their argument by suggesting that management accounting literature has simply accepted the notion that trust exists in inter-firm relations *"First introduced into management control research by Tomkins in 2001, the concept of trust as an analytical device to explain inter-firm relations remains unchallenged in the management control literature."* (Grafton & Mundy, 2016, p4).

Their research involved carrying out interviews with actors involved in inter-organisational relations, and they make the pertinent observation that *"... our respondents describe their relationships in terms of 'trust' and 'trustworthy behaviour'"* but they challenge those statements as *"... admissions of calculativeness ..."* (Grafton & Mundy, 2016, p43).

Grafton & Mundy's (2016) assertion is based in part on Williamson's (1993) view that calculativeness is the main characteristic of market relationships, rather than trust (Williamson, 1993). Williamson was making a different point. He observes differences between the characteristics of personal trust and institutional trust, and contends that commercial relationships that refer to 'trust' are, by the fact that they exist *'in a ... social and organizational context within which contracts are embedded. In the degree to which the relevant institutional features are exogenous, institutional trust has the appearance of being noncalculative. In fact, however, transactions are always organized (governed) with reference to the institutional context (environment) of which they are a part. Calculativeness thus always reappears.'* (Williamson, 1993, p486).

March & Olsen (1989) concur *"When trust is justified by expectations of positive reciprocal consequences, it is simply another version of economic exchange."* (March & Olsen, 1989, p27)

Claro & Claro (2008) disagree; they explored the issue of how firms could develop trust in their inter-organisational relationships, and made clear their view that trust does exist in such relationships in their opening statement *'Trust in the relationship between manufacturer and supplying companies seems essential for their business success.'* (Claro & Claro, 2008, p290).

Their research concluded that *'... mechanisms by which trust is built are not only based on the calculative dimension. The affective and belief mechanisms appear to play an important role in trust-building efforts.'* (Claro & Claro, 2008, p299).

Fehr & Rocha (2018) examined the role of Open Book Accounting and trust on buyer–supplier relationship satisfaction, and concluded that Open Book Accounting did not achieve what they state Transaction Cost Economics predicted – an increase in the level of trust exhibited. They also arrive at what is perhaps a surprising conclusion, that Open Book Accounting is not *'an Inter-Organisational-Cost-Management tool as most of literature claims, for OBA is not aligned with it'*. (Fehr & Rocha, 2018, p615).

2.1.3 Risk

Any form of transaction between two or more actors necessarily includes at least a risk of failure, or of the desired outcome not being fully achieved. BDO¹¹ (2019) warns organisations about the danger of risk complexity leading to risk complacency. In his examination of inter-organisational relationships, Luhmann (1988) provides a clear exposition of the link between trust and risk: he differentiated between an uncritical confidence that some actors might have that normal life expectations will not be disappointed, and a more realistic approach where trust relies on there being an element of risk. He asserts that trust and risk coexist: and without risk there is no basis for trust in a relationship, concluding *"Otherwise, it would simply be a question of rational calculation ..."* (Luhmann, 1988, p98). The circus act where an archer shoots an arrow at an apple on the head of their accomplice is only possible because the accomplice trusts the archer, whilst recognising that there is a risk to themselves.

Risk, partner selection and contractual control were explored by Ding et al (2013). They concluded that more risky transactions resulted in a more trust-based and reputation-based partner selection coupled with more comprehensive contractual arrangements. They also concluded that the information requested and obtained during the partner selection process itself became used in the design of risk-containment contracts. Interestingly, on a similar tack, a

¹¹ BDO or Binder Dijker Otte is an international network of public accounting, tax, consulting and business advisory firms which perform professional services under the name of BDO

paper by Romano & Formentini (2012) on a novel application of Open Book Accounting examines the use of Open Book Accounting as a risk minimisation tool in supplier selection through a case study of an Italian kitchen manufacturer. That appears to be the only recorded use of Open Book Accounting for that purpose. Romano & Formentini's paper is discussed in more detail in the later section on accounting.

Laing & Lian (2005), in a study of inter-organisational relationships in professional services, agree, adding that trust reduces risk and uncertainty; they aver that the trust exhibited by actors in that study is a product of long-term personal relationships established by the professionals whose ultimate responsibilities lie in servicing their clients. BDO (2019), who have a specialist risk division, make this statement *'Risk is highly company-specific, so risk ownership by many is critical. Each organisation will have its own definition of risk and its own way of dealing with it. It is as personal as a fingerprint, and it is certainly not a matter for complacency.'* BDO (2019 p25)

2.1.4 Power

The relationship between trust and power is of relevance in getting to a clear understanding of the way(s) in which accounting techniques could have an impact upon the level of trust in asynchronous supply chains, such as those frequently experienced by suppliers in their relationships with their retailer customers.

Woolthuis et al (2005), in relating trust, power and control, propose that *'... like trust, control may be interpreted in a weak and in a strong way. In a weak interpretation, control is regarded as any instrument or condition that may mitigate relational risk. This could include trust. In a strong form, control is seen as 'deterrence' (Maguire et al. 2001), i.e. in case of opportunistic behaviour the partner incurs a penalty or material loss. In other words, here control is based on power.'* (Woolthuis et al, 2005, p814).

Hofstede (2001) looks at what he terms power distance in different cultures, characterised by the manner by which inequality is treated, a view that was supported by Mooij & Hofstede (2002) *'... the extent to which less powerful members of a society accept the fact that power is distributed unequally.'* (Mooij & Hofstede 2002 p63).

All this is central to the lack of trust exhibited in the supplier-retailer sector observed by Free (2007) who concluded that *'coercive use of accounting may entail information sharing and a degree of joint involvement in decision making, but it exhibits precisely defined obligations, top-down buyer control, and an emphasis on compliance rather than innovation'* (Free, 2007, p928)

Ganesan (1994) links a reduction in transaction costs in inter-organisational relations with increased levels of trust. Partly he attributes this to a reduction in risk *'... because both parties will refrain from using their power to renege on contracts or use a shift in circumstances to obtain profits in their favour.'* (Ganesan, 1994, p4).

The relationship becomes less opportunistic and more long-term in its approach. Costs are reduced as less formal contractual arrangements are required where trust is present. The scenario that Ganesan (1994) paints is the opposite of a power-driven relationship, it is a relationship where the parties relate to and appreciate one another, rather than a coercive and directed relationship where fear is expressed by the supplier and power exerted by the retailer. Ganesan (1994) does not attempt to identify the transaction cost reductions that might accrue from enhanced levels of trust, an issue that seems to be lacking coverage in the literature, and one that this research aims to redress.

Grimen (2001) makes the valid point that trust is not always a wholly idyllic experience, as its manifestation might be concealing a power position by one party. Perhaps more positively, Bachmann (2001) suggests that a combination of power and trust is needed to fulfil expectations of the relationship between organisations, with the balance moving towards power if a trusting relationship is not evident. Tension resulting from asymmetrical power positions in transactional dyadic relationships has also been examined by Graebner (2009), who makes an important observation about the equality in openness needed in trusting situations suggesting that there are two types of trust asymmetries in dyadic relationships. The first is where one actor voluntarily cedes power to another; both parties begin with the ability to walk away, but after the decision is made, one party submits to the power of the other. The second type is when the two parties have unequal information about one another, which is demonstrated in an Open Book Accounting relationship where the supplier opens their books but their customer does not, or does not do so to the same extent. Graebner's (2009) observations hold true *'Any occasion in which one party chooses trust while the other chooses*

vigilance can create initial trust asymmetries. Furthermore ... trust asymmetries may persist for some period of time.' (Graebner, 2009, p465).

Seal et al (2004) consider that it is sometimes difficult to differentiate between outcomes resulting from trust and those outcomes resulting from a power position. Kumar (1996) examined what he called the power of trust, posing the question of whether powerful organisations using fear and domination obtain better results than if the relationship was on a more trusting basis. Both researchers clearly see power as a trust substitute or supplantor, exposing one of the parties to risk in that relationship.

Hall & Berenson (1998), writing about health care, suggest that the presence of trust in a caring professional relationship enables the creation of what they term 'beneficial power'. Grimen (2009) agrees, adding that beneficial power is an essential component of effective working practices. Grimen (2009) goes on to suggest that power enabled through trust may not be beneficial, partly through the inferiority of patients' knowledge compared with that of health-care professionals, which is paralleled in supply chains by the relative levels of intellectual capital exhibited by some suppliers, compared with their customers. Walker et al (2007), in studying health care changes in Australia, made the point that such services "... operate in an environment that is partly a market, partly a bureaucracy and partly a service network." (Walker et al, 2007, p1). That raises the question of context: is trust more of a contentious issue in commercial relationships than in social care or other such organisations? Luhmann (1998) controversially avers that whilst trust is important in inter-personal relationships, '*... participation in functional systems ... is no longer a matter of personal relations. It requires confidence, but not trust*' (Luhmann, 1988, p102)

Luhmann's (1988) argument here is not borne out by current commercial practice, a point supported by Free (2008) in his examination of accounting techniques and their impact on perceived levels of trust, in which he concluded that further work was needed, over several years, to gain more understanding of – *inter alia* – trust and relationship development in supplier–retailer dealings.

Clearly, power may be used by one actor against another actor in an inter-organisational relationship, and that power might be more or less visible depending on the nature of the relationship between the actors. As with much of the work of a careful analysis of trust factors, obtaining clear blue water between the categories – in this case power and trust – is not simple, nor immediately obvious. It is oft assumed that power resides in the customer in inter-organisational relationships, but Agndal & Nilsson (2010) cite Original Equipment Manufacturers (OEMs) supplying a car manufacturer having the potential for some form of sanctions against the manufacturer.

2.1.5 Control

Trust between parties in inter-organisational relationships can be viewed as a replacement for control mechanisms; in some of the literature it is seen more as a complement to control mechanisms. Simons (1995) analyses a shift away from ‘command and control’ styles of management to a more inclusive approach that recognises contributions that colleagues can and do make throughout the organisation and beyond. Key to that different approach is the inclusion of ‘empowerment’ whilst retaining accountability. The concept of empowerment liberates staff but also creates a need for a responsive and balanced control system. Simons (1995) cites an example where empowerment was permitted and control was lacking. A pharmaceutical company encouraged managers to respond to their hospital customers’ needs with contracts for new capital equipment. *‘Some sales managers began to provide hospitals with expensive diagnostic machines at no charge ... with the arrangement that disposable reagent supplies ... would be purchased later at above market prices ... managers began to re-write contract terms ... the result was a multi-million dollar write-off of contract receivables.’* (Simons, 1995, pp 162-3)

Empowerment in this context is analogous to trust in that the organisation empowering its managers to form local agreements was couched in a framework that demonstrated that the managers were trusted. The absence of any proper control system meant that the managers were not behaving dishonestly; they would not have considered that they were breaking the trust that had been given to them. The failure, therefore, lay with senior management, not with the operational managers. Simons (1995) considered that in order to have responsive organisations empowerment of staff was an essential component. However, he observed that

most researchers fail to recognise that control was an essential corollary to empowerment. He illustrated the tensions between empowerment and control diagrammatically (Figure 2.1)

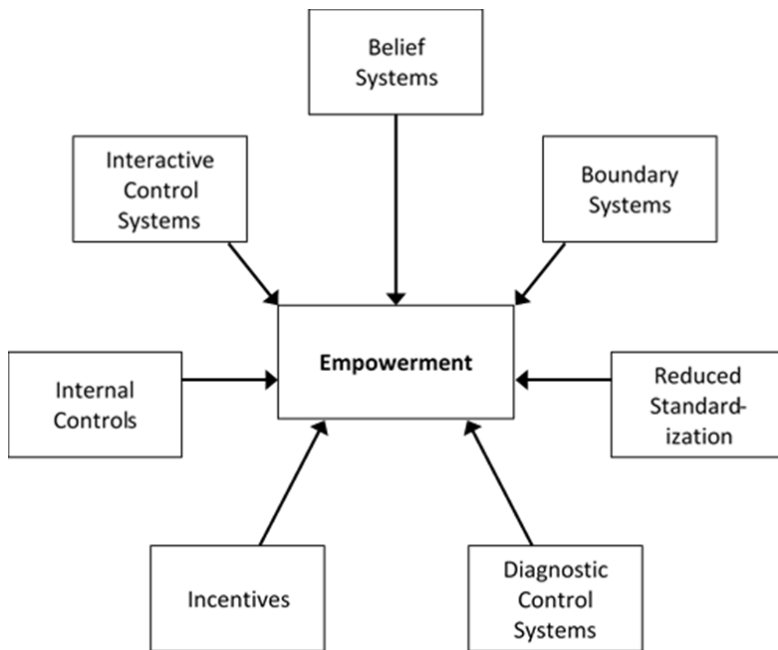


Figure 2.1 - Balancing Empowerment and Control – Simons (1995, p163)

The essential elements in a balance between empowerment and control, as illustrated in Figure 2.1 are explained through a summation of the characteristics set out by Simons (1995, pp 164-166):-

Beliefs Systems: Empowered employees must understand the basic purpose of the organisation and its business mission.

Boundary Systems: Guidelines from senior managers that set out prohibited behaviour.

Reduced Standardization: Detailed procedures do not sit well with empowerment.

Diagnostic Control Systems: The empowered employee must be accountable, with systems that measure results being of real importance.

Incentives: More responsibility results in more risk-taking, for which incentives for performance are required.

Internal Controls: Often accountancy based, such controls provide essential checks and balances.

Interactive Control Systems: Systems to convey learning to and from all employees and the senior management.

A conceptual model of performance management systems was developed by Broadbent & Laughlin (2009) which envisages a continuum somewhat analogous to Lockamy & McCormack's (2004) supply chain maturity model (Figure 2.2 in Section 2.1.8). In this case, Broadbent & Laughlin's continuum uses the terms *'transactional'* and *'relational'* to describe the limits of how a performance management system (PMS) might be adopted. They conclude *'The likelihood is that a 'relational' PMS will be 'regulative and amenable to substantive justification' and, therefore, 'freedom guaranteeing' whereas a 'transactional PMS will fail to satisfy these 'rules of thumb' and instead be 'constitutive and legitimised only through procedure' and therefore 'freedom reducing'. However, this conceptual coupling is subject to the empirical situations and the actors in these situations that are the subject of the analysis.'* (Broadbent & Laughlin, 2009, p294).

However, by contrast, Dekker (2004) favours a substitutive view, where more trust is coupled with fewer controls being put in place. Adler (2001) observed that more recent changes in management style and employee engagement from the autocratic style typical of the late 1800s onwards have been beneficial *'Perhaps more striking is the trend to trust found in the sequence of control rhetorics. Within two or three years of publishing a text popularizing a rather brutally coercive method of business process reengineering (Hammer and Champy 1993), both James Champy and Michael Hammer published new volumes (Champy 1995, Hammer 1996) stressing the importance of the human factor and the need for job redesigns that afford employees greater autonomy. The undeniably autocratic character of much early reengineering rhetoric and its rapid "softening" compares favourably with unilateral and enduring forms of domination expressed in post-War systems rationalism. It compares even more favourably with the even more unilateral and rigid rhetoric in turn-of-the-century scientific management: scientific management only softened its relations with organized labour after nearly two decades of confrontation (Nyland 1998).'*' (Adler, 2001, p222).

An in-depth study of Japanese firms outsourcing to Chinese suppliers, carried out by Mao et al (2008), argued that the positive management of the relationship between the supplier and the customer was essential, alongside a measure of control. The cultural differences between the relatively sophisticated Japanese firms and the (then) comparatively lower levels of project experience and maturity amongst the Chinese suppliers led to a high level of control from the Japanese companies but, perhaps surprisingly, a very high level of trust felt by the Chinese

suppliers. Because of the geographical separation between suppliers and customers it was found to be important for the effective completion of such outsourced projects that the Chinese suppliers were involved in ‘... *extensive personnel exchange, cultural immersion, language training, bridging engineers on the client site and client-personnel visits to the vendors.*’ Mao et al (2008 p484).

Some researchers have focused on control trust and risk, preferring control there to power, such as Das & Teng (2001) who argue that risk levels are built on the two factors of trust and control. Their argument here is that those three elements of inter-organisational business relationships are inseparably interlinked:-

- (1) Power (or control) as exhibited by one element of the supply chain over others,
- (2) Risk being taken to different extents by all parties to the supply chain network, *and*
- (3) Trust which is mainly an issue for the supplier-side of the supply chain.

The organisational behaviour of complex global supply chains may be better understood and possibly improved through an analysis of their interplay, enhanced by the usage of tools such as Open Book Accounting in requiring a new level of openness in the trading relationship. One other driver for change in management accounting that is starting to have an impact on organisations is that of sustainability control systems. Harris et al (2019) noted that such systems are often brought in by those involved in management control systems, who tend to be management accountants. As the underpinning of all such systems is data, where there are inter-organisational relationships that are collaborative, then it can be inferred that accounting tools or techniques, such as Open Book Accounting, will be an important tool to identify, interpret and apply relevant data across such networked supply chains.

Kraus & Lind (2007), in their chapter on management control in inter-organisational relationships, examine how different control mechanisms may be required in dyadic and network relationships. They introduce ideas of outcome controls, using metrics to determine whether the relationship is working effectively, behaviour controls at a procedural and training level, and social controls that influence the behaviour in individuals in the organisations. Trust is seen as an important component of the latter control. They recommend that companies should organise trust-building strategies to enhance and consolidate relationships between

participating organisations, based on their view that higher levels of trust make decision-making processes easier to implement.

Nooteboom (1996) draws a distinction between organisations under competitive stress, such as the car industry at a time of declining sales, when trust was not a feature of manufacturers' relations with suppliers, in contrast with monopolistic or near monopolistic operations (he uses the oil and gas exploration industry as an example) where trust was more easily affordable.

The impact of informal control systems on inter-organisational relations was the subject of Stefan Grunwald-Delitz's PhD thesis that spawned an academic paper in Accounting & Management (Grunwald-Delitz, 2019). He sought answers to the question: '*How do informal controls influence actors' behaviour when governing daily interactions in an interfirm setting?*' (Grunwald-Delitz et al, 2019, p314).

The research concluded that informal controls were not established at the outset of an inter-organisational relationship, but that they emerged over time through their use in the management of those relationships. The very act of doing business together created, through the interactions, controls with a specific relevance to that environment. Grunwald-Delitz et al (2019) make the salient point that '*... in contrast to the extant literature ... (the study) demonstrated that it is not only the buyer who engages in governing the relationship with its suppliers ... the supplier also actively used controls to govern the relationship with the buyer.*' (Grunwald-Delitz et al, 2019, p334).

The remaining researchers cited in Table 2.1, but not discussed in detail here, largely support the views expressed in this section, that control plays a part, more or less, in the trust level of inter-organisational relationships, based on control being observed between the organisations and not between the individuals within those organisations.

2.1.6 Leadership

A further aspect of trust is in the relationship between leadership and trust, which was examined by Savolainen et al (2011), who explored this issue through a series of case studies and concluded that working cultures that were collaborative and innovative were most effective when the leadership style adopted was trust-based. Fulmer & Gelfand (2012), in examining trust across multiple organisational levels, postulate that trust is a linchpin for many functions in

business including negotiation, leadership, team processes, human resource management, organizational change, entrepreneurship, and strategic alliances. And an interesting and unusual definition of supply chain management, provided by Berry et al (1994) speaks of building trust, exchanging information, working on New Product Development, and reducing the supplier base – all to allow management to be more focused on the development of meaningful, long-term relationships, in which clear leadership is demonstrated.

2.1.7 Culture

As well as different styles of corporate culture, the possibility of the effect of national culture on trust practices needs to be considered, especially in a time of extensive globalisation where supply chains extend across many continents. Nevin (1995) draws some interesting contrasts between cultural approaches, such as those that occur in the USA and in Japan. ‘... *the most common way in which trust emerged ... in deal-focused cultures such as the United States is from recurrent transactions.*’ This contrasts with Japan where “... *trust is engendered by the social norm that insists that business relations are personal relations.*” (Nevin, 1995, p332).

However, that is not a norm that is universally adopted in Japan: the experience of the 2011 earthquake and resulting tsunami was probably best handled by Nissan of the affected motor manufacturers (others were Toyota and Honda), in part due to their policy of a varied mix of nationalities and cultures in their Japanese operations which better enabled them to establish good personal relations across their global supply chain (Schmidt & Simchi-Levi, 2013). So do national cultural differences affect firms’ willingness to trust their supply chain partners?

Adler (2001) suggests that as knowledge exchange in organisations increases, the prevalence of trust as a key factor in the culture of those organisations becomes more evident. Adler (2001) talks about three types of organisational approaches, (1) market focused which is price-driven, (2) hierarchical management that is essentially authoritarian, and (3) what he terms a community approach that is centred on trust. The latter relates to differing approaches to inter-organisational relationships in different national and organisational cultures. Silvestre (2015) and Puffer et al (2010) both refer to a form of trust in China where *guanxi*, meaning relationships, prevails as an important factor in business and inter-organisational relationships. Puffer et al (2010) looked at entrepreneurship ‘... *in transition settings to rely upon culturally based informal institutions to conduct their operations ... how three institutions affect*

entrepreneurs in Russia and China—the frailty of private property as a formal institution, and the heavy reliance upon two informal institutions, trust within networks, and the use of blat and guanxi in Russia and China, respectively. Blat has been defined as “an exchange of favours of access in conditions of shortages and a state system of privileges . . . blat provided access to public resources through personal channels” (Ledeneva, 1998, p. 37). Guanxi is the Chinese term for connection or relationship based on reciprocity. Trading favours is one of the ways of building up strong guanxi, but it is not always included in its definition. A related construct is the existence of in-groups and out-groups, with blat and guanxi being normal among in-group members, but extended to out-groups at times to accomplish business goals.’ (Puffer et al, 2010, p442).

Puffer et al’s (2010) analysis of *guanxi* demonstrates that since the adoption of the open door policy in China, there was the desire and necessity to trade with the western world – with strangers, which meant that trade in China had to adopt methods of trust that went beyond *guanxi*. The lack of mechanisms to facilitate enforceable agreements meant that internally, trading was based on reputation, or ‘face’. By contrast, western traders had for centuries used devices such as letters of credit and bills of exchange to facilitate business between strangers. Thus, the burden of history in China fuelled the development and importance of networks, often through extended families, into the *guanxi* that is so common even today. Similarly, Russia’s emergence from the former Soviet Union into a more market-based economy also faced difficulties due to the lack of formal mechanisms for trade. Puffer et al (2010), explains that *blat*, an old concept in pre-Soviet Russia, which endured, is quite different from the Chinese *guanxi* in that ‘*Blat usually exists through personal relationships or networks, mostly longstanding, and transactions normally include the expectation of reciprocity. Blat takes place among members in a particular network, and is much more common than bribery (vziatki).*’ (Puffer et al, 2010, p450). ‘*If blat suggests the trading of favours and mutual back-scratching, the term guanxi is associated with a wider range of meanings. As used by Chinese reformers and many outsiders, it connotes much the same meaning as blat. Yet such connotations are recent and may be a product of economic reforms. An older and more established meaning of guanxi is devoid of pejorative overtones and does little more than suggest some basis for a personal relationship (Chen & Peng, 2008). The basis for such a relationship has many sources, such as coming from the same village or region of China, being school or university classmates, working in the same work unit (danwei), or serving in the same combat unit (Gold, Guthrie, & Wank, 2002). The*

premise is that there are grounds for believing that, on the basis of some shared prior experience, people have something in common and thus a relationship of trust can be established'. (Puffer et al, 2010, p455).

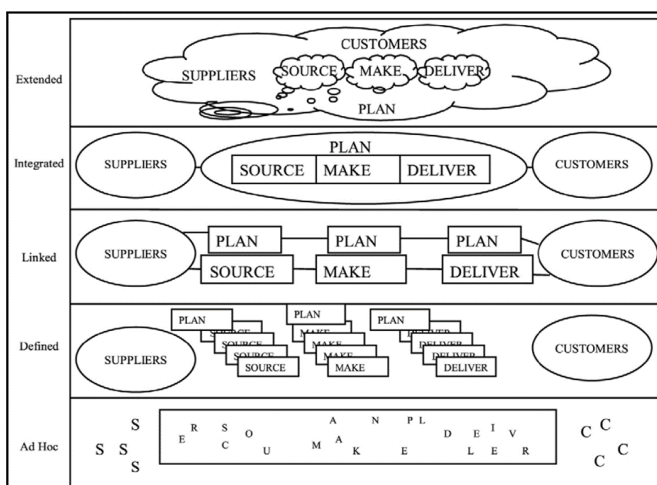
One aspect of the Chinese history and development of more western-facing business practices was researched by Inoue (2006) with a focus on commercial arbitration. The Chinese Government introduced an Arbitration Law which came into effect in 1995 as a means of facilitating legally enforceable agreements for western enterprises with their Chinese partners. It was designed to provide protection to foreign investments whilst preserving Chinese interests. However, the system was not universally popular. Inoue (2006) put it thus: *'Foreign parties are suspicious that local judges and Chinese arbitrators are biased, that proceedings are subject to various forms of governmental interference and that Chinese courts and local arbitration commissions are not impartial or neutral. Indeed, many local arbitration commissions are unsuitable for resolving international commercial disputes; foreign parties are, however, often required to agree to arbitration in China during contract negotiations with Chinese counterparts.'* (Inoue, 2006, p173)

As a global supply chain consultant the researcher was involved in developing a chill-chain operation in China in the early 2000s, working with a global distribution company, a local transportation firm, and representatives of the Chinese government. Agreement of the draft contract with the Chinese firm was stalled for two days because the word 'arbitration' – as translated into Mandarin Chinese – meant, or was thought to mean, that a government controlled form of dispute resolution would be applied if, and when, required. That flew in the face of the *guanxi* approach that the local firm wished to see adopted with local dispute resolution procedures in place, not government controlled ones. The problem was solved by replacing the word with one more closely aligned with the true aim of that clause, to have a formula for independent adjudication in case of disagreements.

Culture, then, is without doubt a major factor in trusting patterns of behaviour in different countries as well as in varying organisational cultures.

2.1.8 Cooperation and Collaboration

Supply chains operate at different levels of integration and cooperation for a variety of reasons. The possibility of higher levels of trust in cooperative inter-organisational relationships is borne out by Lockamy and McCormack's (2004) model (Figure 2.2) of supply chain maturity. The model starts from what they termed 'Ad-Hoc' relationships between suppliers and customers (which may also be described as transactional, dyadic relationships) through a number of intermediate steps to an integrated network approach which they termed 'extended' where all parties in the supply chain work together in planning, sourcing, making and delivering for mutual benefits.



Source: Lockamy and McCormack (2004)

Figure 2.2 – Supply Chain Maturity Model - from Lockamy & McCormack (2004)

Lockamy & McCormack (2004) discuss commercial performance in relations between suppliers and their business customers, specifically with a focus on supply chain management maturity. As supply chains mature, there is a tendency for the parties to the chain to become more closely aligned, and in so doing, to move from a transactional style of relationship to an integrated, networked, style. Lockamy & McCormack's (2004) argument is that more traditional transactional dyadic relations between suppliers and business customers, that they term 'Ad-Hoc', are less efficient than those relationships which they term 'Extended' where all parties along the supply chain collaborate to plan, source, make, and deliver the good or service in question. Whilst not all organisations travel on the journey from 'Ad-Hoc' to 'Extended' that they describe, and is illustrated in Figure 2.2, the application of their work to performance levels links directly to the level of mutual trust that is exhibited in these different relationships. It

would not be stretching the point to suggest that types of open, shared, accounting would be far more likely to be successfully adopted in an 'Extended' co-operative supply chain relationship (when it is used for decision making within partner organisations and across whole supply chains involving multiple organisations) than in an 'Ad-hoc' transactional dyadic one.

A hypothesis-testing research programme by Sequeira & de Carvalho (2012), focusing on cooperation in port wine distribution, concluded *'Our findings therefore confirm a growing connection between trust and cooperation, with the former, as a key element of cooperation, growing in importance as its level increases. They are consistent with the conclusions of Gadde and Häkansson (2001), Inkpen & Tsang (2005), and Nevin (1995) that trust tends to evolve through different stages into more profound relationships in which cooperation is facilitated.'* (Sequeira & de Carvalho, 2012, p125)

Coad & Cullen (2006), in a study of inter-organisational cost management concluded *"The introduction of notions of power asymmetries in intra- and inter-organisational relationships helps highlight the potential for institutionalised routines to facilitate a truce in conflictual relationships, and calls into question studies that appear to have automatically inferred the existence of trusting relationships."* (Coad & Cullen, 2006, p26)

The confusion of the true basis of inter-organisational relationships alluded to by Coad and Cullen (2006) seems to have permeated much of the literature: trust, it seems, is a given in many relationships.

2.1.9 Legitimacy

Connelly et al's (2006) work on legitimacy gets to the heart of how imposed decision making fails to achieve acceptability and trust from stakeholders when changes to the democratic processes are introduced through legislation. This work deals with the style of management later described as 'coercive' (Adler, 2013) rather than the more inclusive strategy, aptly termed 'enabling'.

There has been a progression of thinking in management literature about the place that trust occupies as an important factor in determining organisational competitiveness, illustrated perhaps most notably in the competitive advantage model pioneered by Porter (1985) – see

Figure 2.3 – which became one of the iconic business models in business and management thinking in which Porter (1985) described the competitive forces that he observed determined industry profitability.

Porter’s (1985) seminal text, *Competitive Advantage*, does not mention trust but it is interesting to see the paradigm shift that has occurred in his thinking some years later. Porter & Kramer (2011) reflect that legitimacy in business has fallen to levels not seen in recent history, and proposes a new concept – shared value – to re-invent capitalism and in so doing to deal with the diminished level of trust in business generally. In that 2011 article, Porter also recognises – apparently for the first time – the impact that Government regulation has on business and it’s potential to distort competition – something that would appear to have been a surprising omission in Porter’s 1985 work (Pearson, 1992). The omission could be explained by Porter’s (1985) grounding in a relatively unregulated market in the USA, whereas researchers examining the subject in a European context necessarily included cross-border regulation on trade practices. Porter (2011) does however reflect on the place that Governments play in the manner in which companies operate, in his study on the competitive advantage of nations (Porter, 2011) and reflected in Porter & Kramer’s (2011) research on the creation of shared values.

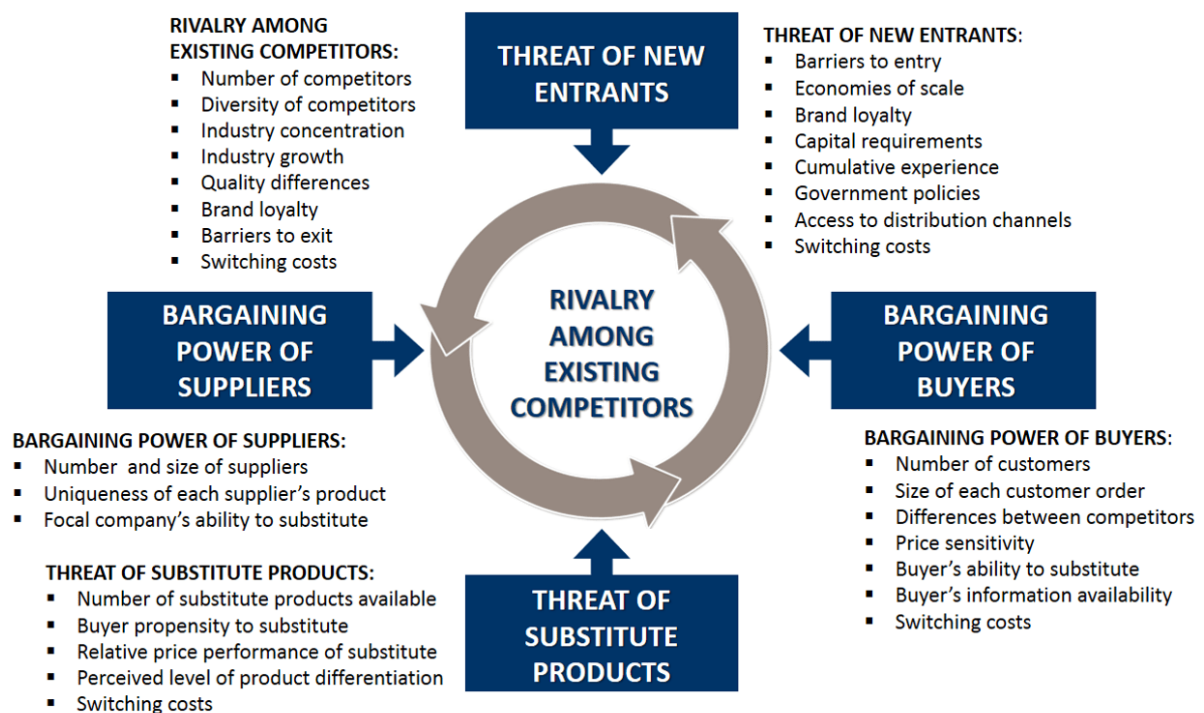


Figure 2.3 – Porter’s Five Forces: from *The Intact One*, 2019

The Porter (1985) model may be expanded to incorporate the concept of trust primarily between suppliers and buyers, though clearly any new relationships entered into from potential entrants or from substitute products will also require a measure of trust to be established in the business relationships in the network. Pearson (1992) views Porter's (1985) work, correctly, as "... the leading orthodoxy of the 1980s ..." (Pearson, 1992, p11) but considers that it was not fully effective in the changing global market and the decline of the dominance of western business. He attributes many of the global changes to the development of new technology. Pearson's (1992) work was part of the basis of the creation of a new model for competitive forces developed by the researcher (Bruce, 1995) in examining the future information needs of Rural Practice Chartered Surveyors.

Porter's (1995) work was perhaps of principal relevance to manufacturing enterprises, rather than to service industries. The relationship between suppliers and retailers in the UK Grocery Sector is supply-chain centric. The suppliers are grocery manufacturers, farmers and growers or food processors, whereas their customers are in retail and food service, but the essence of the relationship is that of a service provider – that of a typical supply chain.

2.1.10 Honesty

Perhaps rather obviously, Barabba & Zaltman (1991) assert that honesty is necessary as a major ingredient in building trust. However, their examination of business demonstrated that in many cases those engaged in research and change management in organisations will withhold information, especially if it is bad news for the recipient. That approach – once detected – undermines trust and makes the change management process all the more difficult. Barabba & Zaltman (1991) suggest that human beings evaluate information based on its source and content, giving as an example the typically cynical reaction by many US citizens to the statement "*I'm from the Government, and I'm here to help you.*" That reaction applies equally, they assert, to similar statements made by the business world.

2.1.11 Relational Trust

Relational trust has been explored by Saporito et al (2004) in the context of bank and small firm relationships. They cite work by Dunkelberg et al (1984), Doz (1996) and Ring & Van de Ven (1994) which identified two factors important to customer retention, the second of which '... is

the degree to which the bank maintains the manager-small firm interface – that is, the degree to which one or more bank employees remain constant over time in interactions with a particular customer.’ (Saparito et al, 2004, p402).

This latter point was also observed by Haines et al (1991) in their analysis of why small businesses started shopping around for new banking arrangements ‘... *non-financial aspects of the banking arrangement are also likely to influence bank shopping decisions. These aspects relate to ... the continuity of the account manager.’ (Haines et al, 1991, p1046)*

This could point to the conclusion that personal relationships, in this case with the account manager, built on some form of trust are often necessary to ensure continuity of an effective and lasting business relationship. However, Sako & Helper (1998), in their review of determinants of trust in supplier relations, broaden the argument ‘... *in the context of business organizations, this focus [on inter-personal trust] of psychology is deficient ... firms are concerned just as much with inter-organizational trust. It is the latter which might survive a breakdown of inter-personal relationships due to labour turnover or a personality clash, and which provides the stability necessary for firms to pursue innovative and competitive activities. For this reason the determinants of inter-personal and inter-organizational trust may well be different.’ (Sako and Helper, 1998, p388/9)*

Barringer & Harrison (2000) state that there is a central role for relational trust in the development of inter-organisational links, often based on individual relationships. Some recent corporate management techniques have had a deleterious effect upon relationships between actors in inter-organisational relationships, affecting both the inter-personal and the inter-organisational trust levels. Free (2009) examines the way in which category management can have just such a deleterious effect. The appointment by a retailer of one of their suppliers as their Category Captain for that category naturally sets that supplier apart from the other suppliers also supplying the retailer, but also introduces tensions between them and their customer. This has been observed in particular in grocery retailing. The researcher has had direct experience of those issues in two categories; dairy and produce. The researcher worked as a consultant with the major egg producers supplying one of the Big 4 grocery retailers, where one of them was the category captain. Relations between the captain and the other suppliers were often strained, and at one point, the firm owned by the captain was able to see an opportunity to take over a competitor; that would not have been quite so easy had they not

been sharing data. The produce example was when the researcher was the Non-Executive Chair of the marketing company for a group of tomato growers, who were supplying another Big 4 grocery retailer. The marketing company was the Category Captain and had an 'implant'¹² managing the category.

2.1.12 Contractual, Goodwill and Competence Trust

Sako & Helper (1998) introduce a trust-classification approach through their work in examining the relationship between trust and opportunism which led them to the conclusion that there seems to be '*... a hierarchy of trust, with fulfilling a minimal set of obligations constituting 'contractual trust' and honouring a broader set constituting 'goodwill trust'. A move from contractual trust to goodwill trust involves a gradual expansion in the congruence in beliefs about what is acceptable behaviour.*'" Sako and Helper (1998, p390).

That brings in the concept, mentioned previously, of the importance of time in creating or demonstrating trusting relationships. Das & Teng (2001) adopted a related classification that may be considered to be similar to Sako & Helper's (1998), using descriptors of goodwill trust and competence trust. The term competence is used to describe adherence to agreements, which is another way of stating a contractual relationship, so these two classifications may be viewed together as one. That approach resonates with the theory of supply chain maturity, which also witnesses a hierarchy, a developmental enhancement of the depth of the inter-organisational relationship analogous to, and perhaps in parallel with, Sako & Helper's (1998) trust hierarchy.

2.1.13 System-based, Intellectual and Affect-based Trust

Another set of trust classifications has been posed by Cheung et al (2011) who postulate three trust types:-

- (1) An experiential performance based type, which is termed system-based trust,
- (2) An intellectual type based on understanding, which is termed cognition-based trust,
- &
- (3) One which deals with the human emotions in relationships, which they term affect-based trust.

¹² Employed by the marketing company but office based at the retailer's HQ

Their second category is here referred to as 'intellectual' trust as that fits with the broader coverage of these categories. Akhavan et al (2014) express the view that higher and more equal levels of intellectual capital in suppliers enhance the whole supply chain. That view is borne out by anecdotal evidence, with examples of businesses starting to recruit professionally qualified supply chain managers to better balance the intellectual capital differences between them and their customers. Cheung et al (2011) consider that their three trust types all inter-relate and do not exist in isolation. Clearly the latter two types refer specifically to human emotions and therefore are, by definition, personally based, whilst the first type they identify, that of experiential performance, could be applied to both intra-organisational and to intra-personal relationships.

2.1.14 Calculus-based, Knowledge-based, Identification-based and Performance-based Trust

Earlier work by Sabherwal (1999) proposed a four-fold categorisation of trust, namely calculus-based, knowledge-based, identification-based and performance based. This categorisation was roundly criticised by Bachmann (2001) whose thinking was adopted and built upon by Heiskanen et al (2008). Heiskanen et al (2008) propose that trust is usually case specific and generalisations such as Sabherwal's (1999) are over-simplistic. However, Datta & Oschlag-Michael (2015), in examining IT outsourcing, concluded that positive results from an outsourcing decision were only observable when there was trust in the outsourced supplier organisation that was derived from knowledge, the performance of the IT provider, and some form of common identity between the commissioning organisation and the contractor (the IT provider).

2.1.15 Case Specific Trust

Bachmann (2001), Walker et al (2007) and Heiskanen (2008) write about trust in specific cases where inter-organisational relationships were studied. Their work, whilst relevant and interesting, adds little to the other trust classifications that are included in this section of the literature review. Perhaps a fundamental question about trust classification would be to consider what is the real value attached to any of these trust classification systems, and what is achieved by categorising trust in so many ways. The need for future research on this point is addressed in Section 7.2.1.

2.1.16 'Thick' & 'Thin' Trust

A helpful, simpler, sub-division of trust into two categories is extolled by Vosselman & Meer-Kooistra (2009) in their work on inter-firm transactional relations. Their argument is that the use of accounting information about – *inter alia* – costs, performance and quality, acts as a vehicle for trust building, the process that they term 'thickening trust'. Thus the sharing of accounting information creates what they term as 'thick trust'. By contrast, their definition of 'thin trust' is trust based on regulatory practices and control mechanisms. 'Thick trust' is picked up by Agndal & Nilsson (2010) in their study of three very different trading entities, one of which is a Swedish car manufacturer which had, over the years, required suppliers to provide accounting data, a requirement that the suppliers had complied with. The car manufacturer had never abused the disclosure of data. Had they done so, their reputation with the wider supplier body would be reduced, making it harder to develop new relationships. Agndal & Nilsson (2010), regard this as an example of Vosselman & Meer-Kooistra's (2009) 'thick trust', but with the caveat that the behavioural norm, plus the threat of some form of sanctions against the manufacturer, also plays a part. The concept of 'thick' trust and its close ties to accounting and in particular to Open Book Accounting, means that a far more detailed analysis of the literature than has been the case for the other categories, covering both trust and accounting literature, is required. To avoid duplication and to aid clarity, the discussion about trust and the role of accounting, and in particular the role of Open Book Accounting, is discussed in detail in Section 2.2.

2.1.17 Social Capital

Svendsen & Svendsen (2000) establish a causal link between trust and economic growth, evidenced in productivity improvements, based on a study of social capital. The origins of the theories of social capital may be traced back to the writings of Mauss (1926) who talked of reciprocity in exchanging goods between tribes that led – amongst other benefits – to trust. Coleman (1988) introduced a narrower, more specific, description of working together for common good, introducing the concept of social capital. Svendsen & Svendsen (2000) suggest that social capital theories apply mainly to close-knit communities or groups. Sligo & Massey (2007) apply social capital to groups that are formed by those in the same sector to reduce perceived risk through sharing best practice and improving linkages together. Their work was conducted against a background of dairy farming in New Zealand where almost all the milk produced in New Zealand at that time was bought by market leaders Fonterra, and all producers

were paid the same price per unit bought. That unusual non-competitive climate enabled close cooperation between producers, whereas most markets are inherently competitive as suppliers vie for their share of customers' business. The Tesco Sustainable Dairy Group has, for some 15 years in the UK, also successfully operated such a system (Mylan et al, 2015).

2.1.18 Category Management

Free (2007; 2008) examined the retail end of the grocery market, and makes some pertinent observations about how the pressure in retailing to adopt category management has influenced supplier trust. Chen et al (1999) conducted research into the ways in which category management might impact upon retail profits but does not refer to any form of supplier involvement in the process. Chen et al (1999) argue that traditional accounting methods show profitability across the store yet do not take any account of the halo effect, whereby shoppers respond to a marketing campaign for one category by going to the advertising store for that category, but then make other purchases as well. *'The retail assortment contributes directly and indirectly to profits because consumers make their purchase decisions in two stages: first, which store to shop at and second, what items to buy. The direct profit focuses primarily on the second stage, measuring the total purchases of a category of merchandise. The indirect profit focuses more on the first stage, trying to gauge how much of all the sales in the store were attributed to store-draw power of one category.'* Chen et al (1999 p225). Trust, if present as a factor at all in Chen et al's (1999) analysis, is restricted to shoppers believing the marketing message that attracts them to a particular store. One aspect of this paper concerns me, though. Their argument is about 'category' promotions, but normally any promotions are about 'products', even specific SKUs, and I find it hard to see how their argument works in reality. A generic dairy promotion, for example, would seemingly have less impact than one for, as an example, a specific brand of fruit yoghurt.

2.1.19 Time

Mayer et al (1995) introduces vulnerability into the essence of a trusting relationship, writing that trust is *'the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party.'* (Mayer et al, 1995, p712)

Mayer et al's (1995) *expectation* reinforces the future, time-related, nature of the essence of trust, whilst adding vulnerability. It is this aspect of vulnerability that links trust to risk, and power.

2.2 An overview of Open Book Accounting in context

Open Book Accounting uses cost and other data from the accounting systems of the suppliers and retailers (Romano & Formentini, 2012) and whilst conceptually a simple idea (Kraus & Lind, 2007) it is judged to be the most complex accounting technique (Cullen & Meira, 2010). Agndal & Nilsson (2010) point out that despite there being a focus on empirics in Open Book Accounting literature, there is no clear agreed statement as to what data is shared when Open Book Accounting is in use. *'Extant literature is not concerned with defining whether data disclosure commonly involves minute details or involves more general cost structures'*. (Agndal & Nilsson, 2010, p151).

However, Fehr & Rocha (2018) have devised a definition of Open Book Accounting as *'... a kind of information sharing between companies ... initially confidential, related to costs, processes and activities, between parties in a relationship, aiming at costs management.'* (Fehr & Rocha, 2018, p601). Hoffjan & Kruse (2006) define Open Book Accounting as *'the systematic disclosure of cost information (my emphasis) between legally independent business partners beyond corporate borders'*. (Hoffjan & Kruse, 2006, p 40)

The UK's National Audit Office (2015), in dealing with public procurement, noted in its report on Open Book Accounting and Supply Chain Assurance, that *'Open-book accounting is a particular type of supply-chain assurance where suppliers share information about the costs and profits of a specific contract with their client. The government can use open-book accounting to understand the specific costs and profits of its major contracts as an important tool in managing those contracts.'* (National Audit Office, 2015, p6).

Interestingly, the National Audit Office report (2015) makes the point that Open Book Accounting has risen in its importance to HM Government in part as a result of the realisation that poor contract management was systemic, with the analogous point that profit disclosure can be an indicator of the health of otherwise of a supplying contractor. It was seen as a tool to improve trust in government–supplier relations, rather than a means to penalise suppliers. By

contract, cost data is at the heart of management accounting and has a quite different purpose, that of providing information to optimise the organisation's operations – a shift from opening up the participants' financial accounting books, to that of sharing management intelligence and cost data.

So, what is the role of management accounting techniques such as Open Book Accounting in relation to trust in supplier–retailer relations? Tomkins (2001), writing on interdependences, trust and information in a variety of inter-organisational relationships, cites what were then new accounting approaches, such as open book costings, as being very relevant. Tomkins (2001) cautions against the adoption of such accounting tools simply because they seem appropriate. *'Their impact on trust in the relationship should also be considered (with) the notion of opaqueness, translucence and transparency in information systems ...'* (Tomkins, 2001, p186).

Free (2008) grounds that relationship in the adoption by multiple retailers of the practice termed category management¹³ that is *'... supported by more collaborative modes of organizing, and suggests numerous roles for management accounting based on the principles of mutuality and reciprocity, including joint performance measurement and vendor-managed inventory.'* That sounds good, but he goes on to warn that category management can *'... masquerade or dissemble a variety of self-interested actions, thereby camouflaging price pressures, tight financial control and management expediency in the rhetoric of "consumer responsiveness" and "trust-based collaboration".'* Free (2008 p630/1)

Free (2007) observes that *'... empirical accounting research relating to long-term business relationships is still in its early stages...'* (Free, 2007, p899) and he notes that the most documented technique is the make-or-buy decision-making framework. That technique is perhaps not so relevant in the grocery sector in relation to the supplier–retailer relationship.

The exact origins of Open Book Accounting are unclear. From an extensive reading of the literature, the researcher has concluded that what is now known as Open Book Accounting has developed from a system that was first recorded in a fully formed manner for the regeneration

¹³ *"Category management is a process that involves a retailer and a supplier jointly managing product categories as business units and customizing the product category mix on a store-by-store basis to satisfy consumer demands. Shortly after the term category management was coined, a range of consulting groups, accountancy-based firms, and professional institutes arose to persuade managers to adopt a set of management accounting tools and techniques to facilitate a collaborative approach to buyer–supplier relationships". (Free, 2007, p1)*

of a US company, Springfield Re-Manufacturing, in 1983. The new owner, Jack Stack, who had bought the business from near-insolvency, involved the 119 employees in taking steps to ensure the company's future by opening the accounting books to them, granting them shares in the company, and involving them in the corporate decision-making process (Stack & Burlingham, 1994; Davis, 1997). Jack Stack used the term 'Open Book Management' (OBM) to describe the process that allowed the employees to have full access to the financial data associated with the company. The data thus shared was both historic, enabling the employees to ascertain why the company was in the financial position it was in, and projected, detailing the planned financial position that the company would be in after the business reconstruction that Stack envisaged. The experiment was successful and the company was turned round. Davis (1997) makes the point that this form of Open Book Accounting, OBM, placed a very heavy burden on the accounting staff of organisations adopting the tool, but, with some prescience, suggested that it would, in time, bring accounting and finance staff closer to operations staff. There is anecdotal and unpublished evidence that a similar process to that initiated by Jack Stack took place during the previous decade, but in the absence of any published account of that project the conclusion has to be that the confirmed origins of what became known as Open Book Accounting are indeed from the Springfield Re-Manufacturing case.

However, long before that, developments in cost accounting were beginning to raise issues where the sharing of data was found to be beneficial. This came to a head during the First World War when the UK Government's war purchasing strategy revealed that there was great variation across manufacturers in the manner in which costing was carried out. Charles Addison (1934), reflecting on his time as an Undersecretary in the Munitions Ministry during the war, recalled a diary entry from 12 August 1915 in which he had observed *'For some time I have been getting very anxious about the Financial Arrangements; about the nature of some of the contracts and so on. The astonishing thing is that nobody seems to be able to tell us what things cost to make.'* (Addison, 1934, p116). And a Board of Trade investigation, published in 1918, observed *'Of course all efficient firms in this country have proper systems of costing. We think, however, that the essential value of a careful system of costing to ensure the maximum economy has not yet received from many houses the attention it deserves. Certain large works are known to have no systems of costing at all. Other works are known to have a system of costing based upon conventional rates of wages in those works some years before. It may be assumed that*

most small works have only a costing system more or less reduced to a rule of thumb.' (Cm. 9073, 1918, p11)

It is a truism that many technological and scientific developments occur as a result of or due to the progress of armed conflicts, and in regard to accounting, the First World War brought cost accounting '*into the light*' (The Cost Accountant, December 1922, p216). It was a rocky road, though, as systems of costing were not established, nor were there standards to follow. Loft (1986) cites a Defence of the Realm Act of Parliament that, in 1916, included the following '*In determining such price regard need not be had to the market price, but shall be had to the cost of production of the output so requisitioned and to the rate of profit usually earned in respect to the output of such factory or workshop before the war.*' (Loft, 1986, p144).

In order to calculate the price paid, there had to be a sharing of cost data, though it had already been realised that many (most?) manufacturing plants had little in the way of costing systems. Accordingly, as set out by Loft (1986), a set of benchmarking tools was adopted that had three elements:-

- (1) What was termed 'technical costing' where government experts calculated the costs based on a set of theoretical principles?
- (2) 'Accountancy costing' based on an examination of the company's records; and
- (3) The use of data derived from National Factories which were under government control. The government therefore had direct access to those factories' cost data.

But in all that, one issue remained a problem, and that is one which still causes issues with firms engaged in Open Book Accounting today: it is the problem of how to deal with overheads when dealing with different contracts and/or different customers. Both The Accountant (19 June 1920, p723) and The Cost Accountant (March, 1922, pp 184–185) reported instances of – to put it mildly – 'confusion' about overhead allocations. We shall return to this point later in the thesis, with an example from the interviews conducted with suppliers, where this very problem was encountered.

The Japanese automotive industry was an early adopter of emerging management and accounting systems, including open book, moving away from sole reliance on just-in-time systems as cost reduction tools (Kato, 1993). Many Japanese manufacturers used target costing

systems¹⁴ in an open data manner, with Toyota, for example, taking a strategic approach based on viewing target costing as a mechanism to reduce life cycle costs (Kato, 1993). Carr & Ng (1995) cite Nissan's experience of adapting to the UK market and its supply chain. As an example, they describe an interaction between Nissan and a major Tier 1 supplier that was initially somewhat confrontational. The supplier was charging £1.50 more than Nissan's expected target cost. A visit to the supplier by a Nissan team comprising both technical and finance members, during which cost data was shared by the supplier with the Nissan team, resulted in a 60p unit cost reduction, mainly attributed to a reallocation of overhead costs, which had been levied against direct labour costs. That supplier later decided to join the Nissan Open Book programme, demonstrating a perceived value in the closer working relations that were observed to flow from sharing some data. What is described here may be termed Open Book Target Costing, which embraced the sharing of management accounting costs designed to reduce specific SKU¹⁵ costs. It was a step on the road towards what later became a fuller data sharing approach that can be properly termed Open Book Accounting. A transparent overhead allocation methodology by management accountants was observed to be lacking by Kulmala et al (2002) in many organisations. *'Companies rarely know the full costs of each product. A lot of development work with suppliers' cost accounting systems is needed. A win-win relationship creates a need for Open Book Accounting. There is also a need to create mutually accepted accounting practices.'* (Kulmala et al, 2002, p33).

Most management accounting processes and systems were designed and constructed to be used internally by and for that organisation alone. In an Open Book Accounting arrangement that primarily utilises financial data, the degree of openness is, understandably, almost always asymmetric, in favour of the customer (the retailer) rather than the supplier, who has less power in that relationship and fears the consequences of sharing their costs and margin data, especially when there are multiple customers. Kajuter & Kulmala (2005) investigated Open Book Accounting systems in place and interviewed organisations that had rejected an Open Book Accounting relationship with a customer. They concluded that there were six main reasons why organisations feared an Open Book Accounting relationship. These observations (Figure 2.4) are

¹⁴ Target costing (TC) uses the formula $TC = \text{Expected Sales Price} - \text{Target Profit}$ (Kato, 1993)

¹⁵ Store Keeping Units – a unique identity for each specific product. RDCs may have well over 30,000 SKUs in stock

often cited as some of the main reasons why Open Book Accounting is regarded with suspicion and distrust.

Six reasons why organisations fear an Open Book Accounting relationship

- (1) Suppliers experience no extra benefit from openness and main contractors do not offer win-win solutions
- (2) Suppliers think that accounting information should be kept in-house
- (3) Network members cannot produce accurate cost information and see no sense in sharing poor cost data
- (4) Suppliers are afraid of being exploited if they reveal their cost structure
- (5) Suppliers do not have capable resources or resource support from main contractors for the development of accounting systems
- (6) Network members cannot agree on how open-book practice should be implemented

Figure 2.4 – Six Reasons - from Kajuter & Kalmala, pp 195-6

The adoption of some accounting techniques, such as Open Book Accounting, is oft heralded as either a reflection that trust levels between the supplier and the retailer are good, or conversely that they need improving and the adoption of that accounting approach will engender an improvement. Kulmala et al (2002) observed that, in practice, trust has been seen both as a requirement for and as a consequence of Open Book Accounting. However, writing later, Kulmala (2004) stated that the issue needed more critical and empirical analysis.

Another relevant accounting tool is Vendor Managed Inventory (VMI). This is adopted sometimes as a precursor to a full Open Book Accounting system, and sometimes as part of a wider Open Book Accounting implementation. VMI is an alternative to Retailer Managed Inventory (RMI) that is perhaps the expected norm in terms of stocking the many SKUs that retailers have to deal with. RMI systems are used when retailers place orders for stock into their RDCs¹⁶ and are directly under the control of the retailer. VMI, by contrast, is where the supplier is responsible for maintaining the stocking levels (Mishra & Raghunathan, 2004). Mishra & Raghunathan (2004) make the point that retailers can benefit from having suppliers compete to ensure the retailer has sufficient stockholding of their products, but they also point out that

¹⁶ Regional Distribution Centres – used by retailers for distribution to stores; in the UK a food retailer would have a handful of such centres, located for maximum logistical functionality to road and rail links and adjacent to high population centres

suppliers in that situation have their customer retailers competing for their products and optimal delivery times. Yao et al (2007) created a model for calculating potential savings through adopting VMI and illustrated that whilst there are substantial well-documented savings to be had, they are often skewed in favour of the retailer. They note that '*... inventory reductions and cost savings can be reached by implementing collaborative initiatives such as vendor managed inventory, continuous replenishment, and just-in-time purchasing that allow for information sharing and integration among firms in the supply chain.*' (Yao et al, 2007, p671).

Cullen & Meira (2010) detail a case study where supplier adherence to VMI was strong, despite some serious problems. This was attributed to the threat of their replacement by cheaper suppliers based abroad, making the VMI commitment largely about preserving the relationship with their customer. This confirms the view that a supplier might well choose to enter into a VMI relationship as part of a wider strategic plan to create competitive advantage over their rivals, or as part of a wider Open Book Accounting adoption that has other more significant benefits. The conclusion reached is that, on its own, VMI does not have an effect on trust levels, except perhaps very indirectly, but as part of an Open Book Accounting programme, then it would have relevance to the research proposal that accounting tools can have a positive effect on inter-actor relationships.

Another technique, often associated with management accounting, is the Balanced Scorecard introduced by Kaplan & Norton (1996), which created a model of typically four parameters that affected business efficiency and successful strategic development, the four being financial, customer, internal processes, and learning and development. The model was further developed by Kaplan & Norton (2000) to include strategic mapping and then taken further by Barber (2008) to include intangible value adding aspects, central to which was relationships management of which trust featured as the first and most important element.

Tomkins' (2001) work on trust has explored how trust intensity affects the provision of information. He observes that accounting theory appears to omit that consideration from its core practice. Consequently, he asserts, future work on the application of trust to accounting theory will both be necessary and beneficial towards laying a more comprehensive and rigorous foundation for accounting theory.

This thesis investigates the effect that sharing data through the use of certain accounting techniques could have upon the levels of trust across the supply chain. Crucially, therefore, the way in which the shared accounting and other data has been obtained becomes of vital interest, and itself has an important bearing on the acceptability of any proposed closer working measures.

So far, the literature reviewed has introduced the linkages between trust, power and risk, and examined how accounting techniques such as Open Book Accounting could be useful in enhancing openness and therefore potentially trust as well. However, the nature of the relationships between actors in a complex supply chain, such as that for the grocery sector, depends to a significant extent upon the type of relationship that exists between the parties and the nature of the trading relationships across the whole supply chain. It is therefore important next to examine the range of types of intra-chain relationships and their effect upon the levels of perceived trust and openness.

There is an on-going debate about whether supply chains are dyadic in nature or are more of a network in structure and practice. Jensen et al (2013) examined waste reduction in the grain supply chain (see Figure 2.5). Whilst in simple terms the grain grower is in a dyadic supply relationship with the retailer, in fact the relationship is far more complex, involving a network of inter-related activities often represented by different organisations. This simple example demonstrates why supply chains are, in almost all cases, networks of various different organisations, though within that network there will be some relationships that are correctly regarded as dyadic in nature. The complexity of the global grain supply chain was examined in depth by a team including the researcher (Horton et al, 2017) who conducted an evaluation of the environmental impact of fertiliser in bread production. The publication of that paper in *Nature Plants* has led to a couple of research projects with a privately owned global food company, on which the researcher is the Principal Investigator. The first is a fully commercial research project which, in turn, led to a second project with Phase One supported through the University of Sheffield Higher Education Innovation Fund (HEIF) provided by Research England. The second project is directly related to the trust-power-risk issues in Open Book Accounting adoption in inter-organisational relationships.

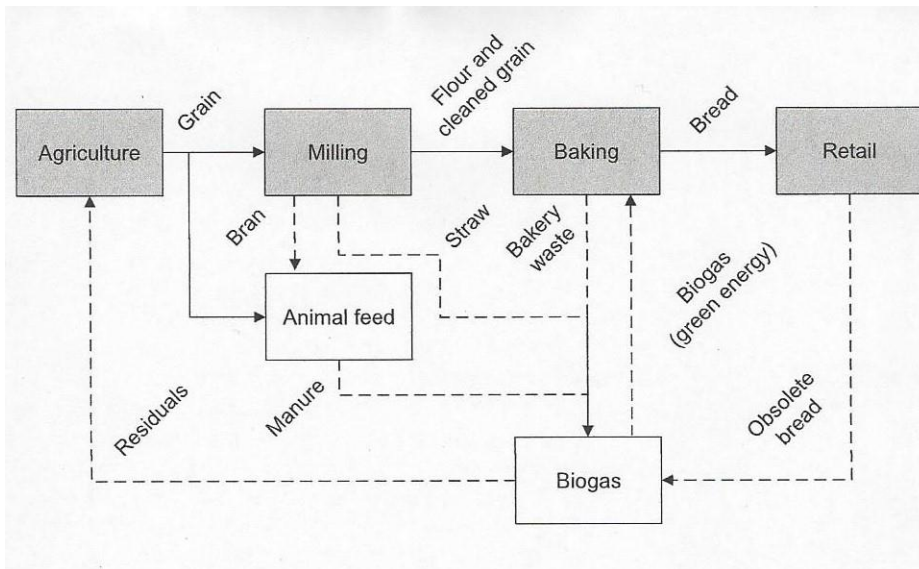


Figure 2.5 – Potential Future Supply Chain Material & Waste Flow (Jensen et al, 2013, p137)

Romano & Formentini (2012), in their examination of the use of Open Book Accounting by an Italian kitchen fittings manufacturer as a means of supplier selection, define Open Book Accounting as the “*disclosure of cost and other data generated by the accounting systems among supply chain members.*” (Romano & Formentini (2012 p1) (Researcher’s emphasis).

Their work is interesting as it illustrates a novel use of Open Book Accounting but, despite referring to ‘cost and other data’, they do not define what they mean by ‘other data’. (See footnote 4). Agndal & Nilsson (2010 p147), in a comprehensive review of Open Book Accounting in a variety of purchasing strategies, suggest that the disclosure is “... *often unidirectional ...*” This has been one of the clarion calls against Open Book Accounting, that in many cases the supplier is required to open their books, or share cost data, whilst the customer declines to do likewise. Windolph & Moeller (2012) take that further by asserting that ‘... *Open Book Accounting may negatively affect supplier relationship satisfaction and thus represents a potential risk to cooperation.*’ (Windolph and Moeller, 2012 p47)

In examining case studies where Open Book Accounting has been adopted, and the contrasting results experienced, Kajuter & Kulmala (2005) conclude that Open Book Accounting is most likely to work in long-term hierarchical networks that manufacture functional products, provide a sound infrastructure for open-book practice and comprise trust-based network relationships. Agndal & Nilsson (2010) pose a different perspective, more to do with the style of operation than the sector in which the organisation operates. They assert that for Open Book Accounting

to work and be accepted, the supplier must have confidence that the buyer will not abuse the data gleaned from the Open Book Accounting process, in effect to trust their customer to treat the data carefully and to only obtain that data which is really necessary: *'In effect, the buyer should be accountable to the supplier'* (Agndal & Nilsson 2010 p 164). Israelsen & Jørgensen (2011) and Schulze et al (2012) reflect on the fact that supply chains are seen as being based on the competitive positioning of member companies, though that view in relation to strategic supply chains could well be questioned or even rejected. Because of that inherent competitiveness, they warn of opportunistic behaviour in supplier–retailer relations, and thus stress that trust between the parties is essential for Open Book Accounting to be effectively introduced.

A key point about trust (or perhaps its underlying manifested characteristics) as a prerequisite for an Open Book Accounting relationship is made by Romano & Formentini (2012). Trust is important, they argue *'... especially in transactions characterized by committed and long-term-oriented exchange arrangements. Conversely, in transactional "arm's length" relationships, where the buyer and supplier play "adversarial" roles, trust is less relevant, since a buyer can more forcibly make the supplier open its books by leveraging contractual power.'* (Romano & Formentini, 2012, p69).

That is not a view that Grafton & Mundy (2016) would necessarily agree with, as Romano & Formentini's (2012) point is that long-term relations are inherently trusting, almost by definition, whereas the Grafton & Mundy (2016) point is that self-interest (for all parties in the network) may be the dominant driver instead.

Axelsson et al (2002) and Kulmala et al (2002) differentiate management accounting from financial accounting in its relevance to supply chains and managerial decision making by stating that management accounting's role is to provide information at both an operational and a strategic level for managerial decision making. Financial accounting is presenting historical data, with Hughes (2005) suggesting that the data may be accurate, but is often characterised by being late, irrelevant and in some cases misleading. Bastl et al (2010) in referring to inter-organisational management accounting as a new and extended role for management accounting as a discipline, suggest that it *'... would typically support provision of information for: make-or-buy decisions that could result in development of a partnering relationship; for actual*

management of strategic partnerships; for management of performance measurement systems (Seal et al., 1999) and management of tasks to be performed in the relationship and development of trust in business relationships (Tomkins, 2001). Traditional accounting practices are weak at addressing inter-organisational roles.” (Bastl et al, 2010, p67)

This is reflected in a growing dissatisfaction and criticism from both scholars and practitioners. Perhaps the very cultural approach of accountants and accounting needs to change, away from a control perspective to a more inclusive approach. That point was made by Ahrens & Chapman (2004) thus: - ‘... *accounting can act to render the underlying logic of work processes unintelligible.*’ (Ahrens & Chapman, 2004, p280). A similar point was earlier made by Van der Veeken & Wouters (2002). Bremmers (2006) argues that relational trust between parties in supply chains could and should be replaced by greater transparency “... *to reduce information asymmetry.*” (Bremmers, 2006, p31). An area for future research, perhaps?

The nature of intra-organisational relationships has been studied extensively, with the work by Lockamy & McCormack (2004), who examined the various elements in complex supply chains, and drew conclusions about the maturity of the supply chain process and business efficiency, being one of the seminal texts. Their brief but significant paper introduced the concept of a supply chain management maturity model (see Figure 2.2) as a series of steps that partners in the supply chain would climb if they were seeking what the authors described as an ‘extended’ approach. In that scenario, “*Multi-firm SCM teams with common processes, goals and broad authority take shape.*” (Lockamy & McCormack, 2004, 276). And then, in a crucial statement of their observations, Lockamy & McCormack (2004) state that the glue that holds those extended supply chains together is made up from a blend of “*trust, mutual dependence and esprit de corps*” (Lockamy & McCormack, 2004, p276), those three elements all working together in a cohesive manner. It is therefore not too simplistic to describe the “ad-hoc” level of involvement between suppliers and customers as dyadic, in that the various components in the supply chain work independently in a transactional manner, i.e. each order being dealt with on its own. By contrast, the ‘extended’ level is where all parties in the supply chain work together ‘... *to the point where advanced SCM practices that allow transfer of responsibility without legal ownership are in place.*’ (Lockamy & McCormack 1994, p276).

Even at the 'extended' level that Lockamy & McCormack (2004) describe there may be tensions and issues of power. Coad & Cullen (2006), in a study of inter-organisational cost management, conclude *'The introduction of notions of power asymmetries in intra- and inter-organisational relationships helps highlight the potential for institutionalised routines to facilitate a truce in conflictual relationships, and calls into question studies that appear to have automatically inferred the existence of trusting relationships.'* Coad & Cullen, 2006, p26)

Cullen & Meira (2010) build on the work of Lockamy & McCormack (2004) and link their supply chain maturity model to the use of certain accounting techniques or tools. They note that intra-organisational relations become closer over time, with more intensive sharing of accounting information, a phenomenon that the Supply Chain Maturity model developed by Lockamy & McCormack (2004) predicted. One of Cullen & Meira's (2010) observations is that the classification of dyadic or network relationships is unclear and sometimes contradictory in the literature. A consideration of Open Book Accounting, target costing, total cost control, value chain analysis and inter-organisational cost management covers the techniques and their impact upon organisations as they move along the maturity model. Warnings about unrealistic expectations relating to trust-based benefits manifest themselves particularly in those organisations that were practising adversarial inter-organisational relationships, and who had a power-based and autocratic style of management (Cullen & Meira, 2010).

Windolph & Moeller (2012) researched failures in inter-firm cooperation through Open Book Accounting adoption through a supplier relationship satisfaction-testing model. They conclude that Open Book Accounting reduces supplier satisfaction, though they accept that buyers' use of it may be part of a formal control system. They found though that Inter Organisational Cost Management (IOCM) did have a positive effect upon supplier satisfaction. National cultural differences on trust and trusting relationships between suppliers and buyers have been referred to previously (Nevin, 1995) and it is interesting to note that Windolph & Moeller's (2012) work was confined to 733 automotive suppliers who were members of the Association of German Automobile Manufacturers. The researchers based their decision in part on VDA¹⁷ (2007) that claimed the German automobile industry was the (then) leader in Western Europe, and on the

¹⁷ VDA – Verband der Automobilindustrie Association is a German interest group of the German automobile industry, both automobile manufactures and automobile component suppliers.

globalisation of the German car industry that would mean that the research findings would have international generalisation. The diesel emissions issues that emerged in September 2015 that affecting Volkswagen Group (whose main brands include Volkswagen, Porsche, Audi & Skoda) called into question the applicability of this research (Blackwelder et al, 2016).

A previous issue affecting Robert Bosch AG, manufacturer of components for the German car industry, resulting in '*... a product recall of several thousand cars, consequential costs (to Bosch) in the three digit million Euro area*' (Wagner & Bode, 2006, p301) was due in part to a lack of information sharing between the manufacturers, the OEM suppliers (such as Bosch) and their sub-contractors, in this case Federal Mogul. Interestingly, Windolph & Moeller (2012) do not cite the Wagner & Bode (2006) article.

Whilst it seems that the literature mainly focuses on negative Open Book Accounting experiences, there is evidence of good practice and beneficial relationships with Open Book Accounting in complex supply chains. Agndal & Nilsson (2010) cite many specific benefits of Open Book Accounting, which are summarised here: first, transforming purchasing strategies towards a more relational style; secondly, facilitating incentive-based participation for suppliers that are embedded in the relationship between customer and supplier; thirdly, a reduction in behavioural uncertainties in the supply chain relationships; and finally, three interlinked benefits that bring supplier and customer closer together in their quest for operational and cost efficiency and which Agndal & Nilsson (2010) consider that the literature has not sufficiently recognised:-

- (1) Problem solving becomes more readily seen as a shared task;
- (2) Profit sharing is facilitated, and
- (3) Price control through joint cost management and better unbundling of the various cost elements of the supply chain.

Agndal & Nilsson (2010) make the point, though, that with very few exceptions, the research is vague about what Open Book Accounting entails, for example what data should appropriately be included in an Open Book Accounting adoption strategy. This is reflected in a growing dissatisfaction and criticism from both scholars and practitioners. Agndal & Nilsson's (2010) research investigates the effect that sharing data through the use of certain accounting techniques could have upon the levels of trust across the supply chain. Crucially therefore the way in which the shared accounting and other data has been obtained becomes of vital interest, and itself has an important bearing on the acceptability of any proposed closer working

measures. Barabba & Zaltman (1991) suggest that human beings weigh information based on its source and content, whether that be government information or statements made by the business world.

An action research project working on customer–supplier relations for an Italian modular kitchen manufacturer and its suppliers, carried out by Romano & Formentini (2012), sought to test the applicability of Agndal & Nilsson’s (2010) framework for a sourcing strategy. Romano & Formentini (2012) focused on just one aspect of the framework, supplier selection through an alternative supplier model, whereas Agndal & Nilsson’s (2010) framework (Figure 2.6) considered other factors including product standardisation, cost switching and others. However, the research methodology used included a supplier selection plan based on a series of 12 micro-factors in three tranches; balance of power, level of trust, and risk of purchasing-price revisions. Whilst limited to the customer’s option to choose suppliers based on the supplier score derived from the micro-factor grid, the research provides some rich data on the application of Open Book Accounting to a supplier–customer relationship, having regard to the three elements of trust, power and risk. In this case, whilst trust was a necessary characteristic to be exhibited by both parties, the risks were primarily to the supplier, and power was very largely in the hands of the customer.

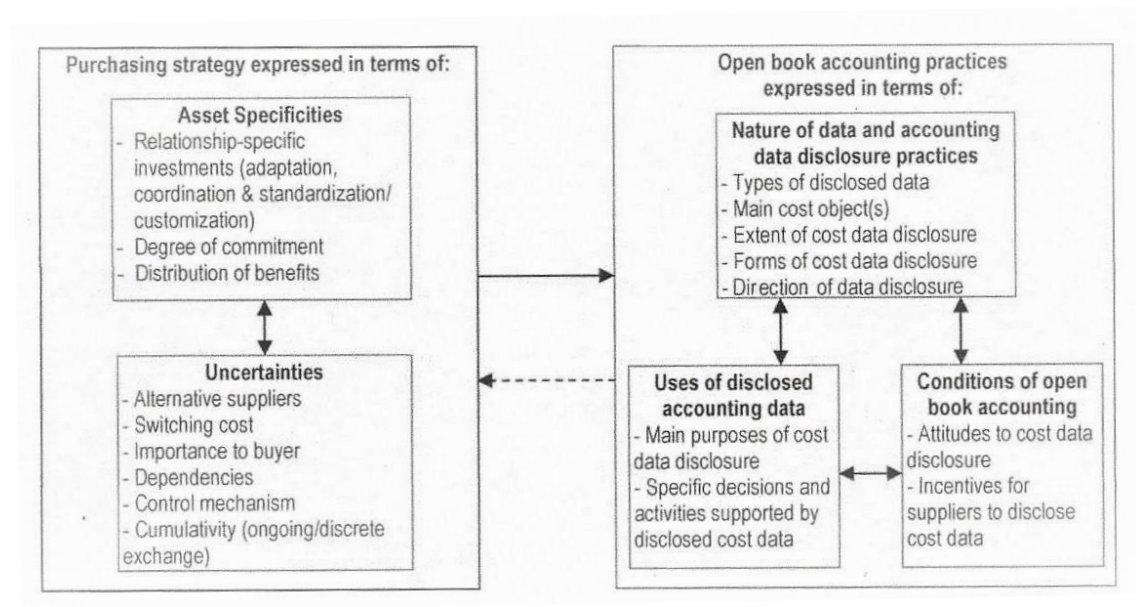


Figure 2.6 – Agndal & Nilsson’s Framework

Free (2007; 2008) did not specifically explore the agricultural production start of the food supply chain, but research by Mylan et al (2015) makes interesting and insightful observations about

the different levels of business, and by inference accounting, acumen in different sectors. Mylan et al (2015) examined eco-innovation in milk, beef and bread supply chains, and concluded that the dairy sector was the only one of the three examined which had high levels of trust being exhibited across its supply chain. Three supermarkets have special milk deals with their supplying farmers, Tesco with its Sustainable Dairy Group, Sainsbury's with its Dairy Development Groups, and the Co-operative with its dairy group (Mylan et al, 2015). An interview with Tesco's Agriculture Manager in September 2011 contained the following observation *'Dairy farmers are basically business men, unlike the more traditional family run arrangements found in beef farming. Business men talk about their return, whereas in beef farming it's about how much do I get for an animal, rather than (...) the cost of production.'* (Mylan et al, 2015, p24)

The detail of how the three dairy groups operate their accounting systems is not well documented in the literature. Anecdotally, and through the researcher's previous experience in that sector, it seems that a form of Open Book Accounting is used, in part to ensure a 'cost plus' payment to the supplying farmers. Mylan et al (2015) make the point that the three dairy groups they identified had all linked premium payments for the milk to their supplying farmers achieving specified standards of environmental or sustainable goals. By implication, such premium payments would not be possible without access by the retailers to milk production costing information. However, agriculture in the UK has not been a sector where new accounting techniques have played a big part, and a focus on agricultural gross margin costing was, and remains, the principal system in use (Jack, 2004).

Jack et al (2018) conducted supply chain research in the fresh produce sector, exploring – *inter alia* – the use of open book systems. They found only one specific example of such a system in operation, a Spanish supplier to a UK fresh produce firm. The owner-manager of the Spanish operation is quoted by Jack et al (2018) *'... we have an agreement in which we share the benefit ... we work with what we call open books, and they know our costs and we know their costs and we share the profits among us. With the rest of the customers/intermediaries, it is a pure and hard negotiation that we have to produce this amount, and this is the price. Other information is not shared in principle, detail is not shared except in a generic way such as how the year has gone, good or bad. That yes, but little more ... a major advantage [of Open Book Accounting] is*

the fidelity – it is harder to lose that customer because you are sharing more. Another important advantage is that we are both interested in making the association work.” (Jack et al, 2018, p25)

The last point that was made in the above extract from Jack et al (2018) is one that is often overlooked in the literature. Focus is often centred on the positive benefits of Open Book Accounting in cost-reduction-potential when viewing costs across a whole supply chain, or on the negative aspects of sharing data with other suppliers and potentially untrustworthy customers, but rarely if ever on the really important issue of a more collaborative and mutually beneficial relationship that can accrue from its adoption and use.

2.3 Literature Review Summary

The literature review summary is presented in two parts; first, on trust, and secondly, on Open Book Accounting. The threads are drawn together in the final section of this chapter, the conclusions (2.4).

2.3.1 Trust Literature Summary

This comprehensive review of trust literature has identified two relevant key issues.

The first of those was that the researcher’s diagrammatic view of the grocery sector structural issues from his prior knowledge was an incomplete picture of those issues and tensions. Figure 1.1 suggested that the three principal issues facing both suppliers and retailers in the UK grocery sector were trust, power and risk. A review of the literature has revealed that one element that was not included in the researcher’s preliminary analysis was control, which has been described in detail in section 2.1.5. Whilst the terms control and power are in some ways synonymous, there are differentiating nuances of meaning that make them separate factors with specifically different characteristics. Simons (1995) identified the need for control measures in an empowered workforce, which facilitate the acceptance by employees of reasonable boundaries of behaviour. In circumstances where management fail to employ control mechanisms, employees may behave in ways counter to their organisation’s ethos, whilst believing they are acting in accordance with the guidelines they have been given. This is a very significant point that suggests that the relationship issues described in Figure 1.1 are over-simplistic and fail to recognise the differences in relationships between actors in different roles and power positions

within their respective organisations, and ignores the impact of adopted or omitted control systems.

The other main point that the review of the trust literature revealed was the debate around the nature of trust itself. Two distinctly different broad views have been expressed by researchers of the nature of what is commonly termed inter-personal trust. First, there are those researchers whose perception is that trust, in its commonly understood manner, does exist between individuals in business relationships. They then divide into those who consider that inter-organisational trust is also manifested, and those who aver that trust is only possible between individuals. Secondly, there is a camp whose position is that trust in business relationships is not the same as is displayed in, for example, families. They consider that such behaviour is manifested because it is calculated that such behaviour would achieve positive business outcomes. One thing that is apparent from the literature though, is that regardless of the motivation, whether that be more altruistic or more calculative, both 'true' trust or trust-like behaviour result in very similar outcomes.

2.3.2 Open Book Accounting Literature Summary

The second part of the literature review examined the accounting technique known as Open Book. There is a considerable body of literature that suggests that the application of Open Book Accounting produces negative outcomes, especially for the weaker party in the inter-organisational relationship; usually that would be the supplier, though in some cases (such as with strong global brands) there is a power-shift in favour of the supplier. Conversely, there is a somewhat lesser body of literature that demonstrated key benefits through the adoption of Open Book Accounting, including more collaborative working across networks in supply chains. There is little evidence of the mass adoption of the technique in inter-organisational relationships, though types of Open Book Accounting systems have been described as operating in the automotive sector. The literature describes a frequently raised concern by suppliers, distrust, which is mainly manifested as wariness about the uses to which their data would be put by their customers. There are positive exemplars though, and some novel uses of Open Book Accounting, which provide a foil to the negative arguments.

What is perceived to be missing in the literature is evidence of detailed examinations of the effect of the adoption and use of Open Book Accounting on trust levels and collaborative working as displayed between the different parties in inter-organisational relationships.

2.4 Literature Review Conclusions

The researcher's diagrammatic view of the grocery sector structural issues (Figure 1.1), that was constructed from prior knowledge, included reference to what was termed 'cost data open book' – a form of Open Book Accounting that related purely to supply chain costs. The 'issues' identified in Figure 1.1 were based on the researcher's prior awareness, though working in the sector, of the three primary concerns shared by both retailers and suppliers - power, risk and trust. Secondary data from the Advantage Report did little to change or add to those issues. However, the review of the literature refined and expanded the 'issues' to introduce the observation that trust levels are not going to be universally applied to organisations as a whole, uniform, entity but will vary according to the roles that are played by the many different actors who are working for the retailer. Importantly, the literature highlighted the impact that control systems have on inter-organisational relationships, by the introduction of boundaries which, far from being restrictive, applied appropriate control systems across the relationships that were recognised by both sets of parties.

Accordingly, changes needed to be made to the original prior knowledge structural issues thinking that were to be reflected in a revised diagram. The changes took account of the points made in the literature review summaries above to introduce control systems as part of the move by actors in inter-organisational relationships towards supply chain maturity, as a collaborative and networked approach to supply chain management could be developed. In turn, that required a re-positioning of the cost-data adoption within the hierarchical moves towards supply chain maturity, and a number of textual changes to reflect the conceptual development from one wholly based on prior knowledge to one that was based on a combination of prior knowledge and the literature. A revised diagram (Figure 2.7) was created, with the textual and positional changes shown in bold type.

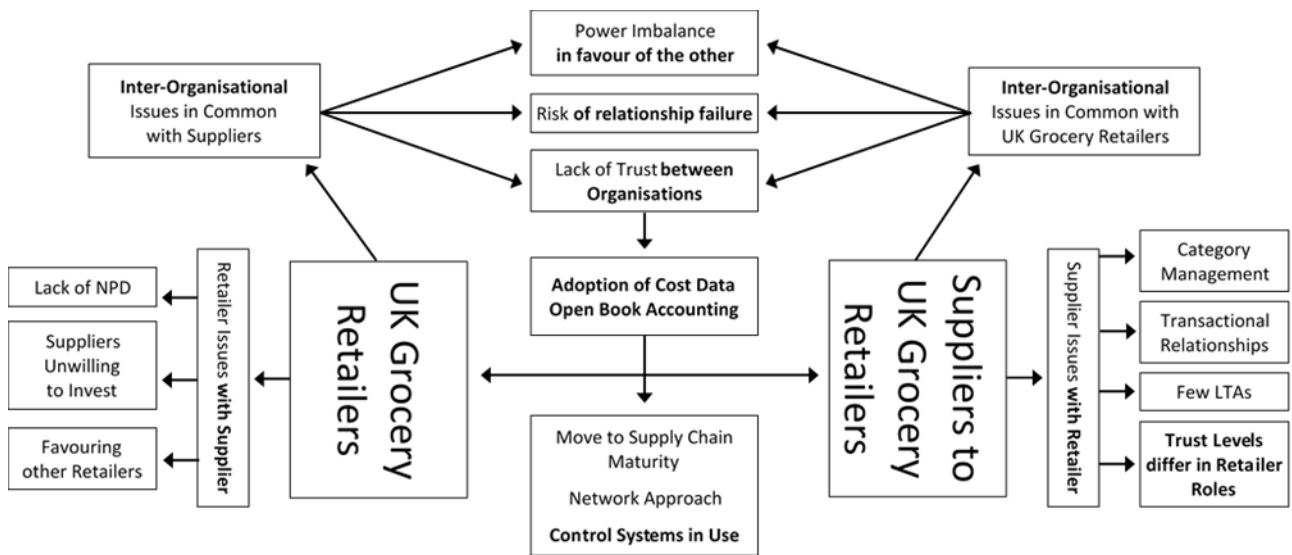


Figure 2.7 – Revised Diagrammatic View of the Grocery Sector Structural Issues

Chapter Three examines potentially suitable theoretical frameworks for the conduct of the research programme, taking into account what has been ascertained from the adaptation of prior knowledge by a thorough study of the literature. The adoption of a particular theoretical framework led to the further refinement of the research questions, which are reiterated below, and which would be used to frame the analysis of the collected primary data.

RQ1 – How are power, risk and control factors evident in supplier-retailer relationships in the UK food industry?

RQ2 – Does Open Book Accounting enable or constrain supplier-retailer relationships in the UK food industry?

RQ3 – How and why is trust built or destroyed in supplier-retailer relationships in the UK food industry?

CHAPTER THREE– Theoretical Framework

3.1 The basis for the selection of a theoretical framework

As was described in Chapter One, and modified in Chapter Two, there are some specific features of the UK Grocery Sector structure that impact upon all the players and need to be taken in account when considering the theoretical framework for any research that is to be carried out within and across the sector. Grocery retailers in the UK are not uniform in their approach to suppliers, nor are they uniform in their approach to their personal shopping customers. Supplying more than one UK Grocery retailer therefore exposes the Tier One suppliers – and therefore all of those Tier Two and other businesses that supply Tier One suppliers – to the several vagaries of the complex and highly competitive UK Grocery market. These vagaries in the inter-organisational relationships that suppliers (manufacturers) have with their retailer customers, embrace both the structure of the societal context in which those parties operate, and the nature of the parties themselves.

The researcher's application of prior knowledge from working extensively in the grocery sector led to the identification of a diagrammatic view of the grocery sector structural issues (Figure 1.1) and a set of characteristics that illustrated the different manner in which the top ten UK grocery suppliers operated (Table 1.3). The review of the literature on trust and Open Book Accounting demonstrated that elements of the structural issues as presented in Figure 1.1 were over-simplistic. Figure 1.1 identified three key concerns common to both suppliers and retailers, which were power, risk and trust. The implication was that these three factors represented an expression of inter-organisational concern between the suppliers and their retailer customers. A detailed study of the literature revealed that a further key element, control, should form part of the evaluative structural tensions that were summarised in Figure 1.1. Controls provide a framework with boundaries for employee behaviour, being usually created by management and applied to their employees. Therefore, the three common factors - power, risk and trust – may not have an overarching and equal application to all those working in their organisations. There are likely to be differences in approach exhibited by actors in the various roles within the organisations that would impact differently on their inter-organisational relationships. As a result, a reassessment of the original industry structural issues diagram resulted in a revised version taking those additional factors into account (Figure 2.7). An appropriate theoretical

framework for this research should therefore embrace the researcher's prior knowledge, the perspectives added by an examination of the Advantage Report on RetailCo, and the additional factors identified from the literature.

A solely quantitative based approach was deemed to be an inadequate and wholly inappropriate way forward. The research was planned to be a longitudinal study based on a detailed and in-depth study working with RetailCo, one of the Big 4 UK Grocery retailers, and a selection of their suppliers to obtain rich empirical data, using in-depth prior knowledge of the sector and the additional concepts derived from the literature review. The intended primary data collection method was to be through a relatively limited number of lengthy and very detailed interviews with RetailCo and with selected suppliers. Consequently, it was decided that a mainly qualitative approach would be adopted, using the in-depth interviews to gain real insights into inter-organisational issues in the UK Grocery Sector as displayed by RetailCo and a selection of their suppliers. To provide structure to the interviews, the emerging plan was to use a series of set questions with Likert Scale responses as the triggers, so there would some quantitative responses, in addition to interview transcripts, which would therefore provide some directly comparative data that would be fleshed out in more depth by the rich qualitative data from the transcripts of the lengthy interviews.

3.2 Positive Accounting Theory and Syllogism

As this thesis is predominantly focused on management accounting and its effect on trust in inter-organisational relationships, consideration was initially given to one particular specialist theory, Positive Accounting Theory, which was developed by Watts & Zimmerman (1978; 1979). Some elements of this theory resonate with the researcher's prior knowledge and the impact on that thinking by the literature review, as stated by Watts & Zimmerman (1990) '*... accounting is an activity carried out by people and one cannot generate a theory that predicts and explains accounting phenomena by ignoring the incentives of the individuals who account.*' (Watts & Zimmerman, 1990, p150).

The principal use of Positive Accounting Theory however is to critically examine large bodies of quantitative data taken from accounting practice. That approach makes the theory less relevant for the planned programme of research, that of using mainly qualitative management accounting research methodologies. However, when considering suppliers' willingness to adopt accounting techniques such as Open Book, some of the tenets of Watts & Zimmerman's (1990) analysis of Positive Accounting Theory are helpful '*An accounting theory that seeks to explain and predict accounting cannot divorce accounting research from the study of people. The contracting approach to studying accounting requires researchers to understand the incentives of the contracting parties.*' (Watts & Zimmerman, 1990, p147).

The view that Positive Accounting Theory should not be considered for inclusion in the proposed research is supported by Modell's (2010) view; he asserts that the role of Positive Accounting Theory in any mixed methods study is likely to be peripheral. There is a danger, inherent in the adoption of Positive Accounting Theory when rich text data from a qualitative study is being examined, of being drawn into a form of logical deductive reasoning that leads to a conclusion that is not based on all the evidence. The danger is that the assumption, deduced from some of the observations, may or may not be wholly true for the whole case. Positive Accounting Theory is sometimes linked to the concept known as syllogism which is a particular form of logical reasoning that can be traced back to Aristotle (384–322 BC). Aristotle, in his valedictory work *Ἠθικὰ Νικομάχεια* (usually translated as *Nicomachean Ethics*), develops the concept of practical syllogism, with the following example of assumption-making taken from J.A.K Thomson's 1953 translation of Aristotle's *Ethics*:-

*'Dry food is good for every man
I am a man
This sort of food is dry'* (Thomson, 1953, p232)

If the essence of syllogism in exploratory research is to avoid drawing incorrect conclusions from data then what Aristotle (330 BC) has to teach us from his perspective some 2,500 years ago remains both highly informative and very relevant. Aristotle's *Nicomachean Ethics* refers to two main types of practical reasoning, which he defines as Rule/Case Reasoning and Means/End Reasoning. Lady Henrietta Georgina Chatterton (1875), one of the 'quartet' who lived at Baddesley Clinton, a moated property in Warwickshire, and a prolific writer, had studied Plato's and Aristotle's (330 BC) works, and concluded that the latter's work on Ethics '*... show(ed) ... the advantage of a belief in Free Will, and to indicate the precepts he advocated for the attainment of happiness even in this world of trial, by means of goodness.*' (Chatterton, 1875, Preface iv)

Chatterton further examined Aristotle's views on Free Will and summarised his thinking '*Virtue is voluntary, and vice is just as voluntary as virtue, for the bad man is just as voluntary an agent in his actions as a good man.*' (Chatterton, 1875, p24)

Chatterton's (1875) translation has resonance with the morality and ethics associated with the presence or absence of free will in inter-organisational relationships, but also, interestingly, provides an early use of the term 'agent', which is discussed in more depth later. Curzer (2015) is clear that the two types of reasoning set out by Aristotle (330 BC) are both valid, and could be used separately, or in tandem, depending on the situation. '*In complex cases ... practical reasoning consists of three stages. Agents grasp situations through habit-shaped perception, determine goals by applying general principles to particular situations via Rule/Case Reasoning, and then plan paths to their goals by providing ends for Means/End Reasoning.*' (Curzer, 2015, p153).

Curzer's (2015) view can be seen as a vindication of using a theoretical framework that embraces an over-arching epistemological vision, with an ontological approach. It was concluded that Positive Accounting Theory was not appropriate for the research programme. The next theory to be examined was Actor Network Theory.

3.3 Actor Network Theory

A frequently used framework in exploring inter-firm relationships is Actor Network Theory, based on the examination of actor-networks that was developed in the 1980s by Callon et al (1986) who defined the concept of Actor Network Theory as *'The structure and operation of an actor-world; an interrelated set of entities that have been successfully translated or enrolled by an actor that is thereby able to borrow their force and speak or act on their behalf or with their support. The entities may be seen as forming a network of simplified points whose simplicity is maintained by virtue of the fact that they are juxtaposed with others. The actor who speaks or acts with the support of these others also forms a part of the network. Hence the term actor-network, for the actor is both the network and a point therein. It should also be noted that each point entity that is enrolled in an actor-network depends on its capacity to translate other actor-network. A simplified entity that is nevertheless also a network in its own right.'* (Callon et al, 1986, page xvi)

The grocery sector, in common with many other industrial sectors in the UK economy, has a raft of human actors, such as category managers, buyers, and very senior team players in the retailers who deal with their opposite numbers in their suppliers. Both groups are influenced and even directed by their history, corporate culture and structures that their organisations (the non-human actors) display, as was presented in Table 1.3. The specific nature of grocery retailing, in having mainly short-shelf-life goods, places more pressure onto key staff in both sets of organisations. Actor Network Theory embraces both human actors and non-human actors. Taking account of the researcher's prior knowledge, including the identification of the key differentiators between the top ten grocery retailers (Tables 1.2 & 1.3) the additional insights from the Advantage Report and the key points identified from the review of the literature, Actor Network Theory appeared to be worthy of a more detailed examination as to its suitability as a theoretical framework for researching supplier-retailer relationships in the UK Grocery Sector in a longitudinal action research programme.

Actor Network Theory has been much used as an approach in the study of human and technological players (actors) in dynamic networks (Bowker et al, 1996). Blok et al (2019) make the point that Actor Network Theory should not be considered as a theory, nor as a method, but rather as *'... an open repository ... (for) what an actor might be and to how things and actors coexist, clash, differ and associate'* (Blok et al, 2019, p52)

Many researchers do, however, do view Actor Network Theory as a theory, and one which considers networks of people and their associated technologies, through a study of what people and things become, the latter being a form of relational ontology. Greenhalgh and Stones (2010) developed a theoretical hybrid framework that built on the platform of Actor Network Theory by incorporating thinking from Strong Structuration Theory in their examination of big IT in the United Kingdom's National Health Service. An important element in their argument was the fact that the use of advanced technology was central to the organisations being studied.

There are detractors though; Latour (1996) avers that Actor Network Theory has significant limitations, arguing that it is '*... an extremely bad tool for differentiating associations. It gives a black and white picture, not a coloured and contrasted one.*' Latour adds '*... it is necessary to specify the types of trajectories that are obtained by highly different mediations*'. (Latour, 1996 p380)

Actor Network Theory was considered to have merit as one possible theoretical framework for the research programme. Consideration of another possible theory - Structuration Theory - comes next, followed by a detailed examination of its metamorphism into Strong Structuration Theory.

3.4 Structuration Theory

Anthony Giddens (1984), writing in *The Constitution of Society*, drew an analytical theory from a post-empiricist perspective, a theory that he termed Structuration. Giddens' Structuration talks in terms of structures and agents, and places both in the context of their history and societal conditions; essentially relating a wider society to individual people. Giddens (1984) states that one of his main aims in the formulation of Structuration was to move away from two opposing social science theoretical frames, hermeneutics (interpretation from verbal and non-verbal communications) on the one hand and functionalism or structuralism (to function, society needs a consensus on values and structure) on the other hand. Structuration Theory melds those two approaches and has as its domain '*... neither the experience of the individual actor, nor the existence of any form of societal totality, but social practices ordered across space and time.*' (Giddens, 1984, p2).

Giddens (1984) sees the social order in what he terms a duality of structure, in that organisational structures are created by people, and in turn those structures, those organisational cultures, shape the people that interact with the organisations. Giddens' (1984) view of Structuration, the duality of structure, is illustrated as a systems conceptualisation covering structure(s) and system(s) (Table 3.1) and defined as '*... rules and resources drawn upon in the production and reproduction of social action are at the same time the means of system reproduction (the duality of structure).*' (Giddens, 1984, p19).

The Duality of Structure		
Structure(s)	System(s)	Structuration
Rules and resources, or sets of transformation relations, organized as properties of social systems	Reproduced relations between actors or collectivities, organized as regular social practices	Conditions governing the continuity of transmutation of structures, and therefore the reproduction of social systems

Table 3.1 The Duality of Structure (Giddens, 1984, p25)

The duality of structure as espoused by Giddens (1984) argues that structures have the effect of influencing actor's behaviour or practices, but those practices also form and indeed reproduce the structures themselves. *'Structures are enacted by what Giddens calls "knowledgeable" human agents (i.e., people who know what they are doing and how to do it), and agents act by putting into practice their necessarily structured knowledge.'* (Sewell, 1992, p4).

Giddens' Structuration has three dimensions, structure, modalities and their interactions, which were designed to analyse society, organisations and individuals and their inter-relations. Giddens (1984) portrayed those dimensions and their inter-relationships in a diagrammatic form – Figure 3.1.

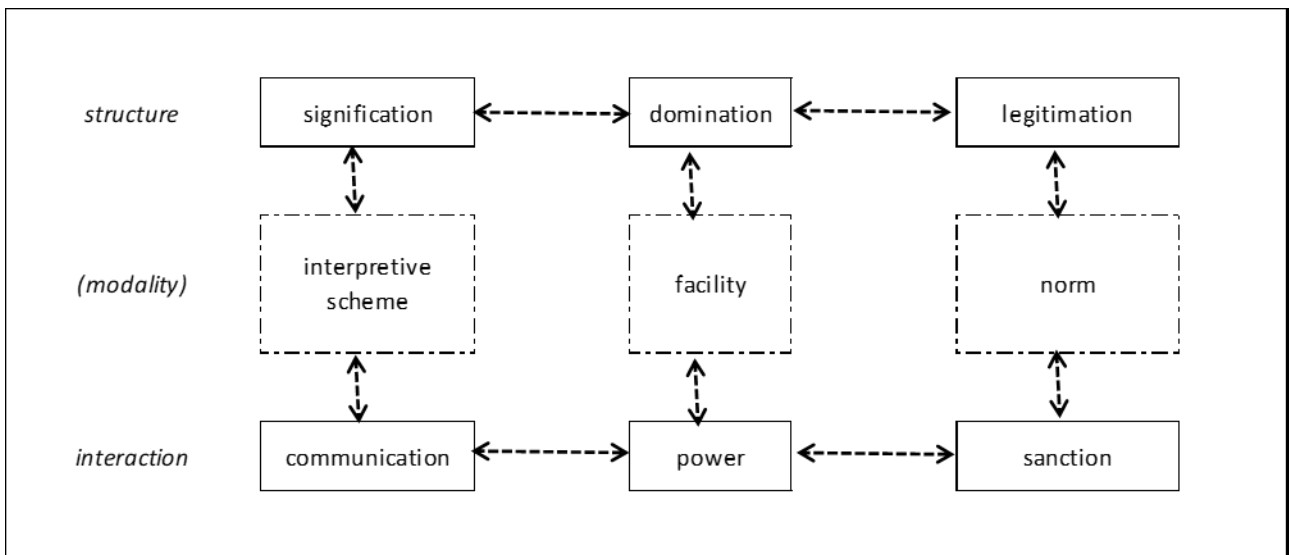


Figure 3.1 – Dimensions of the Duality of Structure (Giddens, 1984, p29)

Giddens (1979) viewed structure in a way that was separate from agency, whereas McLennan (1984) suggested that a better description of the duality would be to view it as a duality of structure and agency. Stones (2005), building on that observation, comments on what he terms a lack of analytical clarity in Giddens' thinking about structures and their place in structuration. Giddens (1979) writes of structures existing virtually as both agent's knowledge based on what Giddens 'terms memory traces' (Giddens, 1979, p64, 1984, p377), which are internal, and physical things which might include the agent's body or wholly external objects. Giddens uses the term 'modalities' to describe the ways in which agents draw on the structures in their behaviour. He asserts that the modalities both influence the structural keys and are influenced by the structural keys, driven by the interaction keys. Interpretive schemes facilitate communication between the organisation and people external to it, with patterns of behaviour being conveyed from the organisation to the external people, influencing their behaviour. Facility, or resources, builds on human power to facilitate change, moderated or controlled by the dominant and asymmetrical power positions of the organisations in the inter-organisational relationship. The final modality, norm, represents conventions or guidelines of behaviour. Sanctions exist in interplay between individuals, and may develop into a set of acceptable behaviours: organisational legitimisation of some behaviours and not others is another reflection of an asymmetrical power relationship.

Giddens' (1984) writing is felt by some to be rather abstruse (Jones & Karsten, 2008) and so other researchers have sought to clarify what is the key strength or core theme of structuration, and to build upon it. The development of Giddens' (1984) original thinking on structuration by

researchers including Orlikowski & Robey (1991), Jack & Kholeif (2007) and Jones & Karsten (2008), and to some extent the comparative work on Actor Network Theory and Structuration Theory by Greenhalgh & Stones (2010) all point to the same conclusion '*... the use of Structuration Theory can be problematic: the complexity of the theory can mean its use is somewhat selective and 'lop sided'...*' (Jack & Kholeif, 2007, p5)

Since Giddens (1984) postulated the theory of Structuration, there have been a number of critiques of the theory with researchers developing the thinking further, often in a particular application such as information systems. Jones & Karsten point out that as '*... social structure is continuously being created through the flow of everyday social practice*' (Jones & Karsten, 2008, p131) the development of Giddens' (1984) concept of Structuration marks it out as differing from some positivist theories. In particular, Jones & Karsten (2008), in relating Structuration to information systems applications, and building on Giddens' (1984) work to apply it specifically to big IT, helpfully present Structuration Theory's key features, their implications and some potential issues in tabular form (Table 3.2). Although targeted at information systems applications, this table is very helpful in identifying some key issues. The bottom right-hand box raises the interesting perspective that '*...information technologies may be able to facilitate some level of social integration "at a distance"*'. (Jones & Karsten, 2008, p137).

In the light of the current climate of developments such as Blockchain technologies and artificial intelligence being applied to, or considered for application to, supply chains, this was a prescient observation. It is an area that has been identified as worthy of future research.

Feature of Structuration Theory	Implication	Potential Issues
Rejection of both positivism and strong interpretativism	Structure does not determine action, but nor is action independent of structure	Universal social laws are markedly implausible, but accounts based solely on individual action and meaning are also inadequate
Duality of structure	Structure and agency are mutually constitutive	Structure is inseparable from agency
Structure is a 'virtual order of transformative relations'	Rules and resources exist only in their instantiation and as memory traces orienting conduct	Material resources, such as technology, influence social practices only through their incorporation in processes of structuration
Agents always have the possibility to do otherwise	Structural constraint simply places limits upon the feasible range of options open to an actor in a given circumstance	Agents comply with structural constraints because they choose, rather than are forced, to do so
Agents are knowledgeable about their actions and continuously reflect on their conduct	Agents are not passive objects, subject to exogenous forces, or ignorant of the influences on their actions	People, including researchers, should be considered as active, reflexive participants in the practices in which they engage
Unacknowledged conditions and unintended consequences	Production and reproduction of society is not wholly intended or comprehended by social actors	Social generalizations are necessarily contextual
Essential recursiveness of social life	Society is a complex of recurrent practices that constitute social institutions (and individual identity)	Individual action needs to be understood in its ongoing relationship with large-scale social organization
Time space distancing	Societies 'stretch' over spans of time and space	Information technology may be able to facilitate some level of social integration 'at a distance'
Some Key Features of Structuration Theory, their Implications, and some Potential Issues for IS Research (Shading indicates features that are contested by some critics)		

Table 3.2 – Key features of Structuration Theory (Jones & Karsten, 2008, p137)

Jones & Karsten (2008) offer a critical review of Giddens' (1984) work, with contributions from – *inter alia* – Orlikowski & Robey (1991) whose work adds depth to the concept and applicability of modality. Table 3.2, from Jones & Karsten (2008) provides a critique of structuration theory, identifying the implications of Giddens's principals, and potential issues associated with the statements. Jones & Karsten (2008) also highlight areas where researchers have raised questions about the relevance of some of Giddens' assertions. They also make the point that in the context of IT systems development, structuration theory is helpful in time-space distancing. Regardless of whether Giddens (1984) work is considered valid in entirety or not,

his work has been seminal in the creation and development of a host of new approaches to social theory and theoretical frameworks. There have been several adaptations of the core Structuration Theory proposed by Giddens (1984), in part as researchers attempted to relate the theory to their own branch of specialism. One strand of development was technological and originated with Barley's (1986) work on CT scanner introduction, which showed how new technology affected the host organisation's social behaviour as an unintended consequence. That thinking was developed by DeSanctis & Poole (1994), who suggested that Adaptive Structuration Theory illustrated how technology adoption was used as a change agent. This was again developed into a more two-way theory of changing the organisation and the technology to work together more effectively, which was termed Technology Structuration Theory (Orlikowski et al, 1995). The original thinking was further developed to add more weight to the human actor's role (Bijker et al 1989).

Structuration Theory, then, offers a pattern and framework of relevance to researching how the UK Grocery Sector operates. Giddens (1984) poses the question *'In what manner can it be said that the conduct of individual actors reproduces the structural properties of larger collectivities?'* (Giddens, 1984, p24)

That statement by Giddens offers insights into the differentiators between the top ten UK Grocery Sector players identified by the researcher (and described in Tables 1.2 & 1.3) which include, by inference, the individual cultural characteristics that mark out the major UK supermarkets' differing behaviour towards their suppliers.

As mentioned earlier, technology (both current and emerging) is now considered to be a mainstream differentiator and a major actor in the UK Grocery Sector. Experiments in the USA with check-out-less stores (Taylor, 2016) and the potential for novel and secure delivery systems (Goodchild & Toy, 2018), together with Ocado's experiments with highly automated warehousing (Mason, 2019) and their filing of US patent applications on in-warehouse technologies (Lindbo & Ingram-Tedd, 2018), may yet influence the wider sector and introduce significant differentiators. Again, as mentioned before, the advent of Blockchain adoption may well have a major impact on the sector. However, the vulnerability of highly automated facilities has led to some serious problems: most recently the major fire at Ocado's Andover store, which

disrupted supplies (Financial Times, 2019), and previously Sainsbury's disastrously unsuccessful attempt to fully automate warehousing in 2003 that led to a fall in supplier confidence (Alami, 2016). The development of Blockchain as a potential game changer, and the consequential need for future research, probably utilising Technology Structuration Theory, is hereby identified. A major strand of development of Structuration, which has the most direct relevance to this research, is Strong Structuration Theory.

3.5 Strong Structuration Theory

Whilst Giddens (1984) acknowledges that there are links between social structure and actors, others, principally Stones (2005) and Coad & Herbert (2009), suggest that Giddens' (1984) Structuration Theory does not take sufficient account of external factors, nor of inter-agent relationships. Agency is one important element of the theory, and requires a detailed explanation.

3.5.1 Agency and Agents

Agency, and agents, were terms used in Giddens' (1984) original work, and have been taken up and developed further by Stones (2005) and – *inter alia* – Coad et al (2016), Stones and Jack (2016) and Adhikari & Jayasinghe (2017). The utilisation of the term agency theory in Strong Structuration has facilitated the creation of two main categories of agents (Jack & Kholeif 2007; Harris et al 2016; Adhikari & Jayasinghe 2017), with *agents-in-focus* as the subject of the research, and *agents-in-context* being those actors with whom the agents-in-focus interact. Harris et al (2016) helpfully describe three 'stumbles' or traps into which their research was led which help to reveal the developing nature of Strong Structuration Theory and its application to qualitative research data analysis. The first such stumble they describe was that of not differentiating clearly between agency and structure, which led them to conclude that the placing of agents-in-focus in their field was not as straightforward as some previous research had suggested. The second stumble was related to the meaning of externality, and the recognition that the policies of some internal actors within an organisation could have effects on agents-in-focus not dissimilar to those resulting from what are usually termed agents-in-context. The third and final stumble was to visualise the quadripartite nature of structuration as a cyclical or sequential process related to the developing life cycle of a project within the organisation. They concluded that the two were not linked in that way. Harris et al's (2016)

helpful analysis of their stumbles is particularly useful when determining how to adopt Strong Structuration Theory for a qualitative research project.

Stones' (2005) *magnum opus* on Structuration Theory initially provides a critical analysis of the work of Giddens in his creation of structuration in terms of its completeness and applicability. Stones moves on to assess some of the leading thinking from critical writers including Archer (1982; 1988; 1996; 2008), Archer & Archer (1995; 2000) and Parker (2000) who suggested that structuration was *passé* and proposed a new theory – post-structuration – in its place. Writers including Mouzelis (2000, 2003; 2016), Thompson (1981; 1984; 1989), Sewell (1992) and Archer (1982; 1988; 1996; 2008) and Archer & Archer (1995; 2000) all made some positive contribution to the development of structuration, despite their critical stance on its relevance. Stones' (2005) response in his development of a strong version of structuration theory can best be illustrated by quoting him. *'The full potential of structuration theory cannot be fulfilled whilst it remains only in the clouds, content just to sprinkle a few magnanimous drops of rain down onto the fields below in whimsical, haphazard gestures designed more to draw attention to the abstract ontology than to nurture a greater understanding of particular times and places. What I call "strong structuration" encompasses ontology-in-situ [Stones' emphasis] This entails taking ontology-in-general and pointing it towards the ontic, towards the realm of particular concrete and/or situated entities in the world with their particular qualities, relations, shapes, tones, texture, colour and so on.'* (Stones, 2005, p76).

Stones (2005) amplifies that almost whimsical description in his description of three abstract-concrete levels of inter-related ontology, namely an abstract ontological level, meso level ontological concepts and an ontic level, which he illustrated diagrammatically (Figure 3.2).

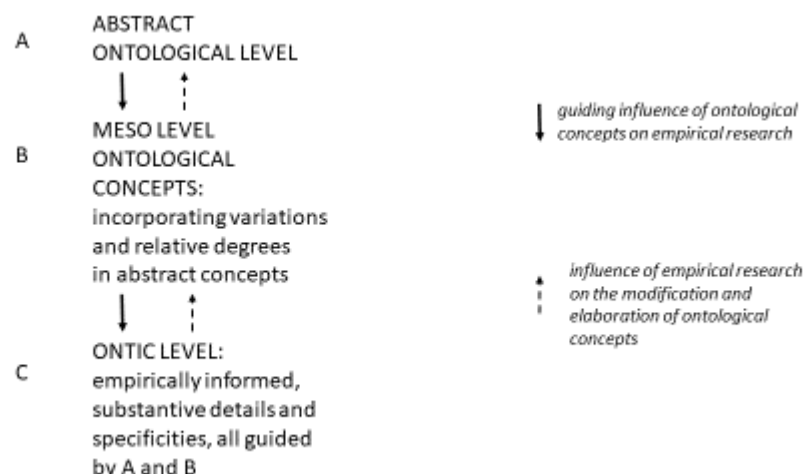


Figure 3.2 – The Three Abstract-Concrete Levels of Ontology (Stones, 2005, p77)

The meso-level ontological concepts, which straddle both the abstract and the ontic, enable the researcher to enter into a useful theoretical analysis of ontological ideas using a series of discussion points from a sliding scale, which enable the research to see that

“... it is possible to talk about:

- *more or less knowledgeability, about a range of different objects of knowledge*
- *more or less critical reflection by an agent upon her internal structures*
- *motivations or desires that have a greater or lesser degree of intensity*
- *a fewer or greater number of choices available to an agent-in-context*
- *specific clusters of external structures that are more or less durable or modifiable by one or a number of agents-in-context*
- *fewer or greater numbers of consequences of particular actions that are unintended*
- *a number of unintended consequences of which some will be more or less important to specified agents*
- *modifiable external structures that would be likely to take more or less time to change” (Stones, 2005, p78).*

The meso-level discussion points provide a most helpful framework for conducting interviews. As explained in Chapter One, the semi-structured interview questions were drawn up and used to collect the primary data before the change was made to the adopted theoretical framework (from Actor Network Theory to Strong Structuration Theory). The discussion points above were used in the analysis of the already collected primary data. The mention of unintended consequences in the meso-level discussion points above is highly relevant to the issue of the behaviour patterns exhibited by some of the actors in RetailCo. Stones (2005) discusses this, which, as it so succinctly summarises the direct applicability of the theory of Structuration to the planned research programme, is cited below in its near entirety. *‘Thus, for example, a researcher drawing upon Giddens’s abstract stratification model of the agent but directing it towards “finding out” about something at the in-situ ontic level, might be guided by it towards looking for evidence for the “unintended consequences” of a particular agents’ action. The kinds of evidence that would be admissible and relevant would, in turn, be shaped by the related abstract notion that agents are both knowledgeable and purposeful entities. What is unintended would therefore depend upon what purpose was intended by the agent when she performed the action that led to the said consequences. The fact that the consequences that ensued were not the intended ones, were unexpected ones, is most likely to indicate that the agent was not*

knowledgeable enough about her circumstances to understand the likely effect of her actions.'
(Stones, 2005, p78)

The latter point about the lack of awareness of the potential consequences of action is salient in the analysis of the primary data, and will be returned to later. In order to be able to apply this thinking to a case-study research programme it is first necessary to understand more about the mechanisms needed to apply the theory, and the approach needed to understand the linkages observed. Two concepts need to be considered for an understanding of the case studies and their application through the lens of Strong Structuration Theory; habitus and agency, and the linkages between them.

Habitus may be defined as deeply ingrained habits, values, skills and dispositions, based on the actors' experiences and intuitive preferences. Agency is the ability to act as the actor wishes, the free-will to be independent, and to make one's own decisions. The application of Strong Structuration Theory to case studies was explored by Stones through several examples. Stones' (2005) examination of Ewa Morawska's (1996) work '*Insecure Prosperity*' researching the emigration of eastern European Jews to the USA over the period 1890 to 1940 is a particularly helpful and detailed study. His later work (Stones, 2015) on an assessment of one episode from the television series 'Borgen' (The State Visit) is also useful. The two cases described below clearly evidence aspects of habitus and agency.

3.5.2 Insecure Prosperity

Morawska's (1996) research focused on societal behaviour change exhibited by a group of Jews who emigrated at the end of the 19th Century from a very conservative environment in Europe to a very different culture in the United States of America. Some 30% of those who emigrated to the USA before World War One were Jews from Russia, Galacia and Hungary; just over two million people. They had come from an orthodox society where adherence to a strict Sabbath day observance and marriage within the community were all part of their culture and closely complied with. Morawska (1996) used Strong Structuration Theory, and in particular its duality of structure, to inform the research so that human action and its social environment are "*... substantively and causally equivalent.*" (Morawska, 1996, p xviii). On settling in the USA, a very different social environment faced them. Their European Sabbath day observance meant that

they did not work at all on that period from sunset on Friday to sunset on Saturday. But commercial life in the USA was governed by a different set of cultural norms and, to survive in business, they had to adjust by gradually changing their behaviour which meant that they became no less Jewish but they became Jewish in a way that accepted the USA way of operating - in order to survive; a process that Morawska terms ethnicisation. Stones make a very prescient point about Morawska's (1996) work: *'In terms reminiscent of Giddens's distinction between discursive and practical consciousness, Morawska notes that some of these ways of seeing the world are near to the surface and readily amenable to discursive articulation whilst others are "so deeply sunk in everyday life that conceptualizing and verbalizing them requires a considerable effort."* (p xix). (Stones, 2005, p150).

Stones (2005) notes that Morawska takes for granted the existence of external structures and outcomes. The case of the gradual cultural change in behaviour by the people who participated in that period of Jewish emigration to the USA to accommodate their new country's norms clearly exhibited the way in which structures affect and impact upon people. This exposition by Stones (2005) of Morawska's work had clear parallels with the researcher's experience of global supply chains, and his work with suppliers to the Big 4 UK retailers. The researcher could recall patterns of behaviour that had occurred in commercial relations between suppliers and retailers that he had personally experienced, and which were typified by their adherence to the cultural norms exhibited by the respective organisations, and the depth and longevity of the relationships exhibited between the two organisations. Strong Structuration Theory has, through its application by Morawska in this case, viewed and contextualised the gradual behaviour changes that occurred amongst emigrant Jewish communities as they established themselves in their new world.

3.5.3 Borgen - the State Visit

The second case study that is relevant is that from an episode of the Danish television drama 'Borgen' which was entitled 'The State Visit'. Stones (2015) uses the episode to illustrate how television audiences employ the contextual field to embrace and comprehend the scenes that unfold before them on the TV screen. Audiences employ this approach unconsciously, but in reality they are applying 'in situ' elements of the previous episodes and the contexts in which characters develop through a series. The crux of the story-line of the State Visit is whether the Danish Prime Minister will sign an extradition agreement that would affect an outspoken critic

of the fictional state whose leader was making the State Visit. The deal over a major wind-farm contract was, it seemed, tied into the signing of the extradition treaty. The manner in which the visiting head of state explained the way in which the extradited person would be treated sowed seeds of doubt in the Danish Prime Minister's mind, derived from her habitus, which Stones describes as '*deep dispositions*' (Stones, 2015, p91). Habitus in this context may be defined as deeply ingrained habits, values, skills and dispositions, based on the actor's experiences and intuitive preferences. In the Prime Minister's case, her personality, and all that she held dear, overrode the desire and pressures to conform to a course of action that would have had material benefits to Denmark, but would have been morally offensive to her. She had agency – the ability to act independently and make her own decisions about the choices she faced. The outcome was, however, that she out-manoeuvred the visiting head of state and achieved both her aims. The choices that she evaluated to determine her course of action would have included some or most of the in-situ variability that Stones (2005) mapped (Figure 3.3). The illustrative types of in-situ variability in Figure 3.3 are ones which the intelligent actor with agency would use to evaluate the options available to them. The sub-conscious influences from their habitus would determine which of the possible outcomes would be acceptable to them. This approach is therefore of considerable assistance in examining the behaviour of agents-in-focus through a Strong Structuration Theory lens.

ILLUSTRATIVE EXAMPLES OF TYPES
OF *IN-SITU* VARIABILITY

- □ Degree and type of critical reflection/
taken-for-grantedness of action
- □ Number of relevant intended and
unintended consequences of action
- Degree of emotional intensity attached
to particular consequences
- Extent to which consequences
are unexpected
- Extent of post-hoc ability to understand
causation of consequences
- Extent to which consequences contribute to
structural elaboration or preservation
- □ Extent of external structural resistance
to an agent's project
 - can include *within* its scope:
 - number of agents involved in
those external structures
 - types of power available
to those agents
 - intensity of active resistance
to project

Figure 3.3 – the Meso-level of Ontological Abstraction (Stones, 2005, p80)

The Borgen case described how the Prime Minister had agency, and her instincts, derived from her habitus, rejected what might have been termed a conventional wisdom solution that was morally reprehensible to her, and over-rode the pressures to follow her advisers' solution. Harris et al (2016) crystallised the manner in which Stones' (2005) new light on Structuration provides a welcome new approach for management accounting research, and described the Strong Structuration Theory that Stones expounded as '*... a holistic theory, which depicts structuration as a quadripartite intertwining of external structures, internal structures, active agency and outcomes.*' (Harris et al, 2016, p1181).

Reference has already been made to some of the lack of clarity in Giddens' (1984) Structuration Theory, which provides guidelines but little detail. Strong Structuration Theory '*... which puts more emphasis on issues of research design, and on the specificities of how, why, when, and by whom change may come about*' (Makrygiannakis & Jack, 2016, p1235) has particular relevance to this research, and embraces the juxtaposition of agency and structure (Stones, 2005) which facilitates that which Scapens (2006) described as '*... how current actions are constrained by past actions*' (Scapens, 2006 p17). Coad et al (2016) consider Stones' (2005) *Structuration Theory* as the most important development of Structuration Theory into what has become known as Strong Structuration Theory. Giddens' (1984) Structuration Theory, which includes his concept duality of structure, was attacked by Archer (1996) as discounting the effects of past actions on the present, and Stones (2005), in building on that critique, whilst discarding some elements of Archer's (1996) theories, proposed what he termed the quadripartite cycle of structuration (Figure 3.4).

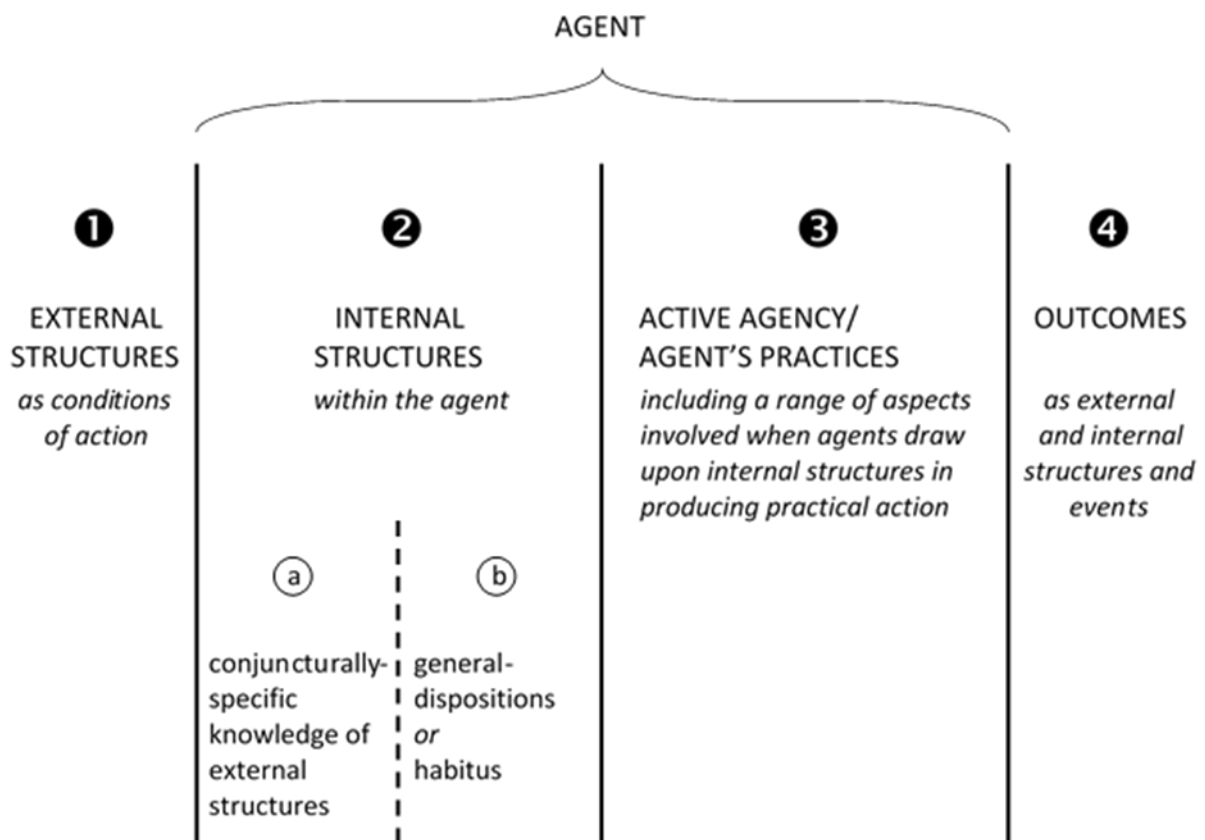


Figure 3.4 Quadripartite cycle of structuration derived from Stones 2005 p9 & p85

In seeking to apply the theoretical framework of Strong Structuration, it is necessary to first identify and then define the various components of the theory. Giddens (1984) had cast the essential platform for Structuration on which Stones (2005) crafted Strong Structuration. The concept of duality of structure is central to both Giddens' (1984) theory and to the Strong Structuration version that Stones (2005) developed. The duality is highly relevant to the research study that forms the basis of this thesis, as it embraces and characterises the structure in which the actors (agents) operate and the outcomes that result from the actors' actions.

In 2016, Stones (2005) was interviewed by Lisa Jack in front of an audience at IAE de Paris during a Strong Structuration Theory and Management Research workshop, the transcript of which was published as 'The bridge between ontological concepts and empirical evidence' (Stones & Jack, 2016). In the interview, Stones makes the point that Strong Structuration Theory has been taken up by accountants and managers in part as those disciplines require precision and a way to gain a real understanding of the issues. In those spheres those requirements are, he postulates, more important than they would be for many sociologists. Hence the relevant applicability to management accounting research, and thus to the research encapsulated in this thesis.

Stones (2005), in developing Giddens original thinking on Structuration Theory, introduced the concept of a quadripartite framework which contained, as one its key elements, the concept of agency. Coad et al (2016) describe Stones thinking as one which '*... encourages researchers to explore empirical case studies of particular agents and structures, where individual agents are situated in a web of position-practice relations.*' (Coad et al, 2016, p1138)

It is important here to clarify what is meant by the term 'case study' in the context of this research. Lee et al (2007) describe the then ongoing argument as to whether qualitative case studies were serious contenders for recognition amongst management accounting researchers. Of the three categories of case study that Lee et al (2007) cite, exploratory, descriptive and explanatory '*... it is only the explanatory case that seeks to derive a detailed understanding of a particular phenomenon where the case is not seen as ancillary to more quantitative methods.*' (Lee et al, 2007, p170).

In this case, the use of a case-study based research programme to obtain representative and detailed qualitative data (through extended semi-structured interviews) and quantitative data (from the Likert Scale initial responses to questions) is indeed taking the explanatory route. Therefore, for this research, the case study (of RetailCo) is an approach designed to obtain the empirical data required, and is not a research method in itself.

3.5.4 Relevance to the research

Retailers dominate the UK Grocery Sector in terms of turnover and sales. In general the turnover and hence the purchasing power of the UK Grocery retailers far outstrips that of the majority of their suppliers. This asymmetrical relationship between suppliers and retailers has given rise to a power imbalance that is a characteristic of the growth in retail strength in the post Second World War period of the UK's history. Table 3.3 illustrates the comparative turnovers of a small but illustrative selection of retailers and suppliers.

Comparison of selected retailer and supplier turnovers			
Retailers		Suppliers	
Walmart	£342 billion	Nestlé	£66 billion
<i>of which Asda t/o was</i>	<i>£22 billion</i>	Warburtons	£526 million
Tesco	£55 billion	Dairy Crest	£220 million
Sainsbury's	£22 billion	Typical produce supplier	£45 million
Data sourced from (2017) company annual reports			

Table 3.3 – Supplier and retailer comparative turnovers

The table was produced by the researcher using data taken from 2017 company annual reports with currencies converted to Sterling when necessary. Grocery retailers such as J Sainsbury (founded in 1869) and Tesco (founded in 1919) have grown substantially since the Second World War. That is in part due to changes in shopping practices, for instance the growth of the out-of-town mega stores (though now a pattern that has halted, and is being reversed). The growth of Tesco and Sainsbury's encouraged the birth of new entrants such as Asda (established in 1965) and saw the decline of the once very significant Co-op from some 30% market share in the 1950s (Clough, 2002) to just 6.4% in July 2019 (Kantar Worldpanel). That period of rapid and substantial growth ended in around 2014 and since then a further shift in shopping practices and the return to localism has dented the power of the Big 4, who remain, nevertheless, very powerful actors in the grocery scene, still with just under 70% of the UK Grocery market.

Examining the UK Grocery market through the lens of Strong Structuration Theory provides a relevant historical perspective and a structural context, and relates the actors (the suppliers and their retailer customers) to the structure of the UK Grocery market as a whole. Greenhalgh & Stones (2010) pose the effect that technology has upon position-practice, whilst rejecting Actor Network Theory's view of ontological symmetry between human and technology actors in networks. Greenhalgh & Stones (2010) illustrate the influences by historical and social forces on both agents-in-focus and on technology-in-focus (Figure 3.5)

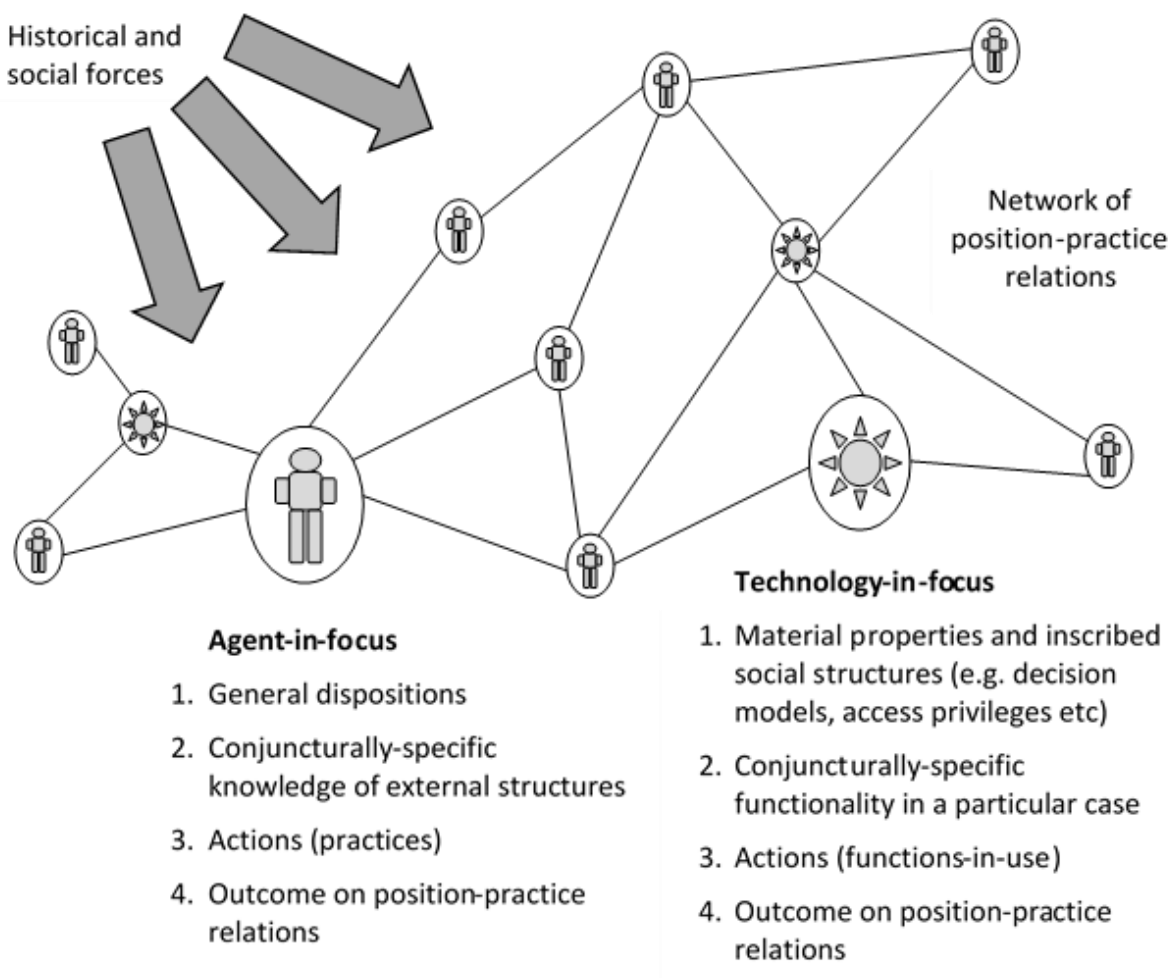


Figure 3.5 - from Greenhalgh & Stones 2010 p1289

However, whilst Strong Structuration Theory provides a framework for the analysis of the interplay between actors and structures, is not a theory that provides a methodological approach to the research. Strong Structuration Theory however is appropriate and helpful to provide the critical lens through which the relationship between suppliers and retailers in the UK Grocery

market can be observed and analysed. The basis of those relationships is, of course, commercial, and so a theoretical framework that embraces the logical approach of accounting is an appropriate framework to adopt, in parallel with Strong Structuration Theory. What is needed here is not a hypothesis-testing research framework, nor an approach such as Actor Network Theory, but one that treads a pathway through the middle of those theories.

The research was conducted using a case study approach, taking observations gained through in-depth interviews. From those elements a rational set of conclusions based on those observations, was seen through the most suitable theoretical lens, Strong Structuration Theory, coupled with an analytic theory. This duality of theories is an approach to research that is sometimes termed triangulation. *'The use of multiple methods, or triangulation, reflects an attempt to secure an in-depth understanding of the phenomenon in question.'* (Denzin, 2012, p82).

The origin of the term 'triangulation' related to navigation or trigonometry. In social science research, the term – perhaps first used in the 1950s (Campbell & Fiske, 1959) – has become adopted to describe the use of more than one theoretical framework in a mixed-methods approach. Flick (2007) describes triangulation not as a tool but as a validity approach. Writing in relation to a reorientation of social science research in the Central Bank Policy in Sierra Leone, Jackson (2018) writes *'Triangulation is underpinned by both its approach to epistemological and ontological journey; a methodology of combining theories/methods in a bid to improving outcomes, also a view subscribed by the retroduction approach applied in the heterodox economics thinking. Such combination can ... incorporate ... qualitative and quantitative approaches.'* (Jackson, 2018, p267)

In essence, it is the combination of more than one type of method in any particular research study. Stones' (2005) view of the use of Strong Structuration Theory is *'... you need to go backwards and forward between the problem at hand and concepts, the exhaustive array of concepts that are produced by a particular theory or a combination of theories ... Strong Structuration Theory is ecumenical. There's no reason why it can't be used with other theoretical approaches if those can, together, better address the research problem at hand.'* (Stones & Jack, 2016, p1147).

So which other research method would be the most appropriate to link, using the principles of triangulation, to the Strong Structuration Theory approach? A theory based on logic would seem to be an ideal partner, and Peirce (1931; 1991) developed such a theory in postulating and writing about the tools of logic.

3.6 Abduction

Charles Sanders Peirce, who was born in 1839 and died in 1914, devoted much of his life from the age of 13 to the study of logic and inference (Fann, 1970). There appears to be no original published literature surviving from Peirce's own period, but various collections of his writings have been assembled later (e.g. Peirce, 1991) and researchers have built on his principles. Fann (1970) points out that Peirce took over 50 years to establish his thinking about logic. Peirce summarised the three tools of logic as:-

1. Deduction
2. Induction, and
3. Abduction

Fann (1970) explained the characteristics of Peirce's three tools of logic thus, '*What sort of justification can be claimed for abduction? Observe that abduction is the only logical operation which introduces new ideas. Deduction explicates and proves that something must be; induction evaluates and show that something actually is operative. But abduction merely suggests that something may be (may-be and may-be not). "There is no compulsiveness nor tendency toward compulsiveness" (5.172¹⁸) in this kind of operation. Since abduction merely offers suggestions there seems to be little room for the question of what justifies it (5.171, 8.238).*' (Fann, 1970, p51. Emphasis is Fann's.)

Sebok & Umiker-Sebeok (1983) in seeking to add to that summary, quote from Peirce's writings '*Abduction and induction do, of course, "both lead to the acceptance of a hypothesis because observed facts are such as would necessarily or probably result as consequences of that hypothesis." But: Abduction makes its start from the facts, without, at the outset, having any particular theory in view, though it is motivated by the feeling that a theory is needed to explain*

¹⁸ These numerical references refer to two sets of the *Collected Papers of Charles Sanders Peirce*, Vols 1-6 edited by Hartshorne & Weiss, Cambridge, Massachusetts 1931-1935, and Vols 7-8 by Burks, Cambridge, Massachusetts, 1958.

the surprising facts. Induction makes its start from a hypothesis which seems to recommend itself, without at the outset having any particular facts in view, though it feels the need of facts to support the theory. Abduction seeks a theory. Induction seeks for facts. In abduction the consideration of the facts suggests the hypothesis. In induction the study of the hypothesis suggests the experiments which bring to light the very facts to which the hypothesis had pointed.' (Sebok & Umiker-Sebeok, 1983, p24-25).

Inductive analysis is the approach commonly used for the analysis of qualitative data to create a theory (Strauss & Corbin, 1998; Thomas & James, 2006) with a preconceived hypothesis in mind to test. Not all researchers give inductive research as much credit or value as deductive research, with Shank (1998) determining that induction is inferior to deduction as its conclusions are probable. By contrast, deductive analysis tests data to ascertain whether it conforms to some previously derived theory, which is then tested by a hypothesis. The researcher will not consider deductive analysis or reasoning further here, as it is not deemed relevant to the qualitative research carried out for this thesis, which does not propose a hypothesis to be tested. The third category of analysis, Abductive, is more closely related to inductive research. Peirce (1931; 1991) proposed a classification of types of inference, summarised below in Figure 3.6.

Inference	Explicative (analytic or deductive)	
	Ampliative (synthetic)	Abductive
		Inductive

Figure 3.6 – Classification of Inference – from Peirce (1931, 1991)

Abduction takes a pragmatic approach '*...taking incomplete (or 'messy') observations from experience and reality that they then lead to a best prediction of the truth ...*' (Mitchell, 2018, p105). Sebok & Umiker-Sebeok (1983) describe the process of abduction as analogous to the reasoning methodologies practised by a couple of detectives – Conan Doyle's Sherlock Holmes and Poe's Dupin. Moriarty (1996) states that the approach of those two detectives has similarities to the interpretive process of abduction which, she states, has been described as educated guessing towards a hypothesis. That is in marked contrast to the more formulaic Abductive syllogistic approach that starts with a rule, observes a result, and makes a case. Moriarty (1996) views that process as flawed in that it aims for the making of a case rather than forming a conclusion. Moriarty (1996) emphasises that Peirce saw abduction as a creative form

of reasoning, which Davis (1972) described as a ‘... *creative leap of the mind*’ (Davis, 1972, p48). Davis had observed actors reaching conclusions through an abductive approach exclaiming ‘*I see!*’ (Davis, 1972, p48).

Kovács & Spens (2005) described the Abductive research process diagrammatically (Figure 3.7).

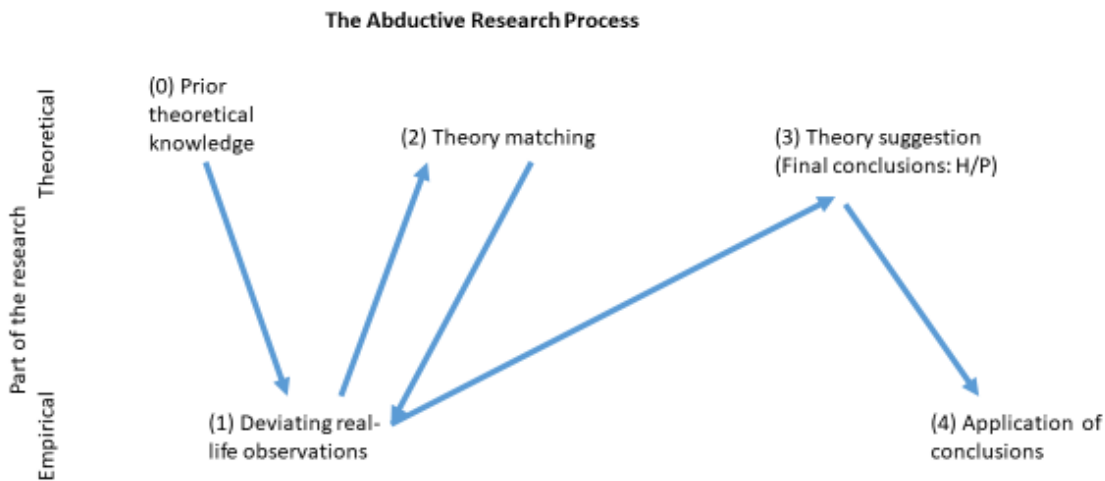


Figure 3.7 – Abductive Research Process - adapted from Kovács & Spens, 2005, p139

Lukka explained the Abductive process - ‘*Abductive reasoning typically starts from a striking empirical observation that begs an explanation, triggering the process of ‘making sense’ to begin. However, as the observation is not perceived to exist in a theoretical vacuum, an Abductive researcher then commences careful development of theoretical explanations with the help of everything he/she knows, both empirically and theoretically, on the examined issue ... The process of Abductive reasoning can be paralleled to detective work as it collects clues, focuses on those that are most promising and attempts to put them into perspective with the conditions and other evidence at hand.*’ (Lukka, 2014, p563).

Peirce (1931; 1991) himself takes us back to basic Aristotelean thinking – perhaps well illustrated by the Greek *Ἀπαγωγή* which can be defined as an approach that lacks conventional epistemic virtue that can nevertheless have virtues of another type (Magnani, 2015a; 2015b). Kovács & Spens (2005; 2013) suggest that significant scientific advances have not arisen from following either pure deduction or pure induction, with abduction providing a more creative path, a view also supported by Kirkeby (1990) and Taylor et al, (2002). Thomas (2011) proposes that in case-study based research, the goal should be to advance knowledge through a framework utilising abduction based on phronesis instead of a through theory. Abduction seems to be an appropriate companion to Strong Structuration theory for this research. That positioning of

Abductive research resonates with the planned in-depth interviews carried out through the case study, and justifies the adoption of abduction as the chosen analytical approach.

There are many examples of theoretical triangulation in accounting research, such as work by Gurd (2008) on the application of structuration and middle-range thinking, and an analytical review of theoretical pluralism through the lens of critical realism (Modell, 2015). Both Gurd (2008) and Modell (2015) regard triangulation in theoretical frameworks as beneficial, as no one theoretical framework has necessarily a monopoly of thought. Gurd (2008) demonstrates how triangulation, and therefore more than one theoretical lens, facilitates different insights. Modell's (2015) important and helpful assertion underpins the value of the use of triangulation:- *'... theoretical triangulation ... cautions us to treat particular sets of theories ... as potentially robust but never conclusive representations of how accounting operates.'* (Modell, 2015, p1146/7)

3.7 Comparison of Strong Structuration Theory with Actor Network Theory

In order to arrive at the most appropriate theoretical framework to use for the analysis of the collected data for the research carried out for this thesis, a comparison of Actor Network Theory with Strong Structuration Theory was required, as those two principal theories were deemed to be the two frameworks that were likely to be the most suitable for the research programme. The comparison of the two theories in Table 3.4 is largely drawn from Jack & Kholeif (2007, p213) and Greenhalgh & Stones (2010, pp 1287-1290) with a following discussion of each of the points made.

Actor Network Theory vs Strong Structuration Theory

Actor Network Theory	Strong Structuration Theory
<ul style="list-style-type: none"> ○ Considers networks of people and technologies ○ What people and things become (relational ontology) ○ Doesn't consider specifics of structure or agency ○ Less suited to question of 'why' ○ Static analysis 	<ul style="list-style-type: none"> ○ Considers particular structures and agents (ontology-in-situ) ○ Studies agents-in-focus ○ Agents conduct analysis ○ Agents context analysis ○ Agents resistance ○ Dynamic & cyclical analysis

4

Table 3.4 – Comparison of Actor Network Theory & Strong Structuration Theory

The research programme explored the inter-organisational relationships between a selection of suppliers and one of their customers, RetailCo. Whilst organisationally, each case, each relationship, was one-to-one (each supplier's relationship to RetailCo) the nature of the relationship was in fact one of many-to-many. RetailCo's interactions with a supplier involved – from RetailCo - the buyer, the category manager (and in some cases the category captain, from a different supplier), marketing staff, and the trading team's management. They interacted with – at the supplier – the account manager for the relationship with RetailCo, the commercial director, the production manager, the logistics team leader, and in some cases the Managing Director. Thus, in each supplier relationship with RetailCo there was a network of people, and a raft of technological systems to map and measure the relationship. Actor Network Theory has, as one of its tenets, a focus on networks of people and technologies, therefore making it a credible contender for selection as the framework. However, whilst it is accepted by – *inter alia* - Greenhalgh & Stones (2010) that actors and technologies can be viewed as elements of the same network, they warn against an ontological symmetry that Actor Network Theory implies. By contrast, Strong Structuration Theory talks of '*ontology-in-situ*' in relation to structures and agents. Actor Network Theory's position might be summarised as an interaction between human actors and inanimate technologies, with Strong Structuration taking a far more holistic view of how actors (who are agents with agency) behave and interact with their structures, which are both animate and inanimate. Actor Network Theory offers a '*static analysis*' whereas

the strength of Strong Structuration Theory is – in this context - its continual analysis and reshaping of relationships as they change and develop though the impact that structures have on agents' behaviour, described in the comparative table above as '*dynamic and cyclical analysis*', embracing both agents' conduct analysis and agents' context analysis.

One other fundamental difference between the two theories is what they aim to achieve. Callon (1986) and Latour (1992) state that Actor Network Theory, in studying networks which comprise people and technologies, looks at how those interactions develop and what results from those interactions; hence the description of '*relational ontology*' used by Greenhalgh & Stones (2010, p1287). By contrast, Stones' (2005) Strong Structuration Theory (which here differs significantly in emphasis from Giddens' (1984) Structuration Theory) seeks to study the '*ontology-in-situ*' and, in effect, asks why or how, in contrast to Actor Network's focus on what things and people become. For a research programme that seeks to ascertain how structures affect inter-organisational relationships, a dynamic approach that facilitates the development of a relationship-improvement model must seek to understand why things happen or how they occur. The nature of the inter-organisational relationships between suppliers and RetailCo was perceived to be complex, both conduct and context were important elements, and the fundamental causal questions such as 'why' or 'how' were far better addressed in the approach offered by Strong Structuration Theory. Jack & Kholeif (2007), in explanation of the move by Stones (2005) away from Giddens' three modalities of structure (signification, legitimation and domination) commented '*In essence, an analysis of the conduct and context of different clusters of actors is one of the schemes of interpretation, norms and allocation of resources/power that Giddens identifies but Stones' broader approach allows for a less restricted form of verstehen¹⁹ than the original.*' (Jack & Kholeif, 2007, p213)

Consequently, the emphasis of the centrality of agents-in-focus in their relation to structures is perhaps one core differentiating attribute of Strong Structuration Theory that makes it far more suitable for the analysis of the collected primary data in this study. Having taken account of the comparative features of the two techniques, it was decided that the theoretical framework adopted would be Strong Structuration Theory, with an Abductive approach to form the basis of the interrogation of the primary data.

¹⁹ Understanding

3.8 Development of the research questions and conclusions

As was explained at the end of Chapter Two, the early stage research aims that had been initially suggested in Chapter 1 were based on the researcher's prior knowledge. They were developed though insights from the literature review. Through the evaluation of an appropriate theoretical framework in this chapter, a greater understanding of the inter-related forces that affect behaviour in inter-organisational relationships, including control systems, led to a further refinement of the research questions to the ones adopted for the research programme; they are listed below:-

RQ1 – How are power, risk and control factors evident in supplier-retailer relationships in the UK food industry?

RQ2 – Does Open Book Accounting enable or constrain supplier-retailer relationships in the UK food industry?

RQ3 – How and why is trust built or destroyed in supplier-retailer relationships in the UK food industry?

The methodology for the research, which is described in Chapter Four, is based on the use of the combination of Strong Structuration Theory and Abduction to seek answers to the three research questions posed above through the analysis of the primary data that had already been collected. The Grocery Sector Structural Issues Diagram (Figure 2.7) will help to frame the application of the analysis, and lead to a wholly revised version of the diagram in the Discussion (Chapter 6).

CHAPTER FOUR – Methodology, Method, Data Collection

This chapter describes the methodology that was adopted at the outset of the research, and the changes made to the methodological approach due to the departure of the main sponsor for the research at RetailCo, which had the effect of changing the planned longitudinal study into a case study based on the collected primary data.

4.1 Methodology

The research methodology for this thesis follows the descriptor stated by McGregor & Murnane (2010) which included the assertion that methodology ‘... refers to the rationale and the philosophical assumptions that underlie any natural, social or human science study, whether articulated or not. Simply put, methodology refers to how each of logic, reality, values and what counts as knowledge inform research.’ (McGregor & Murnane, 2010, p420).

It was decided that the research framework for the analysis of the primary data would be Strong Structuration Theory as the theoretical framework in tandem with the use of an Abductive approach. Figure 4.1 illustrates the research map.

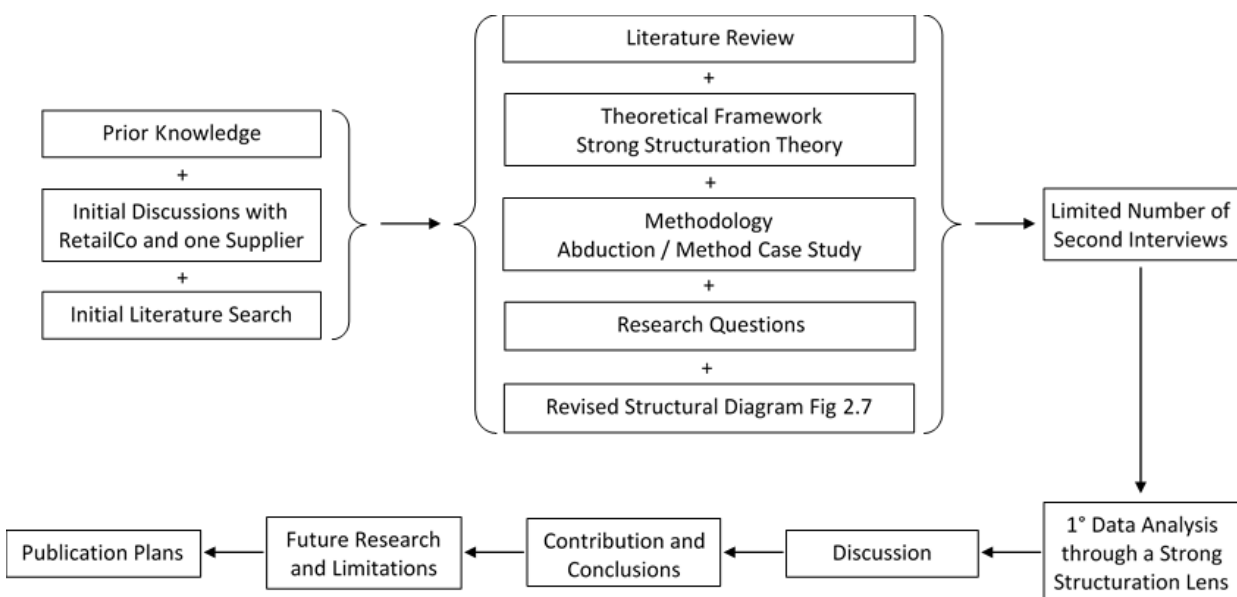
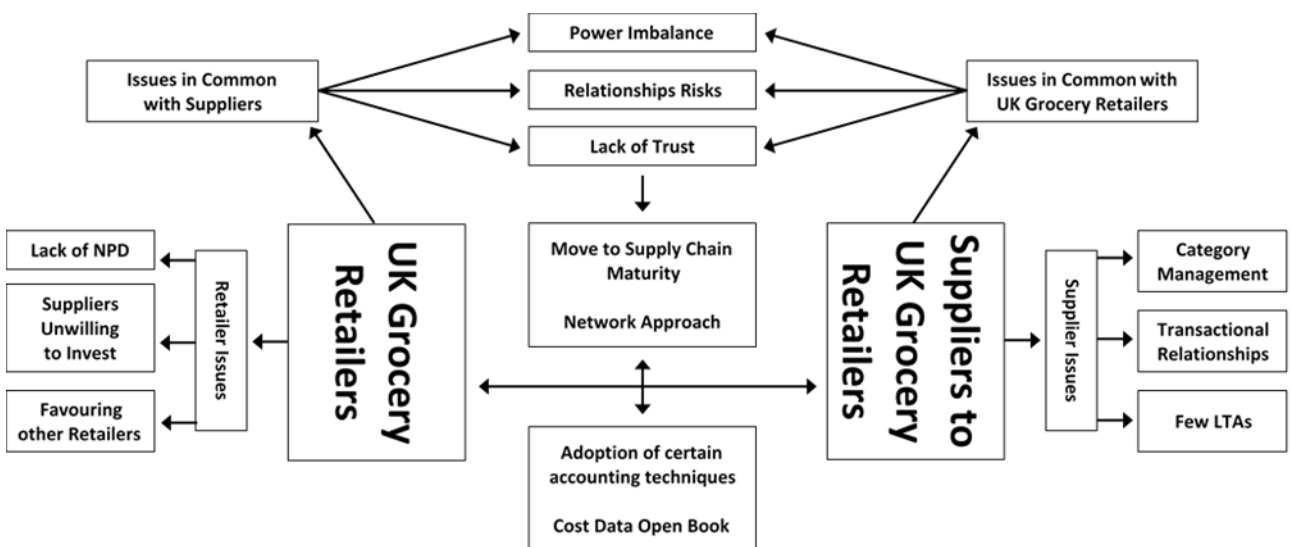


Figure 4.1 Mapping the research

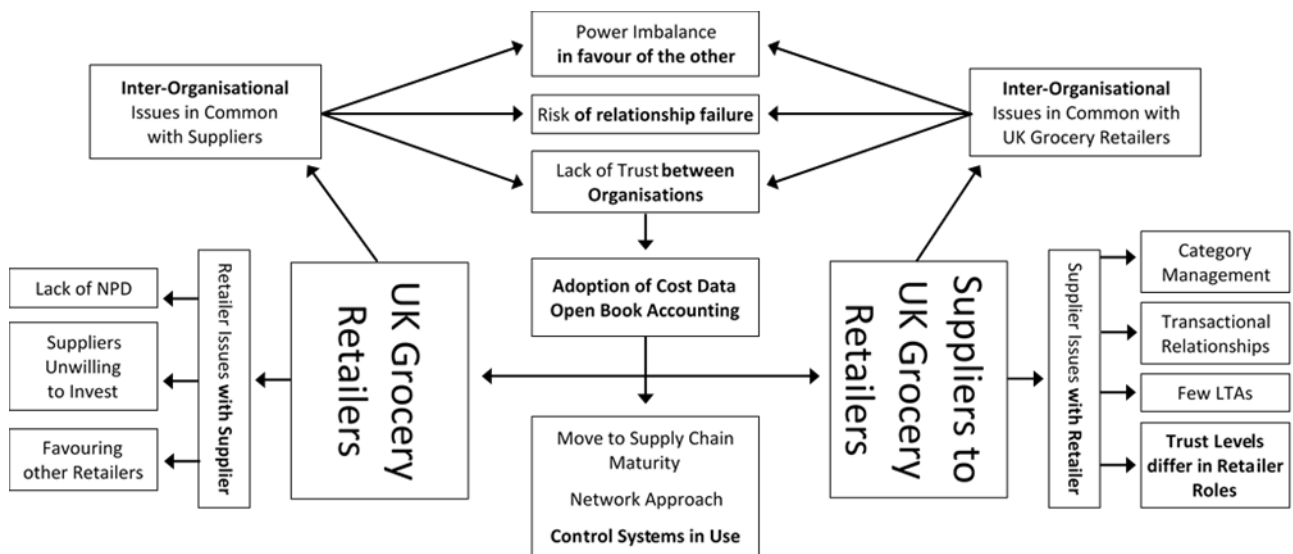
The methodological framework for the investigation into the nature of the relationship between suppliers and retailers in the UK Grocery market necessarily started with a broad-ranging review of the available literature (Chapter Two) and a consideration of an appropriate theoretical framework (Chapter Three). Utilising prior knowledge and an examination of the work of Clinton Free (2007; 2008), who explored the grocery retail operation in the United Kingdom and posited a trust imbalance in those relationships, a number of strands for further investigation emerged. The power element of the supplier–retailer relationships had been identified in the UK Government’s Groceries Code Adjudicator Act of 2013 that formed the Grocery Code and created the role of its Adjudicator. Secondary data from the Advantage Group helped to clarify the research questions. Thus, the initial concept of a Power-Risk-Trust triad emerged as the model to explore. The literature review confirmed those three factors (trust, power and risk) and added a significant fourth - control.

Figure 4.1, which maps the changes in the methodology used for the research programme, illustrates that the initial research concept was based, in part, on the researcher’s prior knowledge, which was encapsulated in Chapter One as the diagrammatic view of the Grocery Sector Structural Issues, Figure 1.1, and reproduced below for ease of reference.



Copy of Figure 1.1

Through the review of the methodology and theoretical framework to be used for the research, after the departure of the key staff member at RetailCo, the structural issues diagram was re-drawn, building upon the revisited literature review. That revised diagram was presented in Chapter Two as Figure 2.7, a copy of which is also reproduced below.



Copy of Figure 2.7

Figure 4.1 presents the various steps in a broadly linear manner, though many of the steps are in small parallel groups. Whilst Figure 4.1 could only be constructed towards the end of the research, whilst the thesis was being written, and was therefore not an *ex-ante* illustration, it does form a framework that describes how the research programme was conducted, as an *ex-post* view back to the research and its progress. In that manner, therefore, it may be regarded as an *ex-post* conceptual framework. A conceptual framework is sometimes confused with a theoretical framework in research, but the two are very different and serve quite different purposes. Grant & Osanloo (2014) describe what they term as the 'blueprint' concept of the theoretical framework thus - *'the researcher's understanding of how the research problem will best be explored, the specific direction the research will have to take, and the relationship between the different variables in the study.'* (Grant & Osanloo, 2014, p17).

Taking Grant & Osanloo's (2014) statement into account, Figure 4.1 illustrates all of the core inputs that the researcher wished to incorporate into the research through its developmental progress. As the proposed research programme had to be amended after the departure of the research sponsor in RetailCo, the approach was changed to one in which the collected data from the in-depth supplier interviews became the basis of a case study, and the focus of the research. The case study was the source of data, and was not the theoretical framework adopted. The analysis of the primary data through the Strong Structuration lens is set out in Chapter Five.

Discussion of the data analysis findings, which forms Chapter Six, identified further nuances which led to the formation of four further revised structural issues diagrams, Figures 6.3 to 6.6.

4.2 Method

The research was designed to explore – *inter alia* – the issue of trust: first, to what extent trust, or trust-like behaviour, exists as an element of inter-organisational relationships, and secondly, is what is observed as trust, or trust-like behaviour, a manifestation of strong inter-personal trusting relationships that transcend from the personal into the corporate/organisational. In order to explore that, and the related questions of whether Open Book Accounting might be influential in changing those relationships, in-depth interviews with suppliers to RetailCo were conducted, building in part on the secondary data of substantial evidence that the Advantage Report – Mirror had produced. As an industry starting point, the Advantage Report – Mirror survey of all major retailers and most suppliers who were players in the UK Grocery market was helpful in determining which suppliers should be approached for interview once a Big 4 retailer was on board with the research. Advantage Report – Mirror is produced annually for each major retailer. It is a very comprehensive survey of the UK Grocery market which is highly regarded as an independent view of both retailers and suppliers in the industry. The rich data contained in the massive report produced for each retailer (and a similar document – a mirror of the one for retailers – goes to suppliers) is a very good starting point for research into a retailer. The report sets out where that retailer ranks overall in the industry and by performance area. It also benchmarks performance against the retailer’s peer group as well as best-in-class retailers. The Advantage Report – Mirror is a confidential document and not normally available to people outside of the recipient company. Once agreement had been reached with RetailCo about the conduct of the research, a copy of the 2013 Advantage Report – Mirror was given to the researcher in confidence by the RetailCo team leader. As mentioned in Chapter One, the researcher was granted permission by the Advantage Group to use copies of part of that Report, and to use data from it – on condition that it is fully anonymised so that the retailer cannot be identified. The researcher wishes to record their grateful thanks to the Advantage Group General Manager (UK & Ireland) for granting this permission.

As the issues to be raised were sensitive, commercially of interest to their competitors, and quite complex, confidential face-to-face interviews with director-level colleagues would

therefore be required. As a result of the researcher's significant industry background, access to industry players was not considered to be an issue.

A longitudinal research programme was devised, to build upon the Advantage Report – Mirror survey on RetailCo with a selection of their suppliers across sectoral groups ('categories' in retailing parlance) and of varying sizes. This would involve in-depth semi-structured interviews, conducted on an anonymised basis, with a follow-up series of interviews later, extending into some other retailers for comparative purposes. In addition, Likert scale scores were to be obtained as initial answers to the posed questions, which were then to be explored further in a discussion about the suppliers' responses. That enabled some quantitative data to be obtained for comparisons to be made between suppliers, and to compare their responses across all the asked questions. Whilst both qualitative research (the bulk of the data collection) and quantitative research (as a minor supporting element) might be considered together as mixed methods, it is averred that, bearing in mind the bulk of the data collection being through in-depth interviews, the research is essentially qualitative in nature. Once RetailCo was on board with the research, initial guiding interviews were carried out with their senior team, and a carefully selected supplier. Those initial interviews were not recorded and were used purely to ascertain the key issues that faced their businesses at that time in their relationship with each other. That supplier had previously agreed to enter into an Open Book Accounting relationship with RetailCo, who was one of their major customers, and was also well known to the researcher as the researcher had presented his farm business with the 'Grower of the Year'²⁰ award a few years previously.

It was important for the supplier selection to ensure coverage of most relevant sectors of RetailCo's supplier base. The researcher drew up a list of forty potential participants who were all approached initially by the then Senior Vice-President and Chief Merchandising Officer in RetailCo to explain the research. A copy of an example email sent out by RetailCo is reproduced as Figure 4.2. A total of twenty firms, comprising eighteen key suppliers in food and drink, and two in Fast-Moving-Consumer-Goods (FMCG), toiletries and paper goods in this case, agreed to be interviewed at commercial director level or above. Those that did not wish to take part discussed their decision with the researcher, with the most common reason being that the time

²⁰ Organised by *The Grower* magazine

of year – in the run up to the Christmas trading period – required their focus to be on delivering their production on time, and they were reluctant to be diverted from that by participating in the research.

The interviews were semi-structured, with the use of Likert Scales for the initial responses, with the bulk of the interview being a dialogue between interviewee and the researcher. As the researcher was well known in the industry, and the interviews were being conducted with the consent of the Senior Vice-President and Chief Merchandising Officer of RetailCo, in most cases the interviews were more of a conversation than a straight interview, though the set questions were asked sequentially. That was a very positive aspect of the manner in which the interviews were conducted. It was felt that the interviews got to the real issues for the suppliers, who were all most willing to be very frank about RetailCo and their other retailer customers, with the stated assurance of anonymity and confidentiality.

The interviews were carried out over the period from October 2014 to February 2015. A very important element of the research was the guarantee of anonymity and complete confidentiality, which was part of the ethical approval for the research carried out under the University of Sheffield's standard procedure for social science interviews. A detailed information sheet was supplied to each interviewee, and having read the information sheet (see Figure 4.3) they were asked to complete a comprehensive consent form (see Figure 4.4).

Dear C

I'm writing to invite you to take part in a research project to understand more about the subject of trust in the Retailer/Supplier relationship following the recent Advantage Group Survey results.

If you're the incorrect contact for this, please pass it on to the appropriate contact.

Trust in our relationship is incredibly important to us and we'd like to understand more about the drivers of it. In order to get an objective and confidential view, we've agreed to take part in a research study examining this issue in the UK FMCG & Grocery supply chain with Sheffield University Management School carried out by Richard Bruce MBA FRSA Doctoral Researcher & Advanced Visiting Fellow.

Richard has selected your company as one of twenty potential contributors to this research, if you agree to take part, your involvement would involve Richard offering to meet you/your teams to discuss this subject. All feedback would be treated as confidential.

I would then be provided with insight (anonymised) into this subject early 2015 which I hope will give further depth to the Advantage Group findings.

Please let Richard Bruce (r.bruce@sheffield.ac.uk) know whether you would be willing to take part as soon as possible.

Your support is much appreciated.

Kind regards

SVP & Chief Merchandising Officer

Figure 4.2 - Example Email Sent in October 2014 by RetailCo to Prospective Participants

Trust levels between suppliers and RetailCo

Information for the Supplier Interview

The interview that is proposed to take place with you and/or a colleague is part of a research study examining the issue of trust between suppliers and retailers in the UK fmcg supply chain, focusing solely on RetailCo suppliers that participated in the Advantage 2013 survey. The research is being carried out by Richard Bruce who will be conducting the interview(s). Richard, who worked in the food sector for 25 years at a senior level, is now a member of the Sheffield University Management School's food team, and this confidential research will (1) form part of his PhD, (2) contribute to the University's growing expertise across the whole of the food chain globally, and (3) provide RetailCo with aggregated and anonymised information, the purpose of which is to identify ways and mechanisms that will help to improve trust levels with their suppliers.

The interview is likely to last about an hour, from which it may be that further interviews with colleagues may also be desirable. Richard would like to follow up the initial interview by another meeting in a few months' time, once RetailCo have received and responded to changes in supplier relations that have emerged from this work.

RetailCo are participating in this research by providing access to data and internal policies on supplier relations, and paying Richard's expenses, but importantly, no fee is paid for the work. Research carried out in this way is conducted under the University's strict guidelines and protocols about confidentiality and impartiality, which are explained below.

- The information supplied in the interviews is strictly confidential and is only known in an attributable manner to the research team;
- RetailCo will only receive aggregated information so individual companies and respondents cannot be identified;
- The work will result in a published thesis and research papers in academic journals, and at conferences in this country and abroad, but no companies or respondents will be identified in those publications;
- Generalised comments may also be presented at RetailCo supplier events, and again no companies or respondents will be identified at those events;
- Interviews are recorded to ensure that respondents' views are fully taken into account. The recordings are copied into password protected IT and deleted from the recording device. They are identified by reference numbers known only to the research team;
- Before an interview starts, the interviewee will be asked to read, initial and sign a consent form which sets out in detail the procedures used and the confidentiality provisions.

Figure 4.3 - Supplier Interview Information Sheet

Consent Form for a Retailer–Supplier Trust Interview

Thank you for agreeing to be interviewed for the supplier–retailer trust research project. Please initial all the boxes below to confirm that you agree with each statement.

I understand that my participation is voluntary and that I am free to withdraw at any time without giving any reason and without there being any negative consequences. In addition, should I not wish to answer any particular question or questions, I am free to decline.

I understand that my responses will be kept strictly confidential and will not be disclosed to RetailCo except in aggregated form that does not identify individual participants. I understand that neither my name nor my company name will be linked with the research materials, and will not be identified or identifiable in the report or reports that result from the research.

I agree for this interview to be audio-recorded. I understand that the audio recording made of this interview will be used only for analysis and that extracts from the interview, from which I would not be personally identified, may be used in any conference presentation, report or journal article developed as a result of the research. The recording is copied onto password protected IT and deleted from the recording device. It is identified only by a reference number known only to the research team. I understand that no other use will be made of the recording without my written permission, and that no one outside the research team (Richard Bruce, Professor John Cullen and Professor Lenny Koh) will be allowed access to the original recording.

I agree that my anonymised data will be kept for future research purposes such as publications related to this study after the completion of the study.

I agree to take part in this interview.

Name of Participant	Company	Signature	Date

Name of Researcher	Organisation	Signature	Date
Richard Bruce	Sheffield University Management School		

Figure 4.4 Supplier Interview Consent Form

4.3 Interview questions

It has already been explained that the data collection was completed prior to the research programme change of direction following the departure of the research sponsor at RetailCo. The re-formulation of the programme, with a change in the theoretical framework adopted, accordingly occurred after the data collection round of what had been intended to be 1st set interviews. The interview questions that had been selected and were used in the research were not therefore a product of the selected theoretical approach that would be taken in the data analysis. However, they did provide a very useful basis for the research. As explained earlier, the industrial sector diagram (Figure 1.1) was used as a basis from which to formulate the aims of the research. The diagram was based on the researcher's prior knowledge, the initial discussions with RetailCo and one supplier, and a consideration of the Advantage Report findings, shaped by a review of the more limited literature field that had been studied at that point. The importance of time was recognised, with changes over time in patterns of trust in the relationships between suppliers and RetailCo being a key consideration.

The intention at the outset of the research programme was initially to conduct a first round of interviews with the selected suppliers. The results of those interviews would have then been discussed with RetailCo whose team members would, at that stage, have then been interviewed. The focus of attention, in devising the interview questions for the suppliers, was to deal with the principal issues that had been identified from prior knowledge and the Advantage Report. In order to concentrate on just the issues affecting suppliers for this initial set of interviews, a revised industry structural diagram was devised that focused solely on the key supplier issues (Figure 4.5): this helped determine that the main aims of the interviews should be to ascertain:

- a. how power, risk and control factors affected the basis of the trading relationship and whether that had changed over time;
- b. whether suppliers were using, or contemplating using, special accounting arrangements, such as open book, and whether suppliers felt that their data, when shared, was treated confidentially;
- c. the overall level of trust in RetailCo, whether the relationship with the suppliers' buyers displayed different levels of trust, and did suppliers feel NPD work they initiated was treated fairly.

It should be noted that as the interview questions were devised before the more detailed literature review had been carried out, the concept of ‘control’ was not, at that time, included in the creation of the revised industry structural issues diagram (Figure 4.5). Based on that figure a set of interview questions was developed (Table 4.1) – those were the questions used in the primary data collection interviews.

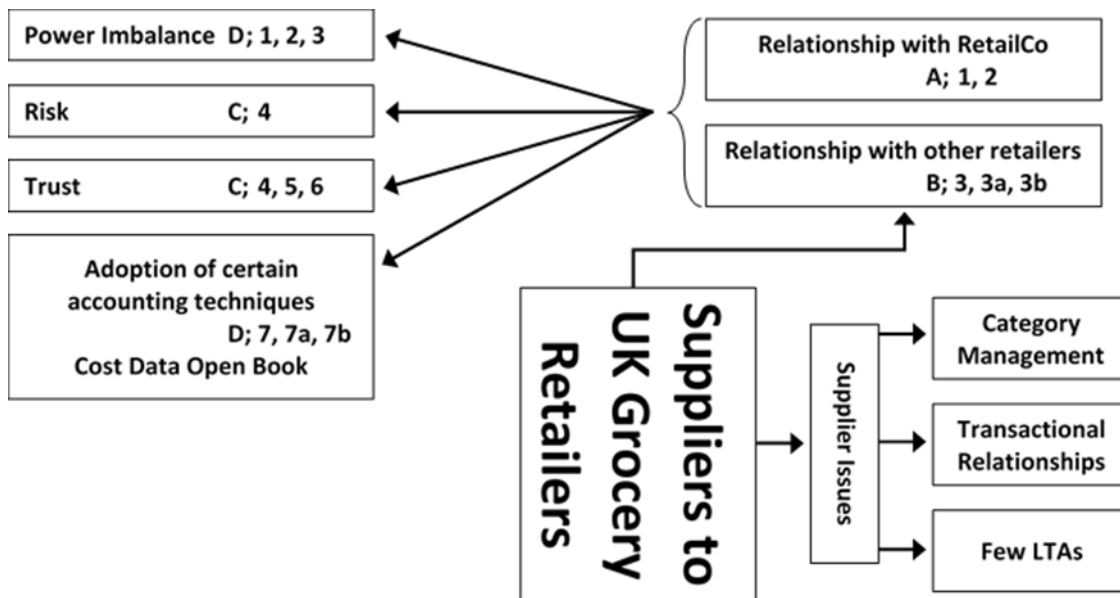


Figure 4.5 Supplier key structural issues, annotated to link to the research aims (A to D above) and the supplier interview questions (1 to 7) in Table 4.1 below.

Question 1. In overall terms how would you describe your trading relationship with RetailCo?
Question 2. Has that changed over the past 5 years?
Question 3. How does your current relationship with RetailCo compare with the other major retail customers that you supply?
Question 3a. Which retailer(s) are better for you to trade with?
Question 3b. Why are other retailers better to deal with?
Question 4. Overall, do you trust RetailCo as a generally good customer to deal with?
Question 5. Do you completely trust your Buyer at RetailCo?
Question 6. If you carry out NPD/innovation and share that with RetailCo do you feel you can trust RetailCo to treat you fairly?
Question 7. Do you have or are you planning to have any special accounting arrangements with RetailCo that involve sharing data?
Q7a. (If yes) Do you trust RetailCo with the data that you supply?
Q7b. (If no) Would you be willing to explore data sharing with RetailCo designed to take cost out of the relationship and improve the relationship in terms of longevity and security?

Table 4.1 – Supplier Interview Questions

Interviews were set up, usually at the suppliers' offices, but some interviews were conducted in confidence at RetailCo premises at the request of a few suppliers. Each question was asked and the interviewee was shown a card with Likert Scale responses to that question (an example of which is shown as Table 4.2). Once the interviewee had given the Likert Scale score, a discussion about their answer ensued. Copies of all the Likert Scale cards are included at Appendix 1.

Example Likert Scale Response Card	
Question 1	
In overall terms how would you describe your trading relationship with RetailCo?	
Description	Likert Score
Excellent	1
Good	2
Acceptable	3
Poor	4
Very poor	5
Unacceptable	6
Prefer not to answer	0

Table 4.2 – Likert Scale response card for Question One

Table 4.3 describes the 20 suppliers that were interviewed for the research, together with other details of the companies, those interviewed, and the interview durations. The twenty suppliers who were interviewed were from a broad range of supplier types, and were considered to be broadly representative of the whole body of food and fmCG suppliers to RetailCo. The pool of forty suppliers who were invited to join the research programme was created by the researcher, without any editorial interference from RetailCo.

	Category ²¹	Brand / Own-label	Company	Role of interviewee	Length of 2014/2015 interview	Length of 2018 interview
RetailCo	Retailer		RetailCo	Former Senior Vice-President & Chief Customer Officer – now Managing Director of an FMCG retailer		45min ²²
S1	Produce	O	UFARMB	Owner/Managing Director	27min	29min
S2	Produce	B	GFOODI	Commercial Director	32min	41min
S3	Chilled/Convenience	Both	EFOODM	Commercial Director	1hr 24min	56min
S4	Chilled/Convenience	Both	UKFOODM	Commercial Director	20min	
S5	Chilled/Convenience	B	UKFOODM	Chief Operating Officer	31min	17min
S6	Ambient Grocery	B	GFOODM	UK Sales Director	39min	
S7	Ambient Grocery	B	UKFOODM	Commercial Director	28min	
S8	Ambient Grocery	B	UFOODM	Commercial Director	26min	
S9	Ambient Grocery	O	UKFOODM	Commercial Director	31min	
S10	MFP	O	UKFOODM	Divisional Managing Director	29min	
S11	MFP	O	UKFOODM	Divisional Managing Director	1hr 7min	
S12	MFP	B	UKFOODM	Commercial Director	27min	
S13	Impulse	Both	EFOODM	Commercial Director	36min	
S14	Bakery	B	UKFOODM	Sales Director	1hr 14min	
S15	Frozen Food	B	UKFOODM	Chief Operating Officer	25min	
S16	Personal Care/Baby	O	EFMCGM	Commercial Director	37min	
S17	Personal Care/Baby	B	GFMCGM	Commercial Director	35min	
S18	BWS	B	GDRINKM	UK Sales Director	46min	
S19	Dairy/Chilled	B	EFOODM	Sales Director	29min	
S20	Dairy/Chilled	B	UKFOODM	Commercial Director	26min	

Supplier Description Key	GFOODI	Global Food Importer
	GFMCGM	Global FMCG Manufacturer
	UFOODM	UK Food Manufacturer
	UFARMB	UK Farming Business
	GDRINKM	Global Drinks Manufacturer
	EFMCGM	European FMCG Manufacturer
	GFOODM	Global Food Manufacturer
	EFOODM	European Food Manufacturer

Table 4.3 – Interview programme details

Transcription was carried out by UK Transcription Services of Brighton, a specialist academic transcription company, and the data, once received, was anonymised and stored using code references. Initial feedback to RetailCo was generalised and no reference to specific suppliers

²¹ Categories defined as Business Units in the Advantage Report

²² Although several discussions took place with the CCO of RetailCo prior to and during the data collection stage of the research, no recorded interview took place during his tenure at RetailCo. He had left RetailCo before that was possible. The 2018 interview was therefore carried out with him at a different retailer (FMCGCo) where he was the Managing Director

was made. Before the analysis of the research work could be finalised the CCO had moved on to another retailer. That was very significant and had a deleterious effect upon the originally designed research project. The concept of action research, possibly even becoming intervention research, was lost as the new team at RetailCo had their hands full with other priorities that they considered more important than the former CCO's concerns with trust. The research design therefore changed to one that was based on the valuable and rich data that had been collected from the 20 supplier interviewees, with no longitudinal element as there was no opportunity to report back to RetailCo as had been planned. Interestingly, however, the few interviewees who were revisited in 2018 all expressed interest in seeing the results of the work, and have been advised that they will be offered a copy of the thesis. The former CCO, and the Advantage Group UK & Ireland general manager have also requested copies.

Despite the explanatory information sent prior to the interviews, a few of those visited were interested in ascertaining the level of feedback that was to give to the CCO. In one interview (with supplier identified as S4) a question was asked about the planned process for the research and the researcher's response was *'... the point of this is to give (CCO) ammunition. I don't think anything I'm going to tell him is going to be a surprise. I'd be astonished if there's anything new here. But I think it will give him ammunition, because it's come from an impartial source, rather than somebody internally. So the idea is to report back to him, he may use some of this stuff, anonymised, and then I'd like to come back and see you next summer to see what's happened; if things have moved on.'* (from S4, researcher's comments to the interviewee on 11 December 2014, p11).

The trading climate, and structure of the grocery sector in the UK, changed in several ways from 2015. Intense competition from the relatively newly arrived discounters, coupled with a move by shoppers away from the large out-of-town hypermarkets, resulted in a new climate of relationships developing between suppliers and retailers. In addition, the greater awareness of the Grocery Code Adjudicator's role and the increased level of power granted by Government to the Adjudicator (including the ability to fine retailers up to 1% of turnover for improper means used in supplier relations) gave disgruntled suppliers a confidential route to voice their dissatisfaction with their customers.

As a result of those factors, selective follow-up interviews with some of the suppliers were carried out, starting in the spring of 2018, to ascertain whether and how there had been relationship changes as the economic pressure on food retailers had increased price and other pressures on their suppliers over that period; and what, if anything, has happened to trust levels. The former CCO, and now the Managing Director of a different retailer, agreed to be interviewed with regard to his previous role and his current one. The very revealing nature of the interviews is described in more detail in the data analysis and discussion chapters of this document. The retail scene has since been affected by the Covid-19 virus and its effect on society and food consumption patterns. A brief consideration of the possible long-term effects of the pandemic is included in the conclusions chapter of this thesis.

4.4 Analytical Framework

A structured coding approach had to be devised, and a decision made as to whether to code using software such as NVivo, or a manual system. The interviews with senior directors were semi-structured, but respondents used a range of expressions in their choice of how to answer the questions. With a relatively small number of interviews, it was considered that the use of a computerised system would not help to facilitate a more accurate analysis of the collected data, as it would be difficult to deduce and code all aspects of meaning through pre-determined headings. Flick (2006) suggests that coding programmes such as NVivo were developed on a grounded theory approach, which was an additional concern, as that approach potentially made their use less suitable in this case, where Strong Structuration Theory and Abduction were used. It was therefore concluded that a manual system of coding would be adopted. There are two primary methods that are commonly used to start the coding process:-

- (a) emergent coding, which takes the codes from the text (a bottom-up approach) is based on the concept of Grounded Theory Methodology (Strauss & Corbin, 1997), starts with the transcripts and develops the theory from the data. That method is allied to an inductive reasoning approach to the research, which was rejected as not appropriate in this case.
- (b) *a priori* coding that uses codes devised by the researcher (a top-down approach) (Stemler, 2001) draws on the prior knowledge and the overriding theoretical framework adopted for the research, which is an Abductive one. Sometimes termed Template Coding (King, 1998; Blair, 2015), this approach is one where the codes are defined by the researcher.

Blair (2015) examined both these approaches by comparing their application to an existing data set, and concluded that neither approach was singularly suitable, and proposed a combined approach using elements of both these approaches. One key element of the combined approach was that it reduced confirmatory bias as the two approaches meant that the codes were “... *neither wholly mine nor wholly objective*” (Blair, 2015, p26). Blair’s combined approach is illustrated in Figure 4.6.

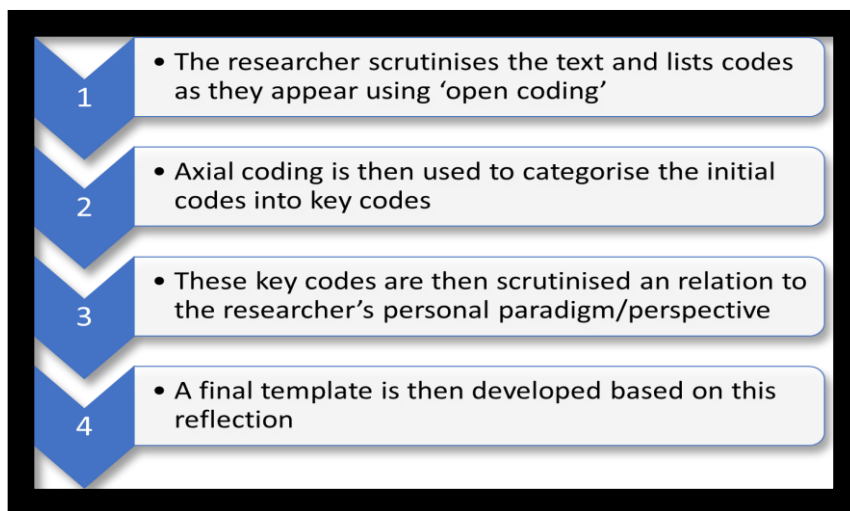


Figure 4.6 – Combined Approach – from Blair, 2015, p26

An Abductive approach to the research, using Strong Structuration Theory, takes into account a wide range of factors about the participants in the research, including their origins, their geographical location, their organisational structure and their ownership. As agency and structures are key elements of Strong Structuration Theory, a coding framework was devised, based on that theory and utilising elements of Blair’s (2015) thinking. Jack (2017b) gave three reasons why Strong Structuration Theory was well suited to this type of qualitative research, of which the second and third points are considered to be a good justification for the approach taken in this research ‘... *that it refocuses research on agency and the intended and unintended effects that individual people have on structures*’ and added as a third point: ‘... *it encourages research design that have the intention of building new theoretical insights.*’ (Jack, 2017b, p211).

Stones (2005) departed from elements of Giddens’ view of Structuration by reference to a series of four methodological steps that aided the researcher to apply the theoretical principles of Strong Structuration Theory to the research itself. The steps utilised elements of the concept of methodological bracketing that Giddens espoused, but substantially adapted it. The steps,

described by Stones as ‘recurrent steps’ are designed to be incorporated and/or combined to suit the requirements of the specific research approach being taken; Table 4.4 summarises Stones’ four steps.

Step	Description
1	Within the bracket of agent’s conduct analysis, the ontological concepts can be drawn upon to <i>identify</i> the general-dispositional frames of meaning of an agent-in-focus.
2	Working from within an identified general-dispositional frame one can go on to focus specifically on the conjuncturally-specific internal structures of the agent-in-focus, that is on the way that the agent perceives her immediate external structural terrain from the perspective of her own projects, whether in terms of helplessness or empowerment, or a complex combination of the two.
3	Within agent’s context analysis, one can identify, as a researcher: relevant external structural clusters; the position-practice relations that routinely constitute them; the authority relations within these and the material resources at the disposal of those hierarchically situated agents.
4	On the basis of the identified external structures one can attempt – as a researcher – to specify the ‘objective’ possibilities open to, and the constraints upon, the agent(s)-in-focus.

Table 4.4 – Recurrent Steps (from Stones, 2005, pp123-126)

The theoretical framework that was adopted for the research was a combined, or triangulated, synthesis of two well-recognised social scientific approaches: Strong Structuration Theory and Abduction. As discussed in the theoretical framework section of this thesis, Strong Structuration Theory is well suited to the research methodology that has been selected here, in particular as it is also well suited to being used in tandem with a complementary theory (Stones, 2005) – abduction in this case. Jack (2017a) states that Strong Structuration Theory ‘*requires greater attention to the conduct of actors “in situ”*’ (Jack, 2017a, p232) and talks of Strong Structuration Theory’s use of agent’s conduct and agent’s context analysis through methodological bracketing, citing Starks and Trinidad’s (2007) helpful explanation of bracketing, ‘*Researchers engage in the self-reflective process of “bracketing,” whereby they recognize and set aside (but do not abandon) their a priori knowledge and assumptions, with the analytic goal of attending to the participants’ accounts with an open mind.*’ (Starks and Trinidad, 2007, p1376)

Peirce’s (1931 & 1991) explanation of abduction was that it was a process that started with the facts, and subsequently sought a theory (Peirce, 1991). So, from the developed diagrammatic view of the Grocery Sector (Figure 2.7) from the literature, using the lens of a marriage of Strong Structuration Theory and Abduction, the systematic coding and analysis of the Likert Scale

responses and the interview transcripts was carried out. The development of the industry structural diagram first seen in Chapter One (Figure 1.1) though its adoption of additional elements observed from the literature, such as control, was discussed and then presented in Chapter Two (Figure 2.7). In order to develop the supplier interview questions Figure 2.7 was further revised to focus solely on supplier issues (Figure 4.5). Revisiting that structural visualisation of the suppliers' issues through the lens of Stones's recurrent steps enabled the researcher to create a broad framework (Table 4.5) of concepts by filtering the insights given to the industry structural issues, and the empirical data using Blair's (2015) combined coding approach. Key to this approach was the emphasis on agents-in-focus, the suppliers, and their interplay with the structures, of both an internal and external nature that existed within and between themselves and RetailCo.

Those broad concepts were then used as a lens through which to conduct an initial analysis of the transcripts of the recorded interviews, and to produce – for each question asked – a coding grid of terms and themes that was the basis of the detailed textual analysis. A copy of that detailed grid for Question One is reproduced as Table 4.6 which differentiates primary comments (those immediate statements made early in the interview in response to Question One), secondary comments (which emerged as the respondent thought more about their relationship with RetailCo) and tertiary comments (which came towards the end of that question's discussion). The phrases that are included in the matrix were then used to identify common points or issues. For example the word 'collaborative' was used by four suppliers in their initial set of responses to Question One. However, other phrases, such as 'transparent retailer', 'least transactional retailer' and 'honest, trusting and open' were placed in the same coding category as 'collaborative'. That approach was based in part on Creswell's (2014) suggested coding system for qualitative research that takes statements and categorises them into clusters of meaning, regardless of whether certain specific words are used – Creswell (2014) uses an example of the inter-changeability of the terms 'patient' and 'person'.

Glyptis (2014). A diagrammatic representation of position-practices was included in Coad & Glyptis's (2014) paper and is reproduced below (Figure 4.7). Coad & Glyptis's diagram illustrates the position-practice concept, with a set of interconnecting circles (representing social positions) joined by double-headed arrows (social interactions).

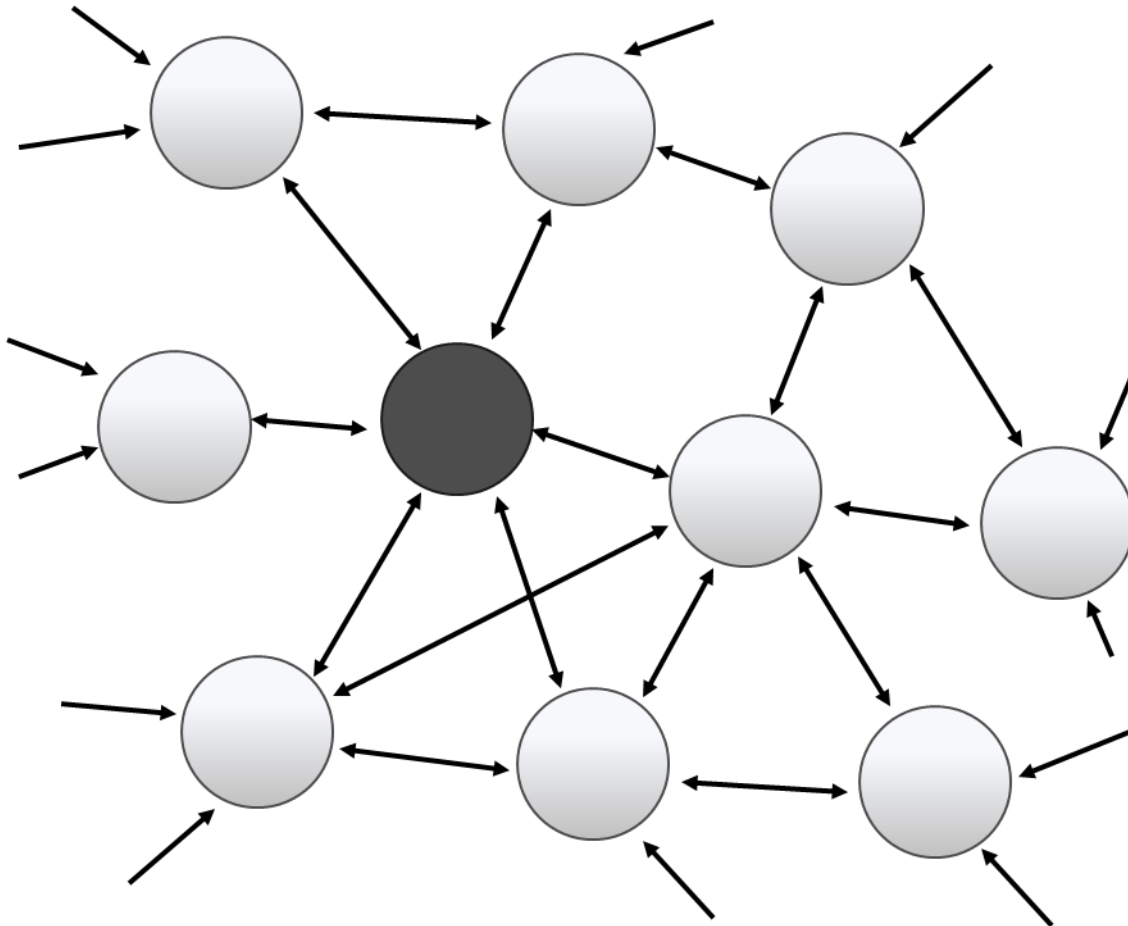


Figure 4.7 Position-practice relations (Coad & Glyptis, 2014, p144)

Coad & Glyptis do, however, observe that their two dimensional static representation of interactions illustrated by Figure 4.7 omits three aspects - (a) the tensions that exist in structuration's duality, (b) the aspect of time, and (c) praxis. Praxis is the process by which agents utilise their knowledge, and is observed in the application of the duality of structure. Cohen's (1989) view of Praxis was defined as '*... the nature, conditions, and consequences of ... situated activities and interactions produced through the agency of social actors.*' (Cohen, 1989, p2). Coad & Glyptis (2014) point out that neither Cohen (1989) nor Stones (2005) provide clarity about the nature of situated-practices, and do not address other important elements of social interaction such as trust and uncertainty. Coad and Glyptis see the utilisation of a 'position-practice perspective' as '*... a contribution towards more completely realising the potential of*

structuration theory through placing greater emphasis on the praxis of situated agents ...' (Coad & Glyptis, 2014, p143). They assert that there are three other important elements of position-practice relations, which are social positioning (a description of the roles or functions the agent fills), capabilities (more than having knowledge, having the capacity to act in a certain manner), and trust (extensively researched in the literature review, but in this context, facilitates assumptions about conduct).

Strong Structuration Theory's dynamic approach to the analysis of qualitative data is enriched by the multi-faceted nature accorded to its application; blending the quadripartite nature of Structuration with the duality of structure and agents, and the position-practices that agents can adopt. The data analysis approach enabled the holding of these three elements in tension whilst focusing on the data *per se*. The words or phrases in bold in Table 4.6 were the key elements that were taken from this analytical stage as the basis for the consideration of those factors over which suppliers were in agreement about RetailCo, and those where there were significant differences of view between suppliers. The latter point was found to very informative about agents-in-focus's behaviour and what structures were key to those differences.

Coding grid for Question One: <i>In overall terms how would you describe your trading relationship with RetailCo?</i>			
Supplier	Primary comment	Secondary comment	Tertiary comments
1	Lack of experience	Not getting back fast enough	
2	Collaborative ; Same objectives; Sell as many as possible		
3	Change attitude in negotiations for the worse	Access to top team	Fantastic ideas BUT KPIs
4	Recognition BUT lack of openness	Used other supplier and quality suffered so sales dropped	
5	Transparent retailer; Collaborative ; Loyal	Transparency in OBA	Fun. Hard work. Good Vibes
6	Collaborative. JBPs . Mutual challenge on plan.	Open, engaging, but not cosy	
7	Collaborative . Trust	JBP now	
8	Supplier is a benefit to R1	Supplier has given a buying strategy; business increased	
9	Least transactional retailer. Constant improvement	JBP . Most balanced to do business with	
10	Relationship most important. People come first	Category growth	
11	Excellent top to top	Some loose canons	
12	Joint problem solving	Accessibility - at all levels	
13	Very good relations. Good communications	Supplier let R1 down	
14	Supplier hit R1 with price increase and supply problems	Shafted by new buyer	No JBP . White wall
15	R1 only retailer to get involved in trust research beyond Advantage		
16	Trust. Meetings. Honest, trusting & openness	3 year plan (= JBP)	
17	Supplier changes teams to fit with changing teams at R1		
18	Know them well but only at work	Open & honest. Supplier would do more for them than other retailers	
19	JBP	Really strong relationship. Not just about the numbers	
20	Aligned to their strategy	Tops to Tops	Communication. They always call back

Table 4.6 – Data analysis grid for Question One

The Research Questions were linked to the interview questions used in the data collection, and the key concepts and phrases identified from the coding analysis, to produce a relationship grid (Table 4.7). That grid is used in the following Chapter – Data Analysis – as the basis for drawing conclusions from the narratives accompanying the Likert Scale initial responses to the seven interview questions, and their sub questions.

Research Questions	Interview Question Number	Key concepts/terms identified for the data analysis
RQ1. How are power, risk and control factors evident in supplier-retailer relationships in the UK food industry?	1 2 3 3a 3b	Own-label vs Brand power Mutual dependency Buyer behaviour Funding requests from buyer
RQ2. Does Open Book Accounting enable or constrain supplier-retailer relationships in the UK food industry?	7 7a 7b	Data sharing Trust when disclosing data Overhead recovery issues
RQ3. How and why is trust built or destroyed in supplier-retailer relationships in the UK food industry?	4 5 6	Collaborative Joint Business Plans Sharing data New Product Development Long Term Agreements Quality of relationships with the CCO, with buyers, and the Category Managers

Table 4.7 – Research Question, Interview Question & Coding Terms Relationship Grid

4.5 Validity and Limitations

This Section looks at the validity and limitations of the research largely in terms of the practical aspects of the programme. The academic underpinning of the work's validity is described in more detail in Section 7.3.

As has been explained earlier in this thesis, the departure of the main driver and advocate for the research within RetailCo meant that the research then took on a different direction, becoming a case study of a representative UK Big 4 grocery retailer utilising the collected data as the source. Had the original plan been allowed to be fulfilled, there would have been a session with the RetailCo team following the initial analysis of the data collected in the interviews with suppliers. It was anticipated that such a discussion would lead to some changes in the manner in which RetailCo conducted its relationships with suppliers. A second round of interviews after an interval allowing the changes made by RetailCo to have an impact, would

measure changes in supplier perceptions but utilising the same questions and Likert Scale scoring system as for the primary round of interviews.

The change in the approach taken for the research meant that the primary data was collected but not discussed with the trading director at RetailCo until 2018 when he was in post as the MD of an FMCG retailer. The change in approach after the data had been collected also meant that the adopted theoretical framework was chosen and then applied to data that had been based on interview questions devised with a very different theoretical framework in mind.

The interview questions that were created were based on more than just the researcher's prior knowledge, though that played a key part in their formulation. Academic papers, such as those on the retail sector written by Free (2007, 2008) and the use of the Advantage Report ensured that researcher bias was, to a large extent, addressed and limited. The researcher was well known in the sector, having worked on global agri-food supply chains for many suppliers and several trade bodies. The issues that were researched in this programme were, in practice, familiar to the researcher, but the drivers that led to the manners in which conduct was carried out, and the underlying issues that the research drew out, were new to the researcher's experience. The selection of suppliers, across all but one of the business areas in which RetailCo traded, ensured that a mix of views from the various business units (categories), from brands and own-label suppliers, and from a variety of size of business were represented. The questions posed at the interviews were phrased in such a way that respondents could, and in every case did, expand upon their answers, so that a rich depth of views emerged from those conversational encounters. Lukka and Modell (2010) describe interpretive research where '*... the meanings under analysis are not accessible to somebody who is merely measuring or observing them from a distance, but require the adoption of an emic perspective: that of a native insider, in contrast to the more detached and neutral etic (outsider) perspective.*' (Lukka & Modell, 2010, p464, their emphasis). The validity of the research programme relates to the additional insights given through the fact that the researcher started the research programme with a significant level of prior knowledge, gained through many years working in global food supply chains. The structural diagram, Figure 1.1, represented the researcher's visualisation of the key issues facing the sector from his prior knowledge, to which was added the insights from the Advantage Report secondary data. Had Figure 1.1 been the basis of the whole research programme, then some illuminating insights could well have been found. The extensive

literature review findings changed the structural issues diagram in several subtle ways, and added control as an additional factor to the three that the researcher had identified at the outset: risk, power and trust. But the most significant change to the original thinking came about as a result of the adoption of Strong Structuration Theory and its application to the inter-organisational relationship that RetailCo experienced with its suppliers. To reflect that, the structural issues diagram was further revised to that shown as Figure 4.5 above. Viewing the interplay between suppliers and RetailCo through the Strong Structuration lens enabled a much more nuanced understanding of the issues faced by the actors in both organisations. The following chapter, where the analysis of primary data is described, leads to the discussion in Chapter Six of the research findings, and a final version of the industry structural issues diagram. The validity of the research described in this thesis is confirmed by the development of the structural issues through the research programme, and the shift in understanding by the researcher through that process.

Whilst comparisons were made by the respondents about how RetailCo was viewed compared with other retailers, the fact that the research was carried out in conjunction with just one of the Big 4 players might suggest that there are limitations to the transferability of the conclusions drawn. Nevertheless, this study has made a contribution in the utilisation of Strong Structuration Theory in the analysis of a sector where data is normally quite hard to obtain. The discussions and conclusions chapters draw out several strands of thinking that illustrate how the structures in place (in Strong Structuration terms) across grocery retailing affect the agents-in-focus and their behaviour. The data analysis discussed in Chapter Five that was conducted through a Strong Structuration lens produced several key points which led to some strong conclusions in the Discussion Chapter, Chapter Six. That is a form of *ex-post* validation of the research method and the interview questions.

The second round of interviews, conducted in 2018 with just a few of the original interviewees, gave the researcher the opportunity to discuss some of the research findings with those suppliers. There was little surprise about the primary findings of the study expressed by those involved in the second round of interviews. There was, however, one point made on which all the suppliers agreed as something that puzzled them: the marked difference in suppliers' trust or trust-like views between their view of the senior team and their view of the buyers and to some extent the category teams. Their puzzlement was about the inability of the well-regarded

senior director to positively influence the behaviour of the more junior staff. Had the research programme followed its intended course, there would have been the opportunity to bring that issue into the discussions with the trading director whilst he was still in post. To that extent, the change in the research programme has meant that this remains an unresolved issue though the application of the analytical framework to the collected data, in the next chapter, identifies possible reasons for that problem.

4.6 Methodology Summary and Conclusions

Consideration of certain theoretical frameworks led to the adoption of Strong Structuration Theory, to be utilised as the lens through which the data would be analysed, with an Abductive approach being adopted. The method used for the data collection and for the analysis was described, which builds on the industry structural diagram, as amended, incorporates the three Research Questions, and identifies some of the key concepts and descriptors that will be used for the analytical work that follows in Chapter Five. A discussion of the research findings is included in Chapter Six.

Strong Structuration Theory's focus on structure and agents made it particularly appropriate for the framework through which the analysis of the primary data would be examined. Key to determining how the data would be analysed was a clear statement of the relationship between the aims of the research and the factors that enabled the identified sectoral issues to be contextualised. Table 4.5 above, the Broad Concepts Framework, takes the first two of the four elements of the quadripartite nature of Structuration - external structures, and internal structures, the latter divided into agent's knowledge and agent's habitus - as an approach for the analysis. In the interviews, the researcher was seeking to ascertain the agent's conduct and to understand their context. Conduct analysis is a strategic concept described by Giddens (1984) in his Structuration Theory and also used in Strong Structuration Theory: '*Conduct analysis is when a researcher needs to examine the agent by looking inwards ...*' (Warren & Jack, 2018, p484). Context analysis is, by contrast, outward looking '*... to what what the agents-in-focus perceive as external structure and their understanding of the internal structures and conduct of networked others.*' (Warren & Jack, 2018, p484).

Thus, the context of an agent's behaviour takes account of their factual knowledge of their working environment (external structures), and their awareness, their knowledge, of external

pressures on them to conform (internal structures). Their sense of their own background and loyalties forms the other part of their internal structures, their habitus. Those elements form the context within which the agent operates. The second two of the four elements of the quadripartite nature of Structuration – active agency and outcomes – relate to the application of the agent’s context to their decision-making processes, which become the agents’ practices. Examining the actors’ active agency and outcomes, which are the outworking of the agents’ context, forms their conduct analysis. The Broad Concepts Framework (Table 4.5) incorporates the broad themes and issues raised in the interviews as concepts to be explored in the detailed analysis of the interview responses.

This chapter also recognised the various identified limitations of the research, with specific reference being made to the effect on the planned programme of work from the departure of the trading director at RetailCo immediately after the completion of the primary data collection. The validity of the research, in particular the question of the extent to which the research added to or changed the perceptions held by the research from prior knowledge, was considered.

Two main strands of the researcher’s thinking changed as a result of the research programme. *First*, the revision of the structural issues that faced the industry from the three originally identified factors (power, risk & trust) to include a fourth, control. The addition of control as a major factor resulted in a very significant change to the structural issues diagram. Whilst the interview questions had been crafted and used prior to the more detailed literature review that led to control being included, the analytical framework adopted for the data analysis was able to embrace the change in the structural issues, and ensure that control as a factor was duly considered. *Secondly*, the decision to utilise Strong Structuration Theory in the framework as the lens through which to analyse the data meant that agency, and agents-in-focus, was considered in a way that would not have occurred had the analytical approach been Actor Network Theory as was originally planned. The dual issues of structures and agency, as discussed in Strong Structuration Theory, with the effect of habitus upon the suppliers, as the agents-in-focus, and upon RetailCo, facilitated an in-depth consideration of the four structural issues; power, control, risk, and trust, and their impact upon the inter-organisational relationships studied in this research. The following chapter describes the analysis of the primary data.

CHAPTER FIVE – Data Analysis

5.1 Introduction to the Data Analysis

This chapter starts with an explanation of the data analysis approach used for this research, followed by a question-by-question analysis of the data collected from the in-depth interviews with the 20 suppliers to RetailCo, using the conceptual framework lens of Strong Structuration and the associated Abductive approach. A full discussion about the findings, linking them with the literature through the theoretical framework lens of Strong Structuration Theory and Abduction, follows in Chapter Six. Following that, Chapter Seven identifies the contribution that this research has made.

The semi-structured interviews carried out in 2014/2015 with the 20 selected suppliers to RetailCo were carried out under the University of Sheffield’s ethics guidance, for which specific approval had been received. Many of the interviewees were known to the researcher, and most of the others were aware of the researcher’s previous role in global supply chains.

Consequently, whilst the semi-structured format was retained, the interviews were usually quite informal. For each question asked, a response card with Likert Scale responses was shown to the interviewee, and they were asked for a specific numeric response as their initial reaction to the question. Following that initial response there was a sometimes quite lengthy discussion about their response and why they had given the score they did. As an example, the card for Question One is reproduced below (Table 5.1)

Question One	
In overall terms how would you describe your trading relationship with RetailCo?	
Description	Likert Score
Excellent	1
Good	2
Acceptable	3
Poor	4
Very poor	5
Unacceptable	6
Prefer not to answer	0

Table 5.1 – Question One

Table 4.1 in Chapter Four listed all the set semi-structured interview questions, and copies of all of the question cards (Questions One to Seven) are reproduced in Appendix 1. Whilst the

wording of the possible responses varied from question to question, a very positive 'excellent' response to the question was always given a score of 1, with a Likert Scale response of 2 being 'good' or a similar descriptor. A Likert Scale response of 3 was 'acceptable' or an equivalent term. Responses with values between 4 to 6 were from 'poor' to 'unacceptable'. All questions also had a 'prefer not to answer' option. Table 5.2 summarises the Likert Scale responses to all the questions where a numeric score was possible. The responses to questions 3a & 3b were not suitable for analysis in this manner, being narrative-only follow-on responses to Question Three. In some cases, interviewees indicated that RetailCo was between two of the numeric responses offered, in which case a score of the midpoint of those two numbers was recorded as their response; so for example, a supplier stating that the appropriate score for a question was 2 or 3 would result in a recorded score of 2.5.

The data in Table 5.2 are presented in ascending order of the arithmetic mean score for all questions responded to by each supplier. Some suppliers chose not to answer some questions. The table also shows the arithmetic mean score for each question. The table illustrates the variation in the overall view of RetailCo held by the 20 suppliers interviewed for the research (using the arithmetic mean score for each supplier's responses). A global produce importer (S2) topped the scale with an overall score of 1.10 for RetailCo, compared with a UK bakery (S14) who accorded RetailCo a far less positive score of 2.81; interestingly, both of those suppliers were supplying branded goods to RetailCo.

The data coding method used was described in detail in Chapter Four. In the rest of this chapter, the data are presented and analysed, question by question, with occasional inter-question response comparisons being made where relevant. The Likert Scale response to each of the main questions is presented first, as a box-and-whisker or box plot. Box-and-whisker plots were derived from the work of Spear (1952) in the use of what was termed by her as a range bar, which could be presented with the range, median, mean and interquartile range (IQR) incorporated into one chart. The application of the concept was developed over the ensuing years by a number of researchers, including Tukey (1977), Altman (1991), Wang (1996) and Nieuwenhuis et al (2011). Spitzer et al (2014) published an explanation of the usefulness of the box-and-whisker plot in bio-medical science, though stressing its wider applications too, but drew attention to the fact that the tool was not in common usage, in part as there was little software that would, in 2014, generate the plots.

SupCo Ref	Advantage Mirror Category	Brand / Own-label	Supplier Description	Interview Question Numbers with Likert Scale Responses									Mean	
				Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q7a	Q7b		
2	Produce	B	GFOOD	1	1.5	1	1	1						1.10
17	Personal Care/Baby	B	GFMCG	1.5	1	2	2	1.5	1			1.5		1.31
8	Ambient Grocery	B	UFOOD	1	1	1	1	1	1	3			2	1.38
1	Produce	O	UFARM	1.5	3		1	1	1					1.50
18	Beer, wine, spirits	B	GDRINK	1	1	1	1	1	2	4			2	1.63
16	Personal Care/Baby	O	EFMCG	1	3	1	1	1.5	1	3				1.64
6	Ambient Grocery	B	GFOOD	1	2	2	1	2	2					1.67
9	Ambient Grocery	O	UFOOD	1.5	1	1	2	2	3	2.5	1			1.75
19	Dairy/Chilled	B	EFOOD	1	1	2	1	2	1	4			2	1.75
20	Dairy/Chilled	B	UFOOD	2	1	1	2	2	1	3			2	1.75
7	Ambient Grocery	B	UFOOD	2	1	1	1	1.5	3	3				1.79
12	Meat, fish, poultry	B	UFOOD	2	2	3	1	2	2	1				1.86
15	Frozen Food	B	UFOOD	2	4	1	2	2	1	3			2	2.13
3	Chilled/Convenience	Both	EFOOD	2.5	1	2	3	4	2	1	2			2.19
13	Impulse	Both	EFOOD	3.5	1	2.5	3	1	2	3				2.29
11	Meat, fish, poultry	O	UFOOD	1.5	1	3	2	6	2.5	1	2			2.38
5	Chilled/Convenience	B	UFOOD	2	3	3	2	2	2.5	3				2.50
10	Meat, fish, poultry	O	UFOOD	3		3	2	2	3	3	2	2		2.50
4	Chilled/Convenience	Both	UFOOD	2.5	2	3	3	2	4	3				2.79
14	Bakery	B	UFOOD	4	2	5	3	2.5	1.5	3.5			1	2.81
<i>Number of respondents</i>				20	19	19	20	20	19	16	5	7		
Mean response by question				1.88	1.71	2.03	1.75	2.00	1.92	2.75	1.70	1.86		

Supplier Description Key	GFOOD	Global Food Importer
	GFMCG	Global FMCG Manufacturer
	UFOOD	UK Food Manufacturer
	UFARM	UK Farming Business
	GDRINK	Global Drinks Manufacturer
	EFMCG	European FMCG Manufacturer
	GFOOD	Global Food Manufacturer
	EFOOD	European Food Manufacturer

Table 5.2 – Summary table of Likert Score responses by supplier

The composition of a contemporary box plot as a useful tool when comparing data sets with different distributions was expounded by Spitzer et al (2014) in *Nature Methods* (see example plot at Figure 5.1). Spitzer et al explained the elements of the box as ‘the box-and-whisker plot represents both the summary statistics and the distribution of the primary data ... (it) enables the visualisation of the minimum, lower quartile, median, upper quartile and maximum of any data set. (It is) a box that represents the interquartile-range (middle 50%) of the data set with whiskers that extend 1.5 times the IQR from the box edge; it also allows for the identification of outliers in the data set.’ (Spitzer et al, 2014, p121)

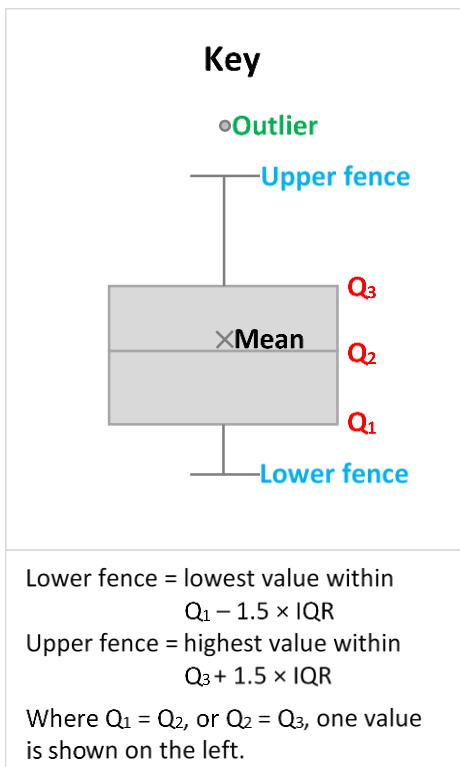


Figure 5.1 – Example box-and-whisker plot

The data analysis was carried out through the lens of Strong Structuration Theory, utilising the framework described in Chapter Four (Table 4.5) that, for ease of reference, is reproduced below. The Concepts that are described in the second column of the table were derived from an initial reading of the interview transcriptions; preparatory to the rigorous analysis of the data. At this point, it is appropriate to comment upon the structure of the interviews. Each question sought an initial Likert Score response, which was followed by an in-depth discussion about their response. The value of utilising both a quantitative scoring system with the numeric values of the Likert Scale responses and an extended qualitative approach through the narrative that followed, was seen in the ability to analyse the data using both quantitative and qualitative tools, and – importantly – to observe where an immediate numeric response was amplified, and in some cases qualified, by the ensuing narrative.

Quadripartite Nature of Structuration	Concepts <i>Term 'Agent' is used here to mean 'Agent-in-focus' – the supplier</i>
External Structures <i>(Action Horizon – independent of the agent)</i>	Agent's factual knowledge about their working environment (structures) <ul style="list-style-type: none"> • Existence (or not) of Joint Business Plans • Willingness of buyer to meet agent to discuss supply plans • Production capacity • Technical specifications
Internal Structures Knowledge Habitus <i>(values, beliefs and wants)</i>	Agent's awareness of external pressures to conform <ul style="list-style-type: none"> • Agent's knowledge of whole supply chain • Agent's awareness of issues usually greater than buyer's • Agent's experience of trading relationship with retailer <hr/> Agent's sense of their own history, values, loyalties etc. <ul style="list-style-type: none"> • Agent's ability to negotiate • Agent's confidence that their organisation can supply • Brand values vs Own-label
Active Agency/ Agent's Practices	Agent's application of knowledge and habitus to decision making <ul style="list-style-type: none"> • Agent's effective seniority within the supplier • Agent's conscious and subconscious willingness to allow their habitus and knowledge to influence their behaviour
Outcomes	Agent's ability to make a choice of outcomes <ul style="list-style-type: none"> • Preserve the status-quo, reinforcing structures in place <u>or</u> <ul style="list-style-type: none"> • Change in structures, e.g. through closer interaction with buyers, or personal culture, that would improve the trading relationship
<i>Copy of Table 4.5 – Broad Concepts Framework</i>	

Stones inclusion of two empirical case studies in his book 'Structuration Theory' (2005) provides a model that can be utilised to conduct the analysis of the collected quantitative and qualitative data, question by question, utilising the framework outlined above. As part of the introduction

to Marawska's work (Insecure Prosperity; 1996) Stones makes a statement about Marawska's comparative method, a statement that helped to inspire the thinking that led to the approach that has been taken in the analysis of the primary data *'She not only reveals much of what is distinctive about the structural configuration of position-practices in these different cases but also provides a good deal of insight into the respective causal roles played by particular internal and/or external structures and by the conduct of particular agents or groups of agents.'* (Stones, 2005, p148)

Table 4.7 (a copy of which is reproduced below) linked the three research questions to the seven main interview questions, and their subsidiary questions. It identified the key concepts and terms that emerged from the study of the interview transcripts for each research question.

Research Questions	Interview Question Number	Key concepts/terms identified for the data analysis
RQ1. How are power, risk and control factors evident in supplier-retailer relationships in the UK food industry?	1 2 3 3a 3b	Own-label vs Brand power Mutual dependency Buyer behaviour Funding requests from buyer
RQ2. Does Open Book Accounting enable or constrain supplier-retailer relationships in the UK food industry?	7 7a 7b	Data sharing Trust when disclosing data Overhead recovery issues
RQ3. How and why is trust built or destroyed in supplier-retailer relationships in the UK food industry?	4 5 6	Collaborative Joint Business Plans Sharing data New Product Development Long Term Agreements Quality of relationships with the CCO, with buyers, and the Category Managers

Copy of Table 4.7 Research Question, Interview Question & Coding Terms Relationship Grid

Before reviewing the data analysis, the manner in which Table 4.7 has been operationalised is illustrated with reference to some of the key points made during the interviews with the twenty suppliers. Illustrative examples from the supplier interviews relating to the themes of power, risk and control are considered first.

Power over the inter-organisational relationship between RetailCo and their suppliers can be exercised both by RetailCo and by their suppliers. However, as the research interviews were conducted only with suppliers, primary data on RetailCo's issues with suppliers over power, risk and control was not obtained. Thus the research is only able to provide evidence for the views of suppliers. Branded suppliers are generally better positioned to exercise some form of power over their retail customers than their own-label colleagues. A good example of the power position of a branded supplier was made by S19, whose Sales Director '*... launched a product and were able to give it to RetailCo first as an exclusive. There was a trading agreement about that so they committed to certain things they would do for that exclusivity.*' (S19, p6). Here the supplier was exhibiting power over RetailCo by taking the initiative in offering RetailCo a new product exclusively, and exercising control over their relationship with RetailCo through requiring RetailCo to comply with some very specific trading conditions; that was a clear example of a supplier exercising power and control over RetailCo. A more general statement about the power of brands was made by the Sales Director of S14 who had worked in similar roles in several other strong brands and commented '*... where you have got a very strong brand they can't mess around with you too much.*' (S14, p2/3). However, S14 experienced the levels of control that RetailCo was able to exercise even over a strong brand - '*They took us down to 450,000 (units) from a high point of two million ... we were pretty much persona non grata.*' (S14, p3). S1, an own-label produce supplier, whilst largely enjoying a good relationship with RetailCo, lamented the lack of control over system issues; '*If we have a rejection we get fined. For example, if you've sent two trucks and not split the paperwork, and there's 500 on one and 400 on another, the total makes 900 – you'll get fined ... (which is) a bit frustrating as we have got no control over that ... there's not even a discussion about it.*' (S1, p7). S2, a branded produce supplier, built a produce handling centre that was then partially rented out to RetailCo for the produce that S2 supplied to them. This was an example of a supplier seemingly taking control of their trading relationship, but their Commercial Director responded to the point made by the researcher that they were calling the shots thus – '*No, we are protecting our position.*' (S2, 19).

Supplier risk was well illustrated by the experiences of S4, a supplier with both branded and own-label products, who developed some new specific recipes and presented them to RetailCo, on the understanding that the discussions were confidential and the recipes were not to be shared. *'And then we were told that the project wasn't progressing, and three months later those products turned up on the shelves made by ... one of our competitors.'* (S4, p15).

Turning now to examples relating to Research Question Two, the adoption of Open Book Accounting by S1, a produce supplier, highlighted issues (primarily overhead attribution) that meant that they ceased that form of relationship and entered into a rolling contractual relationship in its place. The data sharing with RetailCo during the Open Book period resulted in RetailCo having a far better idea of the produce industry and its cost base. As a result, *'They've learned that they need to be slicker, so actually they need to be simpler. Typically, RetailCo will ask for a best price submitted by Friday (for the next year). Then they ring you up and say you've asked for 40, we want to pay 38p, you say can we settle at 39p and OK, that's it, commercialism out of the way for probably a year.'* (S1, 2018, p5). S2, whilst not in a formal Open Book system with RetailCo, had established what their commercial director described as *'... a fairly unique relationship. This is the only model where they have a vendor working on their behalf, or working with them or for them.'* (S2, p18). That relationship actively shared data on non-profit elements of the supplier's finances, elements that included transportation and distribution, plus the direct costs of production. In part because of that close relationship with RetailCo, S2 had developed a collaborative approach end to end, built on their 40 or 50 year relationship with growers elsewhere in the globe, and linked to their managing the supply chain from grower through to stores. *'We like to think we are a corporately social and responsible supplier. We pay our growers seven days after they've loaded the product on the vessel. They load the fruit, we get the manifest, and within seven working days they will be paid in full.'* (S2, 2018, p15/16).

With reference to Research Question Three, in terms of buyer relationships, S1 commented *'At (LowCost1) we've never changed our buyer, but at RetailCo ... more changes. But my buyer currently is an ex-Manchester market-lad who understands the trade inside out, which is good for me. I struggle to pull the wool over his eyes but on the flip side, I don't have to spend weeks teaching him how to grow (product).'* (S1, 2018, p13). However, S14 had a very poor experience with their principal buyer – *'He is a massive underminer of trust ... he intimidates us and threatens our business.'* (S14, p26). On trust and NPD issues, S4 gave RetailCo a score of 4 for

Question Six (about trusting RetailCo when carrying out NPD) based on a very bad experience with NPD a few years ago. By contrast, S16 described a continual innovation/NPD strategy with RetailCo, and gave RetailCo a score of 1 (excellent) for trusting RetailCo when sharing ideas and NPD solutions. Collaboration was mentioned by several suppliers who commented on the positive and collaborative nature of their relationship with RetailCo, with branded supplier S8 being typical: *‘Three or four years ago we had little or no collaboration. We were at odds with each other and it took one particular session to all get in the room and say, this is ridiculous, we are round the corner from you, surely we can help each other. Since that day, we have the business go from £16m to £45m ... we’ve a buying strategy with RetailCo.’* (S8, p1/2). S2 had a very long LTA (ten years) and an agreed joint business plan, and, revealingly, gave RetailCo the highest supplier mean score (1.10) for the interview questions. Those examples are illustrative of the range of views that suppliers expressed about their relationships with RetailCo.

Each of the interview questions is considered separately below, with an initial assessment of the Likert Scale responses and some general points made. Emerging themes that arose from a consideration of the data are presented, question by question, and are analysed using the broad concepts framework outlined above (copy of Table 4.5). The interview questions deal with the issues identified from the developed structural diagram, and the questions progressively develop a sequence of inter-related themes. Consequently, whilst each question is considered analytically with reference to the broad concepts framework, there are – from time to time – some conclusions drawn from responses taken from two or more inter-related different questions. Finally, at the end of the chapter, an overarching consideration is presented of what has been gleaned from the use of the framework in analysing the data.

5.2 Question One

5.2.1 Analysis of Question One Responses

This was the first question asked in the semi-structured interviews, designed as a question that required some thought on the part of the respondent about the manner in which they operated as suppliers, as well as about the manner in which RetailCo treated them. By using the phrase ‘trading relationship’ their focus was on the relationship with RetailCo, and not just on RetailCo as an entity. A copy of the scorecard used for Question One is shown as Table 5.3 and is followed by the quantitative data presentation utilising a box-and-whisker plot (Figure 5.2).

Q1. In overall terms how would you describe your trading relationship with RetailCo?	
Description	Likert Score
Excellent	1
Good	2
Acceptable	3
Poor	4
Very poor	5
Unacceptable	6
Prefer not to answer	0

Table 5.3 – Score card for Question One

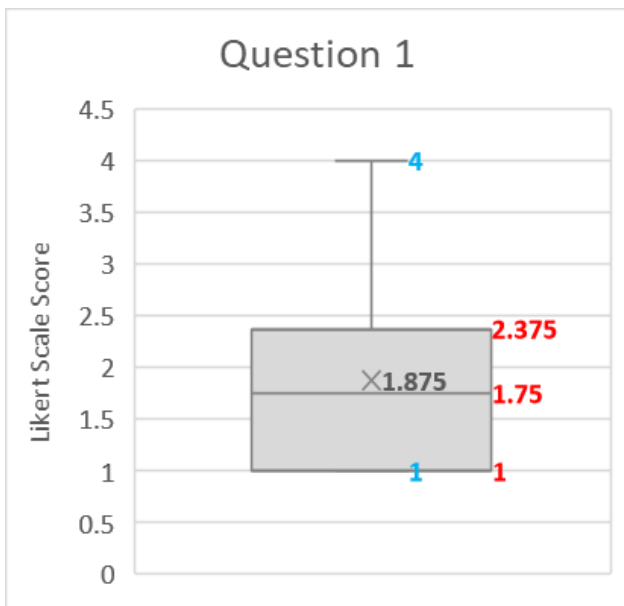


Figure 5.2 – Box-and-whisker Plot for Question One Likert Scale Responses

The data for Question One – shown in detail in Table 5.2 and summarised in Figure 5.2 – makes clear the relative tightness of the response distribution from the twenty interviewees is very apparent, with a mean score of 1.875. Of the twenty suppliers interviewed, only five respondents (a quarter of the total) gave Likert Scale numeric scores that were numerically greater than 2 (i.e. acceptable or worse). Fifteen suppliers, three-quarters of the suppliers interviewed, regarded RetailCo as ‘excellent’ or ‘good’ (with scores between 1 & 2) in response to the question about their trading relationship with RetailCo overall. Typical of the positive comments made by the fifteen who gave RetailCo a score of 1, 1.5 or 2 is this from the commercial director of a global food importer in the produce industry, who, with five other suppliers, gave RetailCo a score of 1 to Question One, *‘(the relationship) is one based on total*

collaboration and (is) the best our business has ... we have dialogue at the highest levels ... from my chief executive down through the senior management team.' (S2, p3).

Many of the suppliers who had made positive comments about their relationship with RetailCo spoke about what they termed a collaborative approach; a view that was held by the Trading Director of a UK food manufacturer in the chilled/convenience sector, (S5) who suggested that RetailCo was one of the more transparent and generally collaborative retailers they dealt with. S5 found that the RetailCo chilled/convenience team were encouraging of joint working even with direct competitors so that better visibility of trading patterns was available for the benefit of the suppliers and RetailCo.

The UK Sales Director of a global food manufacturer in ambient grocery (S6) commented that joint business plans were a tangible manifestation of a collaborative approach, as a means of maintaining and developing their relationship with RetailCo, in part as they challenged each other on the delivery of the joint business plan. S6 asserted that a collaborative joint business plan inevitably demanded a level of openness and engagement, which was a very positive aspect of the relationship. The importance of a Joint Business Plan, as mentioned by S6 above, was a point made by several other suppliers. Some suppliers had three-year Long-Term Agreements – LTAs – which were developed jointly between the retailer and the supplier. In some ways an LTA is analogous to a Joint Business Plan though the LTAs will not reach as far into the relationship as a Joint Business Plan, which goes well beyond the transactional details into aspects such as category development and customer trends analysis. Some suppliers linked comments about Joint Business Plans and/or three-year long-term agreements to comments about a collaborative approach, and trust. Such comments were made by the Commercial Directors of two UK ambient grocery manufacturers (S7 and S9) with S7 describing the positive collaborative relationship challenge in creating a joint business plan which results in a more formalised trading agreement. S9 made a similar point, adding that Joint Business Plans were the most balanced way in which to do business in dealing with what they described as commercial challenge and friction that would be encountered in any supplier relationship with its customers. The Commercial Director of a European FMCG Manufacturer of personal care/baby products (S16) commented as follows, a view that was echoed by several other suppliers, *'We have three year deals with the business where we give certain commitments and they give certain commitments ... we need to invest to deliver that and (they) need to invest in us*

with the confidence that we have got a long-term partnership. Because of that working relationship we work very closely with them ... we both have to trust each other.' (S16, p2)

Some suppliers made specific comments about what they termed 'top to top' – where the very senior personnel at RetailCo had a very good dialogue with the very senior team at those suppliers. Top to top was one of the key factors that was observed to affect the perceived level of trust in the relationships between the supplier and RetailCo. If such access was taking place, then the supplier in that relationship appeared to be more content with the whole relationship. The Commercial Director of S20, a UK food manufacturer in dairy/chilled, stated '*We've got regular top-to-tops. We've got regular access, bottom to bottom and at my level as well. We've got a good, open relationship in that respect.'* (S20, p2)

What is being observed in the comments above is a clear link between suppliers having access to the top team at RetailCo and very positive feelings being expressed about the trading relationship that those suppliers enjoyed. Their action horizon was focused on the senior team at RetailCo. Most of the interviewed suppliers had a high regard for the very senior team at RetailCo, and many of them were able to interact, and to interact positively, with the CCO. The latter group were, almost exclusively, very senior staff of the supplier for whom they worked. Their position-practice, based on them possessing extensive knowledge of their business and the RetailCo business unit with which they related, influenced by their habitus (their values, beliefs and needs), enabled them to utilise active agency which gave them the ability and freedom to make decisions about their trade with suppliers, which in turn facilitated the ease with which they could communicate and collaborate with RetailCo's senior team.

However, that did not always translate into a similar experience when dealing with other staff in RetailCo. The Divisional Managing Director of a UK food manufacturer in the MFP category (meat, fish & poultry), S11, whose response to Question One was a very positive score of 1.5 said '*We have had an excellent top-to-top ... with the and his team ... but we have some factions within RetailCo who behave in a very different way.'* (S11, p2)

This is an example of where the external structures in which the agent-in-focus was operating affected their failure in most cases to create the positive relationship they enjoyed with the top echelons at RetailCo, with an equally positive relationship with the buying team. There is a conflict here with the position-practices being exhibited by senior staff at RetailCo, and rather

different position-practices by buyers; one that puzzled many of the suppliers. This issue is considered in more depth later in this chapter, but in essence the issue was a product of the reward and KPI systems in place for buyers, in contrast to the more strategic action horizon held by the senior team.

The comments above from two suppliers who rated RetailCo highly, S2 and S11, illustrate the diversity of views amongst generally satisfied suppliers about their relationships across the whole RetailCo team of staff they deal with. Both suppliers are well-established brands, and have dealt with RetailCo for many years. The first supplier quoted above, S2, has a relatively simple supply chain and limited product offering with very little competition from other suppliers. The second supplier, S11, offers a wide range of products across the MFP category in a highly competitive market sector. The issue that S11 referred to above is the difference between the excellent interactions that they experienced with very senior level staff, and the much more difficult set of relationships with others, principally at the operations level in the buying and category management teams.

In trying to determine why there were differences in the relationships experienced by those two illustrative supplier examples, one salient point emerged. S2's operation involved operations in several countries, and shipping of the produce to the UK. An indication of virtually all of their costs, such as shipping, was easily obtained by generic data publically available. S2 had operated for many years in a cost-transparent environment where discussions with RetailCo were more about demand and supply than about cost, as RetailCo knew the cost base and had no issues with it. S2 was not in a recognised Open Book relationship with RetailCo, but there were in a *de-facto* Open Book relationship on cost data.

The other supplier, S11, was, by contrast, in a form of Open Book relationship with RetailCo but in a far more opaque costing environment, with a large number of competitor suppliers. They argue that having data readily available to the buying team at RetailCo due to the form of Open Book being operated gave RetailCo the opportunity to play suppliers off against each other on price and promotions. RetailCo buyers' behaviour varied towards different suppliers in line with the different external structures to which they were reacting. Only one interviewed supplier (the Commercial Director of S3, a European food manufacturer in chilled/convenience) expressed real dissatisfaction with access to the top echelons of RetailCo, and attributed that to

their status as an own-label supplier and, as far as RetailCo was concerned, small size compared to one of the global brands they deal with, making the following point about access *'So you don't really get access to people (at the top) ... but we did have that, we actually auctioned²³ for it.'* (S3, p4).

As can be observed from the Box and Whisker plot for Question One, there is an outlier. That outlier was a branded bakery supplier, S14, who gave RetailCo the lowest score for Question One, at 4. Despite a long-term relationship with RetailCo, their view of the retailer was very poor. They expressed similar concerns about the day-to-day relationships as those that had been mentioned by S11, but in the discussion following their initial response to Question One, they accepted that some of the responsibility for the poor relationship fell at their door. They had failed to deliver against a very large order (some 4m SKUs ordered and just over 1m SKUs delivered) because of production difficulties, but the previous account manager at S14 had not kept the buyer at RetailCo informed. The interview was conducted with S14's new-in-post sales director who had, in their first meeting with the RetailCo buyer, to inform RetailCo of the shortfall. *'At the end of the meeting where they told us we were being delisted I was already moving on because we knew it was coming.'* (S14, p29)

S14's sales director was not very surprised at their temporary de-listing, and accepted that they could have been better at communications with RetailCo. As S14 was a major brand, it was almost inevitable that RetailCo would have to re-list them as a result of customer pressure; *'... a very strong brand ... one that they can't mess around with too much. Where we have got the power if you like ...'* (S14, p3). In that instance S14 confirmed that the buyer was torn between annoyance with the supplier that had let RetailCo down, and the pressure from customers in retail stores asking where S14's products were. S14 were indeed relisted by RetailCo after a short hiatus, illustrating the power of well-known brands in retaining shelf-space for their products even when relationships proved strained. In contrast to the relationship that S2 enjoyed with RetailCo, the manner of S14's business relationship was largely confrontational - on both sides. *'So why number four? I could probably have gone to number five, but we're still there.'* (S14, p7). These observations have implications for the wider adoption of Open Book Accounting, and will be returned to in the discussion in the following chapter.

²³ Some suppliers elect to bid for tables or seats at an industry dinner to enable them to sit with retailer senior team members.

The point was made above about the sometimes very marked difference between the positive views some suppliers held of their relationship with the top team at RetailCo and their more negative relationship with buyers and, in some cases, category teams. That view was held by brands and by own-label suppliers. However, own-label suppliers generally perceive that they have less bargaining power than a brand. To some extent that is understandable, as any retailer could go out to any of several non-brand manufacturers and ask them to manufacture to a specification, which clearly weakens their bargaining power. Disquiet about the entire relationship with RetailCo was much less commonly made, but the Commercial Director of a UK food manufacturer in chilled/convenience, S4, who gave RetailCo a score of 2.5 for Question One, was both an own-label and a branded supplier who felt that there was a significant lack of transparency and openness in RetailCo's dealing with them *'We lost virtually all the own label business when they moved those products into their own business, and the way that was handled, we felt, was extremely unprofessional, and almost done in secret. Yes, it left a nasty taste in the mouth, the way it was done.'* (S4, p2/3).

5.2.2 Question One – Summary

RetailCo was regarded by the majority of suppliers (15 of the 20 interviewed) as a good company to trade with. When in place, external structures such as the existence of Joint Business Plans, listed in Table 4.5, were positive aspects of the inter-organisational relationships reported between suppliers and RetailCo. However, the responses to Question One revealed limits to the outcomes that were available and possible for the agents-in-focus to adopt.

By utilising the Broad Concepts Framework (Table 4.5) and analysing the agents-in-focus's awareness of the factual elements of their situation gave a view of their action horizon. In most cases their internal structures, their knowledge of their place in the supply chain and of their experience of trading with RetailCo, gave them insights into the behavioural patterns that they came to expect from RetailCo. Many of the suppliers, the agents-in-focus, had long histories of trading with RetailCo, and were highly experienced in knowing what their business could deliver. Brands' habitus, their values beliefs and wants, and their confidence in their organisation, gave them a consistent and strong negotiating power base. The habitus of agents-in-focus at own-label suppliers was different in that their ability to negotiate was less than that for brands, not through lack of knowledge, but due to their weaker position-practice with the

buyers at RetailCo. The elements described above fall under the general description of the Context Analysis of the agents-in-focus, and indicate their position-practices.

The principal difference observed between the brands and the own-label suppliers was in terms of possible outcomes, where the ability of own-label suppliers to choose the nature of the outcomes of their negotiations was very much more restricted. Their active agency, whether as an agent-in-focus at a branded supplier, or an agent-in-focus at an own-label supplier, was similar but their ability to affect the outcomes of their negotiations was where the two types of supplier experienced significant differences in treatment from RetailCo. Thus, for both brands and own-label suppliers, a comparative behaviour analysis confirmed the similarities in active agency but major differences in outcomes.

Several suppliers expressed reservations about the buyers and, in some cases, the category teams at RetailCo, whilst maintaining their very real appreciation of the top team. In the original round of interviews in 2014/15 that expression of concern arose frequently about the far poorer day-to-day team relationships with their buying colleagues at RetailCo. Some of the reasons for that difference were discussed in the 2018 interviews with some of the suppliers and also with the former RetailCo Trading Director who was, by then, Managing Director of a different, FMCG, retailer. This issue is discussed in more detail later in the chapter, but in essence, the issue was a combination of the facts that short-term postings of buyers, seen as important for their promotion, resulted in the buyers' habitus being based on a very limited knowledge of the category, and of the supplier base. That was coupled with a remuneration and KPI system that rewarded buyers who made cost savings, savings that were usually derived from reducing the price paid to suppliers. The question of why the then Trading Director could not change the action horizon of the buyers is discussed in detail in Chapter Six.

5.3 Question Two

5.3.1 Analysis of Question Two Responses

Question Two was a follow-on from the initial question, seeking to ascertain whether suppliers had observed any change in their relationship with RetailCo over the previous five years. Nineteen suppliers responded to this question. The one supplier who did not answer this question (S10) had only started supplying RetailCo in the past 2 or 3 years, so could not really

comment on changes over a five year period. A copy of the scorecard used for Question Two is shown as Table 5.4, and is followed by the quantitative data presentation utilising a box-and-whisker plot (Figure 5.3). Table 5.5 compares the responses to Question One with those suppliers' responses to Question Two.

Question 2. Has that changed over the past 5 years?	
Description	Likert Score
Yes, substantially better	1
Yes, a bit better	2
No change	3
A bit worse	4
A lot worse	5
Prefer not to answer	0

Table 5.4 – Question Two

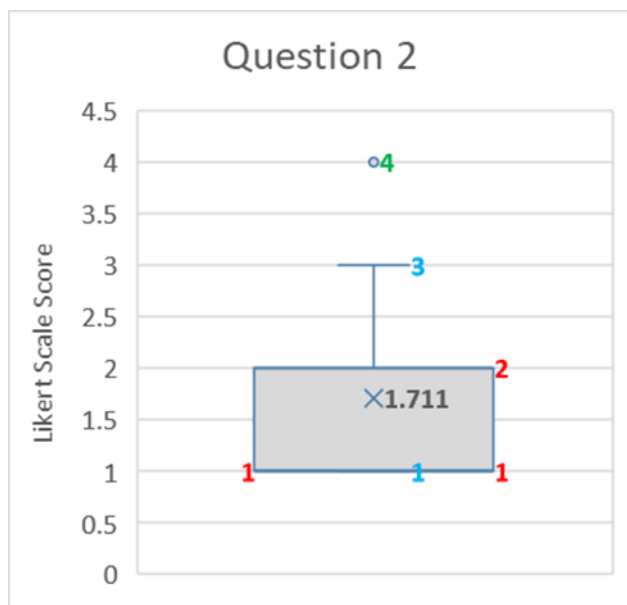


Figure 5.3 – Box and Whisker Plot for Question Two

The box plot for Question Two (Figure 5.3) shows a tightly grouped set of broadly similar positive responses from the majority of the nineteen suppliers who responded to this question, with a mean score of 1.711. Table 5.5, showing the comparison between responses to Question One with those given to Question Two, shows that only one respondent, S15, a branded supplier, stated that the relationship had deteriorated over the previous five years. The outlier in the Box and Whisker plot, S15, gave RetailCo a score of four *'It is only a bit worse... that is due to the trading pressures we are under, versus I would say, five years ago we were in a very very*

strong growth position as a business with RetailCo because we'd unlocked a way of growing their financials.' (S15, p3). The comparative table showing that fifteen of the nineteen suppliers who responded to Question Two were happier with the relationship than they had been five years previously. Three suppliers indicated that they had observed no change in their relationship with RetailCo over that period.

Supplier code	Category	Brand or Own-Label	Description	Likert Question 1	Likert Question 2	Change over 5 years
2	Produce	Brand	Global Food Importer	1	1.5	Better
6	Ambient Grocery	Brand	Global Food Manufacturer	1	2	Better
8	Ambient Grocery	Brands	UK Food Manufacturer	1	1	Better
16	Personal Care/Baby	Own-label	European FMCG Manufacturer	1	3	Same
18	BWS	Brand	Global Drinks Manufacturer	1	1	Better
19	Dairy/Chilled	Brand	European Food Manufacturer	1	1	Better
1	Produce	Own-label	UK Farming Business	1.5	3	Same
9	Ambient Grocery	Own-label	UK Food Manufacturer	1.5	1	Better
11	MFP	Own-label	UK Food Manufacturer	1.5	1	Better
17	Personal Care/Baby	Brand	Global FMCG Manufacturer	1.5	1	Better
5	Chilled/Convenience	Brand	UK Food Manufacturer	2	3	Same
7	Ambient Grocery	Brand	UK Food Manufacturer	2	1	Better
12	MFP	Brand	UK Food Manufacturer	2	2	Better
15	Frozen Food	Brand	UK Food Manufacturer	2	4	Worse
20	Dairy/Chilled	Brand	UK Food Manufacturer	2	1	Better
3	Chilled/Convenience	Both	European Food Manufacturer	2.5	1	Better
4	Chilled/Convenience	Both	UK Food Manufacturer	2.5	2	Better
10	MFP	Own-label	UK Food Manufacturer	3	–	–
13	Impulse	Both	European Food Manufacturer	3.5	1	Better
14	Bakery	Brand	UK Food Manufacturer	4	2	Better

Table 5.5 – Comparison table showing supplier responses to Questions One and Two

Typical of suppliers' reasons for the change in the relationship over the past five years was that expressed by S19, who stated that RetailCo had recently started refocusing on the overall financial relationship with their suppliers, which had led to RetailCo taking a more collaborative

view of their supplier-relationships than had existed before. As part of that change, S19 made reference to a move away from the previous system of so called 'back-end agreements' which occurred when RetailCo asked suppliers to contribute to some non-product related expenditure, such as miscellaneous HQ costs. That system was intensely disliked by suppliers, the main disadvantage from their perspective being that RetailCo's stores were not aware of the financial contributions that suppliers were making, and accordingly felt that suppliers were not behaving as helpfully to RetailCo as they actually were. Suppliers were clear that the moves away from that system had, in part, meant that RetailCo were seen to be much more engaged with suppliers in what had become a far more collaborative relationship.

Improvements in RetailCo's relationships with suppliers were also reported by suppliers who commented upon senior level personnel changes made by RetailCo, with supplier S9 remarking on the greatly improved calibre of the RetailCo team at that top level. For some suppliers, but not all, that change had cascaded down to the buying teams. Many suppliers observed that there was a new found recognition at RetailCo that the retailer could not develop the categories on their own. RetailCo needed to have collaborative partnerships and good relationships with their suppliers. In addition, suppliers observed that, quite recently, RetailCo had become much more focused on the consumer. This change in emphasis was reported to have started just a few months before the interviews for this research were taking place. The change coincided with the announcement of a new role for the former Chief Merchandising Officer, to a more senior role as a Senior Vice President and, in a new role for RetailCo, that of Chief Customer Officer (CCO). The creation of the new post of CCO reflected a decision by the Chief Executive Officer of RetailCo to confirm the centrality and importance of the customer in RetailCo's corporate thinking and, aspirationally, in its conduct.

That change would appear, from comments made in the interviews by some suppliers, to have cascaded down to the day-to-day relationships between some suppliers and RetailCo's buyers. Typical examples of those positive comments about the change in relationships were *'It's very, very positive now ... we've got a very experienced buying manager'* (S7, p3) and the scale of the improvement was described by supplier S3 as massive. The UK sales director of a global drinks manufacturer commented *'We've always had a good relationship with them, but I don't think it was as good as this five years ago. It's gone from being pretty good to being very good, and more open than it was.'* (S18, p3). Some suppliers held the view that RetailCo had been

particularly poor a few years ago. That was expressed by the Commercial Director of a global FMCG manufacturer in personal care/baby who had the experience of a personal falling out between their team member and that of RetailCo, and said *'We just didn't gel at all with the individual (at RetailCo's HQ) ... (so) we just got people better aligned. That was about 3 or 4 years ago.'* (S17, p3). S17's work-around that problem was to change their internal team members to get a better fit with the then rather belligerent buyer at RetailCo. Since then, matters had greatly improved.

During their responses to Question Two, several suppliers commented on the financial/trading pressures they experienced a few years prior to the interviews being conducted when many other retailer customers were also suffering from a very tough trading period. The Trading Director of a UK frozen food manufacturer described how they and some other suppliers had worked with RetailCo to, as he put it, *'unlock a way of growing (RetailCo's) financials'* (S15, P3) for mutual growth. Coupled with the change in focus by RetailCo to be more customer focused, that meant that he regarded RetailCo as the best retailer to deal with.

Before examining the data derived from the Likert Scales and the interview transcripts relating to Question Two, it is necessary to refer back to the fact that the data collection for the research project became limited to what had been designed as just the first round of a series of interviews. The feedback interview with the CCO did not take place immediately after the first, and, as it turned out, the only round of interviews had been completed, as he had left RetailCo before that meeting could be set up. After a short interval, he moved to become MD of an FMCG retailer and the researcher was able to meet with him quite a bit later on for a couple of occasions when the research findings were discussed. His comments on what was happening at RetailCo during the period of the supplier interviews were therefore revealing. He explained that the CEO of RetailCo was concerned about their relationship with suppliers. Structural changes for RetailCo several years previously had resulted in an increase of market share but a decrease in supplier satisfaction levels. The CEO decided to make some changes to the various teams that were supplier facing, taking account of their need to become more customer facing to reduce shopper-drift away from them to other retailers, both to other Big 4 retailers and to the newer discounters. The change in role for Chief Merchandising Officer into a new role, that of Chief Customer Officer, was seen as central to the senior team's thinking that the focus had to be on serving their customers better. However, in order to do that, the new post had to be

both outward facing – towards customers and their shopping experience, and inward facing – to ensure that suppliers were integrated into their plans to deliver better service at the lowest cost.

Once that role change had been agreed, but before it was implemented, the CCO designate saw the opportunity to use the forthcoming Advantage Mirror survey to benchmark where RetailCo was on its journey to improve the customer experience. By co-incidence, the researcher's approach to RetailCo came at the time that the latest Advantage Report was being studied by RetailCo. The value to RetailCo of a follow-on project examining trust levels in their supplier-retailer relations was clearly recognised, and the go-ahead was given to start the research.

In analysing the data from Question Two, there is little doubt that there is a linkage between the change in focus by RetailCo and more positive feelings expressed by suppliers about RetailCo, as was explained above. However, as was observed in the responses to Question One, many suppliers expressed high regard for the CCO, and far lower levels of trust in the buying teams, and to some extent the category teams too. Viewed through the lens of Strong Structuration Theory, utilising the Broad Concepts Framework, there are observations that can usefully be made about both agents-in-focus (suppliers) but also agents-in-context (in particular, the CCO himself, and the buying team members).

5.3.1.1 Agents-in-focus

By reference to the Broad Concepts Framework (copy of Table 4.5 in this chapter) and looking first at the context analysis of the agents-in-focus, it is observed that whilst the internal structures (the habitus and knowledge) of the agents-in-focus had not changed, their action horizon, seen through the external structures that they experienced, had changed. Their factual knowledge about their environment had observed a sea-change in the expressions of cooperation and collaboration by the senior team at RetailCo, but that had not yet, in all cases, been translated into the level of participation that buyers were willing to enter into with the agents-in-focus. Similarly, with reference to the behaviour of the agents-in-focus, there had been no change to their active agency but there were changes that enabled the agents-in-focus to seek new outcomes. The agents-in-focus sought a change in their position-practices through a change in structures in their relationship with RetailCo as a whole entity, and whilst being aware of the inter-organisational relationship improvements, in some cases they still found it

difficult to reach the desired level of closer interaction with their RetailCo buyers. The agents-in-focus found it difficult to comprehend why the CCO's collaborative approach was not being observed in their relationships with the buying teams. In order to understand why that difference existed, it is necessary to use the Broad Concepts Framework to examine the CCO's position-practices, based on the evidence drawn from interviews with the agents-in-focus and from the later discussions with him in person.

5.3.1.2 Agent-in-context (Chief Customer Officer - CCO)

From the interviews with the former CCO, his whole approach to business with suppliers was reflected in his stated values, beliefs and wants – his habitus. His external structures gave him an action horizon that was collaborative and both trusted and trusting. So, looked at from the perspective of a context analysis of his behaviour, he was in a good position to have a positive effect upon the manner in which colleagues in the business behaved towards RetailCo's suppliers. In turning to an examination and analysis of his conduct, it is clear that he had active agency, the seniority and willingness to seek to influence others. But the outcomes of those aspirations were – in most cases – to preserve the status-quo, rather than to see a change in structures. The former CCO explained that the issue here was an industry-wide structural one, though the issue was manifested more obviously in the Big 4 retailers than it was in many of the others. He felt two principal factors affected the nature of the supplier-buyer interface. First of all, his view was that people stayed in roles, and in businesses, much longer at suppliers than in retail. In part, he explained that corporate thinking was to rotate buyers to avoid them becoming conditioned to negative responses from suppliers and therefore never asking them to do something out of the ordinary as they suspected they'd get a negative response. This was, in effect, a deliberate policy to change the buyers' internal structures to minimise the acquisition by buyers of comprehensive understanding of suppliers' issues. The former CCO was aware that suppliers resented the time and effort that went into establishing a relationship with the buyer, only to have to repeat that every few years. Secondly, the established structures for buyers at retailers such as RetailCo were very hierarchical, with specific promotion criteria being applied. A buyer's ability to reduce the price paid to a supplier, or to seek a financial contribution from a supplier, were both measures that helped them meet their KPIs. The former CCO had observed that buyers would, in many cases, do almost anything to get better numbers for themselves, which had sometimes demonstrated itself in what he termed as bad behaviour.

In this case, the outcome for the then CCO from his possession of a set of position-practices that were essentially collaborative, should have been to effect a change in structures, such that the active agency of the buyers would be modified. However, the outcome was, in the main, to preserve the status-quo as his role, though very senior, was not sufficiently powerful to change the more aggressive and less collaborative culture of the members of the buying teams. His interest in building upon the Advantage Report through the trust project with the researcher was an attempt to help drive change through ascertaining where the sticking points in the relationships with suppliers were manifesting themselves. Had the project continued, his aim was to have the feedback loops resulting in behaviour change in the buying teams as the benefits of more collaborative working with suppliers to take cost out of the supply chain had borne fruit. His departure, along with most of his team, ceased that initiative. As has been mentioned earlier, it would be revealing to conduct future research with suppliers to ascertain whether, across the sector as a whole, change had occurred, or whether the non-collaborative style of operation had continued.

5.3.2 Question Two – Summary

Supplier responses to Question Two were, generally, very positive. Relationships with RetailCo as a whole had, largely, improved over the preceding five years. However, the differences recounted by suppliers in their view of the CCO compared with the buying teams, were still an issue. The CCO had, in theory, the agency to change position-practices, especially that of buyers, but was unable to effect such a change. The four key industry factors identified in the literature review (power, risk, trust & control) are observed in tension when analysing why change was not effected. As a result of the organisational structures in place at RetailCo, the CCO had the power, in theory, to make changes, but the systems of rewards through the set KPIs for buyers were set by the Finance SVP, not by the more creative parts of the business, such as the marketing team. Buyers saw the attempts to change their behaviour as exposing them to risk, through a potential failure in their ability to meet their KPI targets, and a consequent diminution of their promotion prospects. In the absence of a RetailCo-wide edict that collaboration was to be adopted as an approach by all aspects of the business, buyers could not trust the CCO to protect their positions.

The former CCO, in his interviews when MD of the FMCG retailer, illustrated what was possible by reference to the introduction of ‘fun’ in buyer-supplier relations, through a number of ideas that were, essentially, ways of getting them together to collaboratively create ways of saving

money through a raft of means. That worked in the smaller FMCG retailer business where he had a large degree of autonomy, and had recruited a senior team around him that shared those values. This issue will be returned to in Chapters Six and Seven where the discussion and conclusions from the research are presented.

5.4 Question Three

5.4.1 Analysis of Question Three Responses

Question Three was to ascertain if, and where, grocery retailers other than RetailCo were scored more highly than RetailCo by their suppliers on a number of specific issues. The initial question was followed by two subsidiary questions, the first of which was identifying which were the key issues for suppliers, and the second subsidiary question was asked to ascertain which of the other key grocery retailers differed from RetailCo against the identified key issues. The Likert Scale score sheet for Question Three is shown as Table 5.6, with the Box and Whisker plot of the results as Figure 5.4.

Question 3. How does your current relationship with RetailCo compare with the other major retail customers that you supply?	
Description	Likert Score
Significantly better	1
Better	2
About the same	3
A bit worse	4
A lot worse	5
Prefer not to answer	0

Table 5.6 – Likert Scale possible responses for Question Three

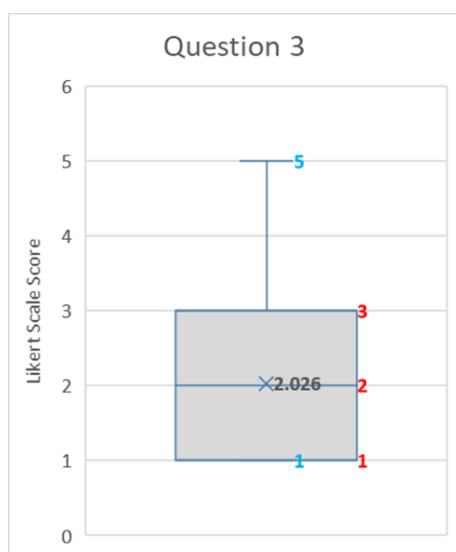


Figure 5.4 – Box & Whisker plot for Question Three

Question Three asked interviewees to compare their current relationship with RetailCo with the other major grocery retailers they supplied, and indicate whether RetailCo were better or worse. One interviewee (S1) did not answer Question Three, as the bulk of their supply to multiple retailers was acquired by RetailCo. The rest of their business was to food service merchants. The mean score for Question Three was 2.026, which was a quite positive result for RetailCo. Of the nineteen suppliers that did provide an answer, just over a third (seven suppliers) chose to give a score that was numerically greater than 2 in response, suggesting that for them, other grocery retailers were as good, or were better to deal with than RetailCo. The remaining twelve suppliers indicated that RetailCo was better to deal with than the other grocery retailers they supplied. There is an important point to make here about the position-practices in the very competitive market in which grocery retailers operate. Branded goods suppliers are almost always able to trade with any of the Big 4 grocery retailers, and many of the other grocery retailers too. The Box and Whisker plot showed that there was one outlier who had given RetailCo a five in response to Question Three. As with Question One, the outlier was a branded supplier, S14, who rated other retailers better than RetailCo due to their share of the category. *'In RetailCo we are 13% of the category, in Big4c we are 39%, in Big4a we are 36%, Big4b we are about 30%. We also supply LowCost 1 and LowCost2. We are far and away the number one in the marketplace ... RetailCo's market share is 16%, but 16% of the grocery marketplace won't be able to buy (a specific product) unless they go to another shop, which I hope they do. Then I will be knocking on RetailCo's door saying the stats say you were wrong.'* (S14, p10, p13). Suppliers who provide own-label goods into grocery retailers are far more likely to have restrictions imposed upon them about supplying other grocery retailers. One supplier, a leading European FMCG manufacturer, commented about their freedom to deal with the discounters: *'... we don't deal with (discounters) because part of our relationship with RetailCo says we won't supply them.'* (S16, p10).

Questions 3a (Table 5.7) and 3b (Table 5.8) sought to identify the other retailers that were considered better than RetailCo and the specific reasons why suppliers might find those other grocery retailers better to deal with. A number of issues had been identified by the researcher from pre-interview discussions with actors in the sector, from the literature, and from prior knowledge. A combination presentation (Table 5.9) lists the issues regarded as important by the eighteen suppliers who answered this question and shows for each how many of the suppliers considered the other main grocery retailers to be better than RetailCo. The data is presented in

descending order of magnitude.

Question 3a. Which retailer(s) are better for you to trade with?

Table 5.7 - Question 3a

Question Three (b) sought to establish why those other retailers were better to deal with.

Question 3b

Why are other retailers better to trade with? For each retailer that is better to deal with, you need to give a separate set of scores. Select as many responses as apply to you with each retailer.

Table 5.8 – Question 3b

Attribute	Big 4 a	Big 4 b	Big 4 c	Low Cost1	Low Cost2	High End1	Mid Range	High End2	Total
Better prices	2	5	4	5	2	1	5	4	28
Simpler trading terms	1	2	1	10	6			1	21
Audit less demanding		2	2	6	1	2	1	2	16
Trust them more	1	3	3	3		2	2	1	14
Easier to get new lines listed	1	1	1	7	1	1		2	14
Buyer more understanding	1	3		3	1	3	1	1	14
Feel we're more important to them	1	3	2	3	1	1	1	2	14
Delivery arrangements easier	1	2	1	2	1				7
Other			1	1	1				4
EDI systems easier for us		1	1			2			3
Sum of scores	8	22	16	40	14	12	10	13	135
Percentage of total scores by Named Retailer	5.9	16.2	11.8	29.6	10.4	8.9	7.4	9.6	100

Table 5.9 – Frequency table showing issues where other retailers were viewed as better

Table 5.9 is a frequency chart case-by-case for each alternative retailer to RetailCo and each attribute – it presents the number of suppliers who thought that for the particular attribute shown above, the alternative retailers were better than RetailCo to trade with. Interviewees could select as many retailers as they wished for each attribute they felt was better than the manner in which that attribute was handled at RetailCo. The attributes are arranged in descending order of the aggregated interviewee scores. The highest aggregate attribute score was 28 – for better prices – suggesting that is an important factor with supplier satisfaction,

and clearly many suppliers felt that RetailCo could do better in that regard. LowCost1's received the highest retailer score, at 40 for all attributes, with their simpler trading terms received the single highest attribute aggregate, a score of 10. Whilst many of the suppliers interviewed supplied most of the Big 4 Retailers, that was not true of their supply to all the other listed retailers. The growth of LowCost1's market share, in part at the expense of the Big 4 over the past few years, was illustrated in Table 1.3 (in Chapter One). Between January 2015 and July 2019 LowCost1 increased market share from 4.9% to 8.1% (Kantar World Panel) whilst the Big 4 declined from 73.7% to 67.7%. Simpler trading terms, and an easier system to get new lines listed, were clearly important factors with some suppliers beginning to prefer dealing with LowCost1 when compared with RetailCo as a customer. However, the relative volumes purchased by those two grocery retailers meant that few suppliers would wish to go as far as to cease supplying RetailCo, as the volumes most suppliers sent to RetailCo were far in excess than those that were sent to LowCost1.

Consideration so far has focused on the state of the suppliers' relationships with RetailCo and the other retailers that they supply. Whilst LowCost1 came out clearly ahead in terms of preferred others, there was a strong feeling expressed that RetailCo was a very good trading partner. As a retailer, RetailCo was not thought to be abusing its collective power position, and most suppliers did not identify specific risks in relation to their relationship overall. In making the comparison with other grocery retailers, several suppliers mentioned trust as an important element. The following was a typical comment. *'Trust is a much sparser commodity than it has been in the past, because trading teams are under pressure. RetailCo's demands can be very tough, but they are unambiguous. We trust that they will do what they say they are going to do.'* (S15, p5). Whilst Table 5.GG listed many issues where suppliers averred that other grocery retailers were better to deal with, the majority of comments that were made about the overall trading relationship with RetailCo in regard to those issues was very positive. One major supplier described relations with RetailCo *'as good as you could hope to have with a major, major customer. It is very good. We have a pretty good relationship with Big4a but the open, honest and collaborative element of it isn't there. We have a great relationship with the individuals at Big4c but corporately, we have a shocking relationship'*. (S18, p4/5).

LowCost1 scored much more highly with the interviewees than any of the other retailers that were considered. Principal amongst the positive differentiators was better prices, with supplier S1 pointing out that with LowCost1 there were no volume incentives, and no rebates, both of which were common practice with all of the Big 4 grocery retailers. Simpler trading terms when dealing with LowCost1 were praised by suppliers S10, S13 & S18, with S18 also praising LowCost1's ethics. S10 also made the point that LowCost1 made it easier to get new lines listed and '*... we feel we're more important to them as suppliers.*' (S10, p5). Another supplier, S7, praised LowCost1 about their forward ordering systems where orders were placed up to nine months in advance, which they described as '*just beautiful*' (S7, p14). However, a cautionary note was sounded by Supplier S6 who commented that the simpler trading terms, which were essentially based on transactional relationships, were unlikely to survive LowCost1's evolution into a more mainstream retailer.

5.4.2 Question Three – Summary

The analysis of Questions One & Two used Table 4.5 as the basis of the analysis from a Strong Structuration perspective. Question Three sought comparisons with other grocery retailers, and asked respondents to identify attributes where other retailers were, in their eyes, better to deal with. It must be borne in mind that many suppliers were generally as content with RetailCo as with other suppliers, and the issues where other retailers were regarded as being better to trade with were quite varied. The structural differences that suppliers noted with those retailers that were better to deal with than RetailCo were, in essence, position-practices that were more collaborative than those used by buyers at RetailCo. The top three issues where other retailers were better were better prices, simpler trading terms, and a less demanding audit. Close behind those three issues were four further points: suppliers trusted other retailers more, it was easier to get new lines listed, a more understanding buyer, and suppliers felt they were more important to them. The responses to the three parts of Question Three revealed that whilst some other retailers were regarded as better to trade with on specific issues, RetailCo was not at all badly regarded by most suppliers. The other grocer retailer that was singled out for praise as being better to trade with was LowCost1, which offered simpler trading terms and better prices. As a recent entrant into an already crowded market, LowCost1's journey towards being a more significant grocery retailer in terms of market-share was still developing at the time of the interviews.

Parallels can be drawn with some of the stages of Morawska’s analysis of Jewish settlement in the USA, cited by Stones (2005). The Jewish settlers researched by Moraska changed their position-practices towards, for example, trading on the Sabbath, whilst retaining their own habitus. Facing social and economic pressures, the Jewish settlers adapted to the cultural norms that they were exposed to in the communities into which they had settled in the USA. In a similar way, it is conceivable that LowCost1, which at the time of the interviews was enjoying the benefits of being a new entrant with simpler systems, will in time have to develop additional, more complex, structures and systems in order to deal with the pressures arising from a larger market share; that could alter their behaviour in the market and challenge the beliefs, values and wants held by LowCost1’s employees. Amongst those changes, the move to a more strategic trading relationship with suppliers, away from a transactional, deal-by-deal approach, would be one likely outcome. Further research is needed to establish whether this is happening, and to further explore the impact those changes would have upon the Big 4 grocery retailers, including RetailCo.

5.5 Questions Four & Five

5.5.1 Analysis of Responses to Questions Four and Five

The two main trust questions, Question Four (Table 5.10) and Question Five (Table 5.11), were answered in full by all twenty respondents and illustrated the distinctly different views that some of the interviewed suppliers had of RetailCo as a company overall, and their view of the buyer(s) they dealt with on a day to day basis.

Question 4. Overall, do you trust RetailCo as a generally good customer to deal with?	
Description	Likert Score
Yes, they are excellent	1
Yes, they are good	2
They are acceptable	3
No, they are poor	4
No, they are very poor	5
No, they are unacceptable	6
Prefer not to answer	0

Table 5.10 – Question Four

Question 5. Do you completely trust your Buyer at RetailCo?	
Description	Likert Score
Yes, they are excellent and I totally trust them	1
Yes, they are good and I trust them most of the time	2
They are acceptable but I don't trust them much	3
No, they are poor and I don't trust them	4
No, they are very poor and there's hardly any trust there	5
No, they are unacceptable and I can't trust them at all	6
Prefer not to answer	0

Table 5.11 – Question Five

The range of responses differed, with a range of 2 (1 to 3) and a mean of 1.75 for Question Four and a far greater range of 5 (1 to 6) and a mean of 2.00 for Question Five. The box-and-whisker plots for those two questions (see Figures 5.5 and 5.6) graphically illustrates the differences in responses to those two linked questions. Table 5.12 compares the responses by each supplier to Question Four with that supplier's response to Question Five. They are listed in order of their response to Question Four, starting with those nine suppliers who gave RetailCo a response of 1 (Excellent), then those seven suppliers who gave a response of 2 (Good), to the final four who gave RetailCo a score of 3 (acceptable). No suppliers gave a response to Question Four that was poor, very poor, or unacceptable, and there were no outliers.

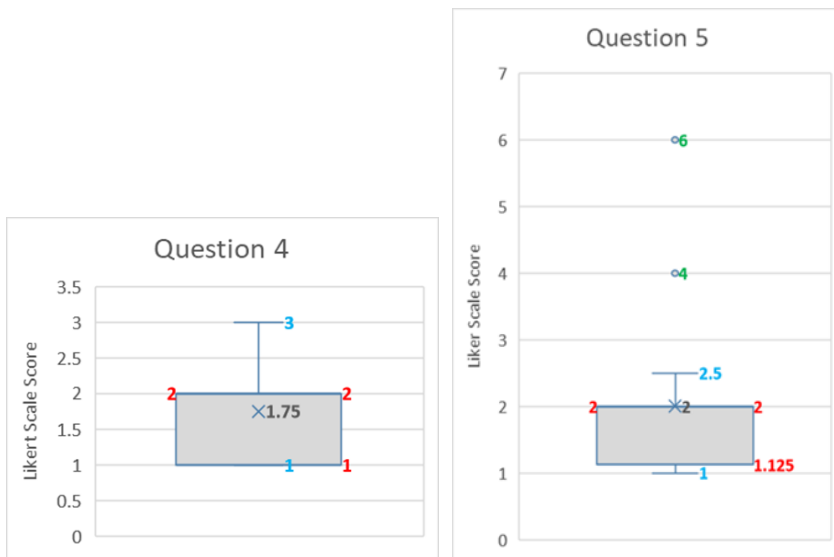


Figure 5.5 & 5.6 – Box and Whisker plot for Questions Four & Five

SupCo Ref	Advantage Mirror Category	Brand / Own-label	Supplier Description	Q4	Q5	Change	
1	Produce	O	UFARM	1	1	Same	
2	Produce	B	GFOOD	1	1	Same	
8	Ambient Grocery	B	UFOOD	1	1	Same	
18	Beer, wine, spirits	B	GDRINK	1	1	Same	
7	Ambient Grocery	B	UFOOD	1	1.5	Q5 Worse	
16	Personal Care/Baby	O	EFMCG	1	1.5	Q5 Worse	
6	Ambient Grocery	B	GFOOD	1	2	Q5 Worse	
12	Meat, fish, poultry	B	UFOOD	1	2	Q5 Worse	
19	Dairy/Chilled	B	EFOOD	1	2	Q5 Worse	
17	Personal Care/Baby	B	GFMCG	2	1.5	Q5 Better	
5	Chilled/Convenience	B	UFOOD	2	2	Same	
9	Ambient Grocery	O	UFOOD	2	2	Same	
10	Meat, fish, poultry	O	UFOOD	2	2	Same	
15	Frozen Food	B	UFOOD	2	2	Same	
20	Dairy/Chilled	B	UFOOD	2	2	Same	
11	Meat, fish, poultry	O	UFOOD	2	6	Q5 Worse	
13	Impulse	Both	EFOOD	3	1	Q5 Better	
4	Chilled/Convenience	Both	UFOOD	3	2	Q5 Better	
14	Bakery	B	UFOOD	3	2.5	Q5 Better	
3	Chilled/Convenience	Both	EFOOD	3	4	Q5 Worse	
Number of respondents				20	20		
Mean response by question				1.75	2.00		
				Summary		9	Same
						7	Q5 Worse
						4	Q5 Better

Table 5.12 – Comparison between selected responses to Question Four & Question Five

Nine respondents gave an equal score response to both Questions 4 & 5, of which four were responding with a score of 1 to each questions (Excellent). The other five respondents who gave equal scores to both Questions 4 & 5 awarded RetailCo a score of 2 (Good) to each question. Seven respondents gave a less good score in their response to Question 5 than they had to Question Four, five of whom had given a score of 1 to Question Four. To complete the picture,

just four suppliers gave RetailCo buyers a higher score (to question 5) than they had to the organisation as a whole (Question Four).

The use of a combined Likert Scale and narrative set of responses to Questions Four & Five was particularly useful. Suppliers were able to give an immediate reaction to Question Four with a numeric score indicating their perceptions about RetailCo as a whole, and then to follow that up with a descriptive explanation of why they had given that score. The same process occurred for their responses to Question Five. What emerged from the narrative following their Likert Score was a more nuanced view of their relationships with the organisation as a whole and with their buyer(s) than was apparent from the raw scores. In particular, there was a general recognition that buyers had their KPIs and that to meet those KPIs, the buyers had to be tough with suppliers from time to time. That was seen as part of the general rough-and-tumble of trading with a Big 4 grocery retailer, and did not mean that suppliers therefore did not trust their buyers. However, the key factor that emerged in understanding why suppliers held different views of their buyers was the extent to which the supplier had direct access to the CCO and his team. Good access to the CCO was a given for the nine suppliers who rated RetailCo as a whole as 'excellent'. Those nine suppliers gave either an equal score response to Question Four and Question Five, or a worse response to Question Five than was given to Question Four. Five of the eleven suppliers who did not have good access to the CCO scored their buyer(s) the same as the organisation as a whole. Four of the remaining six suppliers who did not have good access to the CCO scored their buyer(s) more highly than the organisation as a whole.

For Question Five there were two outliers, S3 and S11, who gave a worse score to their buyers at RetailCo than they had given the organisation as a whole. S11 was an own-label supplier with a very good relationship with the CCO but who had periodically experienced troublesome buyers and put it like this: *'Our senior buying manager at RetailCo, that would be a six. We have built relationships above him and below him because he is an absolute loose cannon. He is a massive underminer of trust for us. He intimidates us and threatens our business. Even on day to day things he undermines his buyer.'* (S11, p25,26). However, S11 was able to draw on the excellent relationship they enjoyed with the CCO at RetailCo. *'We know the CCO and we're lucky. We pick up the phone to him and say "What's going on?" He's a very straightforward guy and he sorts it out.'* (S11, p20). The other outlier was S3, a branded supplier who also produced own-label products for the retailers. Their commercial director described the relationship with the buyer: *'I always try to tell the truth to RetailCo, it's the only way to live. The other week, one*

of their team said to our team “You need to come up this money otherwise, you know the consequences. And don’t think you can go to (named executive). She’s not going to solve your problems. She’s already heard from the CCO that he doesn’t like you guys and trust you anyway.” Now, we know he wouldn’t say that.’ (S3, p23). Suppliers, such as S11 and S3, who had access to the top at RetailCo were able to sort out any issues they experienced with their buyers by contacting the CCO. Another supplier who gave RetailCo an ‘excellent’ for Question one and enjoyed an excellent relationship with the CCO made an interesting observation: ‘We do see him and I really rate him, I think he is so accessible and so down to earth – we don’t get the attention we deserve because we are too good.’ (S16, p16). In this case, a substantial own-label supplier delivered what was ordered on time and at the right quality, and as a result had little conflict with their buyer. Similar comments were made by several suppliers; here a representative comment from a brand: - ‘I would put the buyers at number two, partly because that’s their job ... we have a good Joint Business Plan that’s reviewed regularly. They do what they say they’re going to do, which I think is really all you can ask of them, but at the end of the day they are buyers so I’m not sure you’d ever be in a position where you could put them in a number one as such. They need us as well. I know (CCO) and I think his style is about trust and it’s about engagement’ (S6, p14)

Many suppliers discussed what was meant by the term ‘trust’ in the two questions. Clearly for some, those who enjoyed good access to the top at RetailCo, there was a general feeling that RetailCo was a trustworthy organisation for them to deal with. Many of the comments differentiated between what they described as familial trust and trust in a business relationship. For those who enjoyed good access to the top at RetailCo and had given RetailCo a score of 1 for Question Four, expressed a view of their relationship with the company that was a trust-like relationship, but when referring to the CCO they talked more in terms of trust that was analogous to familial trust. Here the difference between their view of an organisation, and their view of a person, emerges. This will be analysed in depth in Chapter Six when the question of whether inter-organisational trust exists at all will be explored. One supplier, a brand, who rated RetailCo as ‘acceptable’ with a score of 3, and their buyer as ‘acceptable/good’ with a score of 2.5, drew accounting relationships into the discussion of trust. ‘What does trust mean in this relationship – I personally find it a confusing statement to talk about in a business relationship. If ultimately open book is what it is all about, if you have a totally trustworthy relationship then that path should lead to open book on both sides. Do we have that? No, we have closed book negotiations across the table.’ (S14, 21).

Whilst this Chapter presents the responses to each interview question separately, the interview questions were devised to gain an inter-connected overview of the suppliers' relationships with RetailCo as a whole and with the buyers and category teams with whom they interacted on a day-by-day basis. Table 4.7 illustrated the link between the three Research Questions and the questions used in the interviews. Research Question One – *How are power, risk and control factors evident in supplier-retailer relationships in the UK food industry?* – relates principally to Interview Questions 1, 2, 3, 4 & 5. It is therefore appropriate at this point to seek to use the Strong Structuration Theory lens to consider the factors that are behind the different responses that suppliers are giving to these interview questions collectively.

There are two main but different groups of actors involved in the inter-organisational relationships between RetailCo and their suppliers. First, the selected suppliers, who are described for this research programme as agents-in-focus. Secondly, at RetailCo, there are different categories of those who can all be described as agents-in-context - the CCO, the buyers, and the category management team members – albeit they all have different characteristics. The position-practices of the two groups have been observed in this research programme mainly through the eyes of the agents-in-focus, the suppliers. In addition, whilst no interviews took place with buyers or category management team members, the former CCO was interviewed after his departure from RetailCo and gave some illuminating insights into the practices exhibited by the agents-in-context. Taken together, those insights enable the research to identify position-practices exhibited by the buyer agents-in-context, using an adapted version of the Broad Concepts Framework (Table 5.13) which, in its original form, was presented as Table 4.5 in Chapter Four. Buyers at RetailCo were, according to the former CCO, typically high performers focused on career development. Their KPIs were, at that time, based on two factors – money and service delivery levels. The buyers had to seek ways of minimising the cost to RetailCo of obtaining the products they needed from their suppliers. That could be through one of several measures, which included (a) a price reduction, (b) not agreeing to meet the costs associated with rising production costs, (c) asking for a volume override,²⁴ or (d) asking for a contribution to HQ costs.

²⁴ Volume overrides were sometimes claimed from suppliers if they achieved or exceeded their agreed supply forecast. More substantial sales of a product could lead to a monetary demand that, in effect, reduced the £/SKU price paid for the whole period. There was some evidence that this practice was gradually being phased out

Quadripartite Nature of Structuration	Concepts <i>Term 'Agent' is used here to mean 'Agent-in-context' – the buyers</i>
External Structures <i>(Action Horizon – independent of the agent)</i>	Agent's factual knowledge about their working environment (structures) <ul style="list-style-type: none"> • Existence (or not) of Joint Business Plans with suppliers • Suppliers' place in the market • Suppliers' ability to supply RetailCo • Product specific requirements • Price competition from the Discounters
Internal Structures Knowledge Habitus <i>(values, beliefs and wants)</i>	Agent's awareness of external pressures to conform <ul style="list-style-type: none"> • Agent's knowledge of whole supply chain • Agent's awareness of product specific issues • Agent's experience of trading relationships with suppliers • Need to compete with the Discounters on price <hr/> Agent's sense of their own history, values, loyalties etc. <ul style="list-style-type: none"> • Agent's desire to meet or exceed their KPIs • Agent's expectation of promotion if KPIs met or beaten • Loyalty to RetailCo rather than to their current category
Active Agency/ Agent's Practices	Agent's application of knowledge and habitus to decision making <ul style="list-style-type: none"> • Agent's ability to develop or de-list suppliers • Agent's conscious and subconscious willingness to allow their habitus and knowledge to influence their behaviour
Outcomes	Agent's ability to make a choice of outcomes <ul style="list-style-type: none"> • Preserve the status-quo, reinforcing structures in place <u>or</u> <ul style="list-style-type: none"> • Change in structures, e.g. paying less for products, seeking alternative means of monies from suppliers, leading to a KPI-beating result for the buyer
<i>Table 5.13 – Broad Concepts Framework (Buyers)</i>	

Seen through the Strong Structuration Theory lens, using the adapted Broad Concepts Framework (Table 5.13), the *modus-operandi* of the buyers was a result of their employment contracts at RetailCo. The employment contracts resulted in buyers remaining in post at one category for comparatively short periods of time, with each posting an opportunity for the buyer to potentially show their prowess through being tough with their suppliers. Buyers' Active Agency, their practices, were heavily influenced by their habitus and their knowledge, which gave them a powerful position from which to negotiate with suppliers. Their Outcomes accordingly led to the buyers having a choice between the status-quo and a less favourable monetary position for the suppliers, with little incentive for the buyers to increase the payments to suppliers even if that secured a more favourable and secure trading relationship. Their interests were, in summary, short term. That is in contrast to one BWS²⁵ supplier's comment that their buyer at a high-end retailer had been in post for over 25 years; they enjoyed a collaborative and highly successful trading relationship to the benefit of both organisations. Accounting techniques, including Open Book Accounting, to aid cost transparency were not used by RetailCo with many suppliers, though in the one specific case where it was in full operation, the relationship between the supplier and RetailCo was excellent. One other supplier had been in an Open Book relationship with RetailCo but decided to leave that arrangement, due to issues with over-head allocations, but retained an excellent relationship with RetailCo afterwards. In both those cases there was a high level of regard and trust exhibited by the supplier towards RetailCo at all the levels where they interacted. The question of the role of Open Book Accounting in trust levels between organisations is considered in the next section of this Chapter. The problem with overhead recovery mentioned earlier, as a potential barrier to Open Book Accounting adoption or retention, is discussed in Chapter Six. The position-practices of the Category Managers and the Trading Director can be compared with those position-practices that have been identified as characterising the behaviour of the buyers. Table 5.14 summarises the respective position-practices.

²⁵ Beer, Wines & Spirits

	The Category Manager	The Buyer	The CCO
External Structures <i>(Action Horizon – independent and irresistible)</i>	The specific category as a contributor to the retailer’s success	Short-term cost reduction seen as route to promotion	The retailer as an entity in its environment
Internal Structures – <i>Knowledge</i>	Some recognition of negative issues suppliers experience and aimed to mitigate them	Required to squeeze maximum value for money from suppliers	Experienced positive working with suppliers previously and tried to replicate it
– <i>Habitus (values, beliefs, wants)</i>	Desirous of innovative NPD and other ways to grow the category	Perceived need to show senior management ability to be tough and save cost	Sense of obligation to suppliers on-going
Active Agency/ Agent’s Practices	Wants to grow the category with suppliers on board	Limited freedom of action as cost dominates thinking	Committed to +ive interactions with suppliers
Outcomes	Joint Business Plans aim to improve relationships	Hard treatment results in promotion – few months on	But ... inability to change buyer behaviour

Table 5.14 – Respective Position-Practices

5.5.2 Questions Four and Five - Summary and Conclusions

Several strands emerged from the analysis of the suppliers’ responses to Questions Four and Five.

- First of all, access to the top team is identified as correlating strongly with a sense of trusting RetailCo as a whole. Even the suppliers with access to the top team who had poor relations with their buyers still had a very high regard for RetailCo as a whole. The very high regard that most suppliers held of the CCO was usually described by suppliers as trust. Suppliers translated that into expressing trust in RetailCo as a whole, but the responses from suppliers demonstrated that trust in RetailCo as a whole was dependent upon the suppliers having trust in the CCO. The key to a positive inter-organisational relationship, seemingly, was access by suppliers to the top team at RetailCo.
- Secondly, those suppliers with good access to the top team but with a poor view of their buyers were puzzled about the inability of the CCO to change buyers’ behaviour. The

competitive pressures on the Big 4 grocery retailers from the Discounters led to short-term pressures to control costs with the buyers' employment contracts and KPIs reflecting that. Different organisational cultures at some other grocery retailers facilitated far more collaborative relationships with their suppliers, but the internal structures and ownership of those retailers where such better practices were reported were markedly different.

- Thirdly, brands were, generally, more able than own-label suppliers to ride out the pressures exerted on them by buyers. Customers bought branded goods and a failure to stock some branded lines would reduce customer satisfaction in RetailCo stores. By their very nature of own-label products, customers were unaware of the manufacturers of own-label products, giving RetailCo the ability to switch, or threaten to switch, to other manufacturers.
- The adoption of Open Book Accounting would seem to be a catalyst for a more positive and trusting relationship between suppliers and RetailCo. However, Open Book Accounting was being used mainly in the produce category, though on both branded and un-branded products. Non-produce brands were generally unsympathetic to the idea of adopting Open Book Accounting, though it must be stressed that there was a lack of real awareness of the type of data and other information that could be shared in an Open Book Accounting relationship. Fear of their financial accounts being accessed by their customer was a key issue of concern expressed by brands, as was the ability of RetailCo to interrogate the data and arrive at ingredients costs and profit margin data. For the branded produce supplier who had a form of Open Book Accounting, neither of those issues was a concern, in part as their sector's costs were readily obtained from commercially available published data.
- The use of a Strong Structuration Theory lens through which to analyse the collected data from the supplier interviews, and the extended later discussion with the former Chief Customer Office of RetailCo, enabled the research to comprehend the different position-practices of the various agents-in-context at RetailCo.
- The need for further research into the position-practice differences with particular regard to the category management teams is recognised.
- A full discussion of the inter-play of the position-practices observed, described and analysed in this Chapter, related to the literature and the Research Questions, forms part of Chapter Six.

5.6 Question Six

5.6.1 Analysis of Responses to Question Six

Questions Four and Five examined the general issue of trust in the supplier-RetailCo relationship. Question Six asked about a specific issue where trust played a part, that of carrying out New Product Development (NPD) and/or innovation. The majority of respondents were positive about RetailCo, but there were issues for some, but not all, own-label suppliers; some brands also had experience of NPD ownership becoming tricky. For own-label suppliers, NPD was carried out *either* at RetailCo's specific request, *or* when the supplier itself developed a new product or an element relating to an existing product. NPD initiatives varied from formulation changes, through packaging alternatives, to wholly new concepts. The question posed to suppliers is illustrated as Table 5.15 with the Box and Whisker plot of the responses as Figure 5.7.

Question 6. If you carry out NPD/innovation and share that with RetailCo do you feel you can trust RetailCo to treat you fairly?	
Description	Likert Score
Yes, their treatment is excellent	1
Yes, their treatment is good	2
Their treatment is acceptable	3
No, their treatment is poor	4
No, their treatment is very poor	5
No, their treatment is unacceptable	6
Prefer not to answer	0
<i>Table 5.15 – Question Six</i>	

The mean response value was 1.92, representing a generally good or excellent view of RetailCo's handling of NPD and related issues, with a range of 3 (1 to 4). Seven respondents gave RetailCo a score of 1 (Yes, their treatment is excellent), one gave a mid-point 1-to-2 score, five gave their response score as 2 (Yes, their treatment is good), two gave a mid-point 2-to-3 score, there were three 3s (Their treatment is acceptable) with just one score of 4 ('No, their treatment is poor'). That outlier was S4, a branded supplier who also supplied own-label goods to the retailers. Their commercial director explained that they had '*... a bad experience (so) going to give you two answers: the first one is a six (but) at the moment it is a four. In previous years we presented NPD to RetailCo where we were told that they're only talking to us. We developed*

specific recipes for RetailCo with specific, unique raw materials that we don't use here, so we were taking quite a risk in buying them. And then we were told the project wasn't progressing. Three months later the products turned up on the shelf, made by someone else, on of our competitors. So that destroys trust totally. It's taken us three to four years to get over that.' (S4, p14,15).

A branded FMCG supplier who'd awarded RetailCo a 1 for Question Six made this insightful comment: *'... we would not hold anything back from them, but we would put caveats around: we're still in development, we might change, but we would not worry that we're going to suddenly see a private label version three months before we launch. Quite often we don't get a confirmation of either how many SKUs and what distribution. We've made something exclusive for RetailCo and so we said we're only going to make this if RetailCo will commit to the whole thing. There are seven SKUs in total, one exclusive. This launches in (nine months' time) and they've just confirmed. That's the first time with a retailer we've had such clarity so far out on a product launch.'* (S17, p17)

That branded supplier's comment about the risk of a brand developing a concept and then finding it being taken by a retailer and offered to an own-label manufacturer has been mentioned in several interviews. In the case of supplier S17 it had not happened, and was not a real concern for them. However, they were aware of the potential risks and had adopted procedures to minimise that risk.

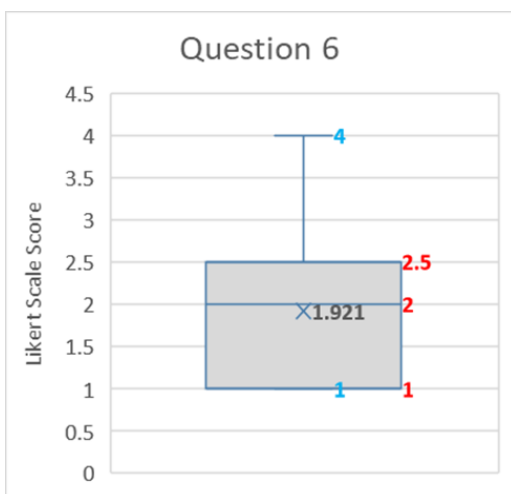


Figure 5.7 - Box and Whisker Plot for Question Six

A similar level of respect and trust in RetailCo was exhibited by a personal care own-label supplier who had a long history of innovation with RetailCo and said that they were totally comfortable with all aspects of that part of the relationship. The interview with S16 took place near RetailCo's HQ, and as the researcher was approaching the venue, he bumped into the relevant RetailCo Category Director who asked the researcher whom he was meeting. He then commented that they'd known S16 for ten years, and regarded them as a brilliant innovative supplier. On mentioning that comment during the interview, S16 responded with *'That is good. That is part of the trust. Hopefully it confirms what we are talking about.'* (S16, p19). In the conversation held with the former CCO in 2018, the question of what made a supplier good in terms of innovation was discussed. Mutuality in innovation was regarded by retailers such as RetailCo as essential if suppliers wished to retain and/or develop their business with the retailer. Innovation, or NPD, could be revolutionary, or incremental, but retailers liked being offered any such developments on an exclusive basis, at least for a period of time. That view was confirmed by the Commercial Director of S8, a mainly branded UK food manufacturer: - *'... as a general innovator in tired, over-engineered, under-invested, ambient grocery categories, we've gone on own label and tried to innovate. And then the brands have actually followed ... RetailCo's treatment is excellent.'* (S8, p14). Here was a mainly branded good supplier who used their smaller own-label business to develop and introduce innovation, then saw that being adopted by their branded competitors as well as their own brand line. That strategy tended to grow the category for the products so developed, and as leaders, they secured a slice of the market through both the own-label version sold by RetailCo as well as their own branded offering sold throughout the retail grocery sector as a whole.

A leading dairy brand, S20, who were positive about RetailCo in response to almost all questions (with a mean score over all interview questions of 1.75) described the way in which their relationship with RetailCo had developed, resulting in a wholly new way of working:- *'We've shared with them our NPD plans - 36 months longer term planning. We were used to very closed books but we did a big piece of category work about a three year strategy (... if you continue to promote, promote, promote you're not going to grow the categories any further. We've changed the way we operate and that's been built on the trust element as well.'* (S20, p22–24). Whilst those comments are representative of many of the points made by suppliers, there were a significant number of suppliers who were less positive about RetailCo's use of their NPD concepts. That applied to brands, where the question was whether RetailCo could be trusted

not to take a brand's ideas and then get an own-label supplier to make a competitor, cheaper, product. It also was a concern expressed by own-label manufacturers, who had experience of proposing innovation that was subsequently offered to competitor own-label suppliers. A branded chilled/convenience supplier commented '*certain pieces of innovation were proposed but were in fact offered to larger, more incumbent suppliers.*' (S5, p14) and an own-label meat, fish & poultry supplier recounted a particularly poor experience '*We pulled out of Christmas business this year because we'd have to share our recipes with our competition and then RetailCo would choose the best one. We walked away from £1m of Christmas business.*' (S11, p35). Other issues that were raised in the interviews related to RetailCo's treatment of bigger suppliers included one cited by S9 who had many demands on them from the buyers and the category teams on a range of issues, which they were able to resource due to the scale of the operations, but then found that their work have been given to a smaller competitor who did not conduct NPD work but offered cheaper prices. Time pressures were also a point of contention raised by S10 who observed that category development briefs were often presented only a few weeks before delivery, making it very hard to conduct true collaborative innovation with RetailCo. The most critical statement about NPD abuses came from S4, both a branded and own-label supplier in the chilled/convenience category. '*... we have previously presented NPD to RetailCo, where we were told they're only talking to us, we developed recipes with specific, unique, raw materials that we don't use here, so we were taking quite a risk in buying them. Then we were told that the project wasn't progressing, and three months later those products turned up on the shelf made by one of our competitors. So that destroys trust totally. And that's probably taken us three to four years to get over that. At the moment, we're working on some NPD with them, and we are beginning to suspect that something similar might be happening. If it does we won't do any more NPD with RetailCo.*' (S4, p15).

Whilst no formal interviews took place with the category teams at RetailCo, a picture of what success looked like for the Category Directors was synthesised from a number of sources, which included the literature (e.g. Free, 2007, 2008), prior knowledge (of which more below), suppliers' observations in the interviews, and the 2018 interview with the former CCO. Utilising that knowledge, a revised Broad Concepts Framework was devised with the Category Directors and their teams as the 'Agents-in-context' (Table 5.16).

Quadripartite Nature of Structuration	Concepts <i>Term 'Agent' is used here to mean 'Agent-in-context' – the Category Directors and their teams</i>
External Structures <i>(Action Horizon – independent of the agent)</i>	Agent's factual knowledge about their working environment (structures) <ul style="list-style-type: none"> • Category development market trends • RetailCo's place in the market for that category • Suppliers' ability to innovate for RetailCo • Product specific requirements • Price competition from the Discounters
Internal Structures Knowledge Habitus <i>(values, beliefs and wants)</i>	Agent's awareness of external pressures to conform <ul style="list-style-type: none"> • Agent's knowledge of whole supply chain • Agent's awareness of product specific issues • Agent's experience of innovation & NPD relationships with suppliers • Need to compete with the Discounters on price Agent's sense of their own history, values, loyalties etc. <ul style="list-style-type: none"> • Agent's desire to have innovation in their category • Agent's sense of fulfilment through NPD adoption • Loyalty to RetailCo as an innovative retailer
Active Agency/ Agent's Practices	Agent's application of knowledge and habitus to decision making <ul style="list-style-type: none"> • Agent's ability to award or request NPD opportunities • Agent's conscious and subconscious willingness to allow their habitus and knowledge to influence their behaviour
Outcomes	Agent's ability to make a choice of outcomes <ul style="list-style-type: none"> • Preserve the status-quo, reinforcing structures in place <u>or</u> <ul style="list-style-type: none"> • Change in structures, e.g. development of collaborative innovation strategies with creative suppliers leading to an innovation stream for RetailCo
<i>Table 5.16 – Broad Concepts Framework (Category Directors)</i>	

Motivation of the Category Directors was observed to be markedly different from that for buyers. In place of buyers' enhanced promotion opportunities through reaching or exceeding their KPIs, the Category Directors and their teams were more strategic, and viewed success as developing an innovation flow that would benefit RetailCo's market positioning. When working as a consultant, the researcher experienced an interesting example of the manner in which innovation was, on occasion, initiated by RetailCo. The researcher was asked by the Dairy Category Director to work with the four main egg suppliers to RetailCo to create innovation in shell-eggs that would refresh the category. A series of meetings was held with the four suppliers, and the researcher visited the leading food trade fairs in Europe to identify potential opportunities. The brief from the Category Director was very general, so there were a series of scoping meetings to brainstorm ideas, and the four competitors worked well together to aim to drive the category forward. Two specific innovations can be mentioned; the first, which was adopted and became very successful, was an own-label version of the Omega 3-rich egg. The second innovation, which never got off the ground, was to present eggs in novel packaging with associated other ingredients, such as for making pancakes. In addition, the teamwork that had developed across the four egg supplying firms was recognised and thereafter frequent 'gang-of-four' meetings were held with the Category Director and team members to keep the innovation flow going.

The insights gained from the researcher's commercial background, such as that recounted above, helped the researcher to understand the manner in which supplier-retailer relationships could be effective and collaborative, and how in other instances, they failed to achieve that level of mutuality.

5.6.2 Question Six- Summary and Conclusions

The supplier responses to Question Six were generally positive about the manner in which NPD/Innovation was handled by RetailCo. There were exceptions, and there were some examples given of what appeared to be very un-trustworthy behaviour on the part of RetailCo. However, due to the change in the research programme, it was not possible to follow-up with RetailCo on any of the cited cases where trust had, apparently, been breached. There was a follow-up discussion with the former CCO in 2018, but at that time, the discussion could clearly

deal only with generalities rather than looking at the specific cases that had been mentioned by some suppliers.

One supplier (S20) commented on a radical review of their innovation strategy with RetailCo and referred to their predilection for closed book working, though adding that they shared with RetailCo their long-term NPD strategy and their plans for the business as a whole. Despite that apparent movement away from retaining all financials within the company, when asked about plans to adopt or develop an Open Book Accounting position with RetailCo (in Question Seven) they stated that they had not considered it at that point. Their follow-on response (to Question Seven-b) was however that they would consider it if it was proposed by RetailCo, though with some reservations. The issue of the adoption of Open Book Accounting is considered in detail in the analysis of the three linked questions that form Question Seven, but S20's willingness to consider it, despite it going against their preferred style of operation, may be considered to be a reflection of their confidence in RetailCo as a generally trustworthy customer.

The next section of this chapter looks at the responses to Question Seven, and its associated follow-on questions, which is the last set question in the semi-structured interviews. Several respondents wanted to discuss wider issues about their relationship with RetailCo, and the salient points from those additional comments will conclude this chapter.

5.7 Question Seven

5.7.1 Analysis of Responses to Question Seven

Question Seven, concerning special accounting arrangements, comprised a main question and two subsidiary questions. The analysis of the responses is presented together for all three parts of the question. The initial question asked suppliers whether they had any special accounting arrangements with RetailCo. The aim was to ascertain whether suppliers were using Open Book Accounting, but those words were not mentioned so as to avoid terminological confusion (as Open Book Accounting is defined in many different ways, as was observed in the literature review). The question was answered by sixteen of the 2014/2015 interviewees, with just three respondents confirming that they did have such an arrangement, and the majority of the rest stating that they had not considered it. A copy of the question follows (Table 5.17) with the box and whisker plot (Figure 5.8).

Question 7. Do you have or are you planning to have any special accounting arrangements with RetailCo that involve sharing data?	
Description	Likert Score
Yes, we do have	1
Yes, we are planning to have	2
No, not considered it	3
No, considered it and rejected the idea	4
Prefer not to answer	0

Table 5.17 Question Seven

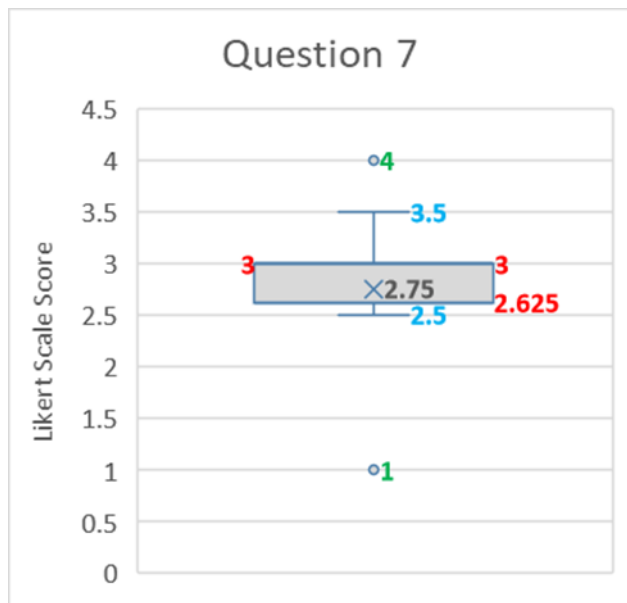


Figure 5.8 Box and Whisker Plot for Question Seven

Question Seven (a) asked whether suppliers trusted RetailCo with the data supplied (Table 5.18). That question received 5 responses (Figure 5.9 is the Box and Whisker plot) all of which were favourable, with a mean score of 1.7. However, 2 of those respondents did not have any special accounting arrangements with RetailCo in place; their responses related to the data sets they were sharing with RetailCo, but those shared data sets were not part of any special accounting arrangements.

Question 7a. (If yes) Do you trust RetailCo with the data that you supply?	
Description	Likert Score
Yes, completely	1
Yes, to some extent	2
No, we are a bit concerned that they know too much about our business	3
No, we are very concerned that they know too much about our business	4
Prefer not to answer	0

Table 5.18 Question Seven (a)

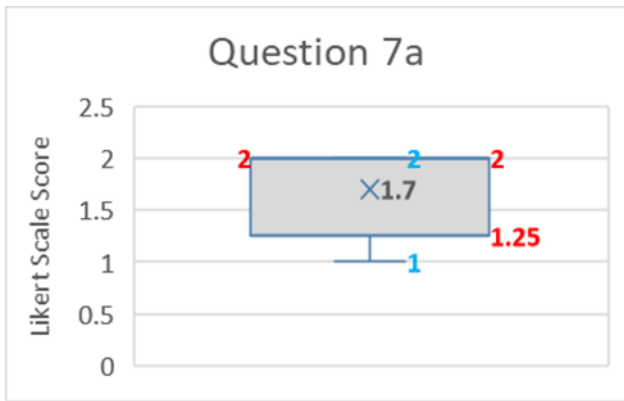


Figure 5.9 – Box and Whisker plot for Question Seven (a)

The second follow-up question, Question 7(b) – Table 5.19 and Figure 5.10 - was to ascertain if suppliers would be willing to explore data sharing with RetailCo, if there were specific associated benefits to be derived. This question was answered by 7 interviewees, with all but one answering yes, but with some concerns. Just 1 of the 7 respondents gave the most positive response possible, which was an unqualified yes.

Question 7b. (If no) Would you be willing to explore data sharing with RetailCo designed to take cost out of the relationship and improve the relationship in terms of longevity and security?	
Description	Likert Score
Yes, very interested	1
Yes, but with some concerns	2
No, they already know too much about our business	3
Prefer not to answer	0

Table 5.19 – Question Seven (b)

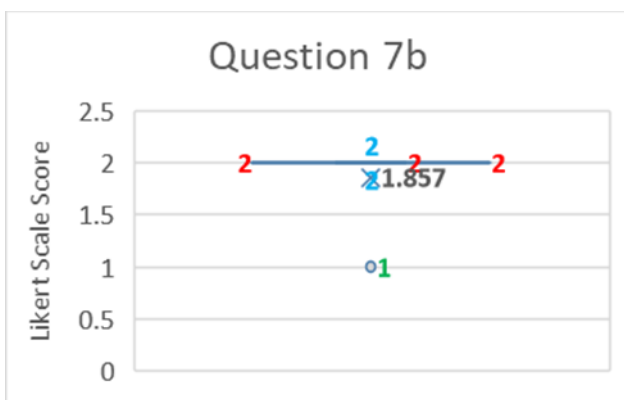


Figure 5.10 – Box and Whisker Plot for Question Seven (b)

The comments made by suppliers in response to the principal issue that was being investigated by the three parts of Question Seven, data sharing, highlighted a concern expressed by some of the branded goods suppliers over data sharing. That view was summarised by the sales director of a bakery supplier who commented *'I would be surprised if many branded organisations are in any kind of open book ... I think from a branded perspective where you start to talk about investing in the brand it is difficult to be open book.'* (S14, p33), a view endorsed by a branded frozen food supplier, S15. Much of the reasoning given by S14 for that view was about RetailCo's knowledge of elements of the cost base for ingredients and other costs incurred in the manufacture of products that S14 supplied. Consequently, S14 experienced difficulty in getting agreement to price increases of the magnitude they requested, instead receiving comments by the RetailCo buyers suggesting that S14 should reduce their advertising budget and thus have the capability to contribute more to RetailCo's HQ costs. Unsurprisingly, that was not a suggestion that met with much interest from S14, rather one of surprise that the buyers did not see the advantage to RetailCo of the product promotion through advertising of their brand that S14 engaged in – which would result in additional sales in RetailCo's stores.

Other branded suppliers had a more nuanced position, with an ambient grocery supplier asserting that their pricing was competitive with the market, and therefore there was no reason to develop an approach that included the sharing of all their cost data. They did, however, welcome a new initiative with RetailCo. They had just *'had what was called an 'end to end' process where we walked the full supply chain with the aim of trying to use both our relevant team's experience to identify cost savings.'* (S8. P16), so differentiating between wanting to protect the integrity of their own production and processing costs from the more freely accessible supply chain costs, where cost savings could be more readily identified if examined collaboratively. Collaborative forecasts, which included agreements on some ingredient ordering quantities and prices, was in place for a global personal care brand, though they observed *'What we agree on and what they decide to order is often different ... that can be quite frustrating. When you talk about trust, you're never quite sure what you're going to get on their supply chain side, and you almost feels it's always jam tomorrow'* (S17, p23).

Some suppliers, such as a meat, fish & poultry supplier, S12, and a dairy/chilled supplier, S20, differentiated between what they described as the cost of the brand, and the marginal cost of the product. Their view was that the brand was the property of the company, and they wouldn't

share full data with any supplier over the brands' costs, but were willing to share limited data over the product costs or conversion costs. Those suppliers were typical of most of the interviewed branded suppliers who would resist entering into a full Open Book Accounting arrangement, but were content, even keen, to look at supply chain costs with RetailCo.

There was one branded supplier that was a notable exception to the unwillingness to enter into Open Book Accounting, a produce supplier, S2. They were category champions in their product group and had built and operated a facility for the storage and distribution of the product. *'It just seemed an ideal time to combine RetailCo's requirement for a new facility and our own. Rather than building two, build one and share the development work. We picked the building. They effectively pay us rent on the use of the facility next door for ten years. There is a ten-year commitment. It is a fairly unique relationship.'* (S2, p18). That relationship was built upon a full disclosure long-term Open Book Accounting approach, which RetailCo were confident in contracting to as they understood the then current costings but also had access to the variability of costs over the ten-year LTA. S2 had the security of an unusually long LTA that facilitated strategic planning for their production and supply chain operation. The model developed here is one that is worthy of more detailed examination through further research to ascertain how the model has withstood the test of time, and to what extent that could be a model for other such collaborative relationships.

Other suppliers mentioned forms of collaborative working and data sharing ranging from S3, who were sharing data on just one major ingredient costings, to S9 who were looking at what they termed 'end to end' process analysis which had resulted in a series of specific projects to work on with RetailCo. They were very positive about this approach and described the results of the work carried out thus far as enlightening. Another novel approach was that developed by S19, termed 'good faith receipting'. S19, a branded goods supplier, was one of the two outliers scoring four in their responses to Question Seven. Their novel concept was based on the results of audit data which showed a mean shortage level of 1% observed by the auditors looking at delivered orders. S19 proposed to RetailCo that rather than RetailCo check every delivery in detail, S19 would pay RetailCo 1% of the annualised value of the contracted orders as an error level correction. The independent periodic audit of their supply would establish whether the error level had changed, and if so, then the error level correction would be adjusted. S19 was pleased that RetailCo responded to that initiative by proposing some shelf life changes that

would be of assistance to S19. This initiative from S19 and the response from RetailCo was regarded by both S19 and RetailCo as a very positive example of collaborative working. The sales director at S19 was clear, *'No, we don't have any special form of sharing data, because of branding, because of the amounts of money we spend on above the line items. It would apply more to (name of an associated own-label business) than it would to us.'* (S19, p17). The other outlier was S18, a major global drinks brand, who echoed S19's position on data sharing, which was to reject it if it meant an Open Book Accounting arrangement. *'The only area on this is distribution, what it cost us to deliver to each depot and I imagine something might come of that at some point. That's all we have. If we were approached in terms of Open Book I think we'd be very nervous about that. Our view is that for any of these sort of projects we think there's only going to be one beneficiary.'* (S18, p20).

Another collaborative relationship was developed by S11 who implemented a pricing matrix tracker model that they shared with RetailCo that showed all the raw material pricing data, including packaging, yields, and their on-costs; a wholly transparent relationship. In a similar manner, key supplier S10 managed an 18-month supply chain with the associated risks of currency movement, inflation, and supply volume variation, collectively known as commodity risk. All the commodity risk data they obtained was shared with RetailCo enabling the relationship between S10 and RetailCo to weather the storms of supply chain variations.

One specific issue relating to the adoption of Open Book Accounting was raised by S1, a farm business who supplied fresh produce to RetailCo, other retailers, and to the wholesale markets. They had entered into a full Open Book Accounting relationship with RetailCo a few years before they were interviewed for this research. They had remained in that relationship for three years, but had then ceased the Open Book element of their relationship with RetailCo, whilst continuing to supply them. The issue that caused S1 to cease the Open Book relationship was that of overhead allocation and recovery. The farm was highly mechanised, with a significant investment in capital equipment for the lifting of crops, and their processing and packaging. The customers who were supplied by S1 all had different protocols, and different methods of calculating how the price they paid for the produce was made up. The cost of transport off-farm was treated differently by the customers, even though in some cases the physical transport was the same. The general overheads of the business were where the real problems arose. The S1 owner and MD found it very difficult to allocate central costs to particular accounts. In part, that was because their costing systems in place when they entered into the Open Book relationship

with RetailCo were simple systems with little sophistication. There was, however, a reluctance from some customers to believe that RetailCo was picking up the share of the central costs that they were due to bear in the prices they paid to S1. The other customers, who were not in an open book relationship, averred that RetailCo had an unfair advantage due their exclusive access to the financial records of S1.

Matters came to a head when RetailCo asked S1 to buy another major farm business that also supplied RetailCo with produce. S1's in-house accounting team were not experienced in M&A work and unable to assess the proposition validly. In an unusual move, RetailCo offered to loan an experienced management accountant from RetailCo to S1 to work through the proposition with S1's owner. The accountant spent time at the farm, and after detailed discussions, both S1 and RetailCo concluded that the acquisition was not in anyone's best interests; the business case did not stack up. Through the work carried out for that assessment, RetailCo had become aware of S1's overhead allocations which led to a discussion about the extent to which they were equitable to S1's customers. That discussion highlighted the difficulties encountered by medium sized businesses to allocate overheads fairly, an issue that RetailCo's management accountants were unable to resolve to S1's satisfaction. As there was a danger that, left unresolved, the question of an equitable overhead allocation formula could cause friction with S1's other customers, so the decision was made by S1 to exit from the Open Book Accounting relationship with RetailCo. Interestingly, that did not sour the relationship, with S1 then entered into a 3 year rolling long-term agreement with RetailCo.

A few of the suppliers interviewed for this research were aware of the case outlined above, and were concerned that similar issues could arise for them if they were in an Open Book relationship. There was a perception that future business decisions affecting their business could be influenced by RetailCo as a major customer because they had very detailed information about their business.

The issue itself is not new, though, as overhead allocation issues were observed by Addison (1934) in his experiences in the War Office during World War One. But there seems to be little in the literature about this issue when related to Open Book Accounting and the particular tensions that could arise in those relationships. It is suggested that further research is needed to examine overhead allocation in Open Book relationships in a wider context.

5.7.2 Question Seven - Summary and Conclusions

The supplier responses to the three parts of Question Seven indicated some quite considerable variation amongst the suppliers in their willingness to share cost data with RetailCo. Two main points emerged from the analysis of the responses. First, brands tended to be far more wary of sharing cost data than own label suppliers. Many brands expressed the view that the brand was the company's property and the value of the brand, and how the brand was promoted, was their business. There were exceptions, however, with some brands feeling secure in their relationship with RetailCo and recognising the potential benefits of data sharing. Own label suppliers were far more likely to enter into cost data sharing with RetailCo, though in some cases that was seen as a requirement of them supplying RetailCo, rather than as having any inherent benefits to the suppliers. Secondly, several suppliers had initiated collaborative strategies with RetailCo that involved the open exchange of cost data relating to the product in question that was supplied to RetailCo. In every case that was cited by suppliers, there were tangible benefits that accrued to both the supplier and the retailer.

Viewed through the lens of Strong Structuration Theory, with reference to a copy of Table 5.13 the Broad Concepts Framework for RetailCo's Buyers (below), it was evident that the buyers' habitus impacted on their behaviour, influenced as it was by their desire to meet or exceed their KPIs, with the expectation that in so doing, they aided their path to promotion. The buyers' active agency, their practices, based on their habitus, had a high level of influence over their suppliers, and the manner in which they were treated.

The possible outcomes from the buyers' active agency were in their control. Most suppliers had not managed to influence the outcomes promulgated by RetailCo, but a few had taken the opportunity to initiate a collaborative approach to RetailCo that would have appreciable positive benefits to the supplier and to RetailCo. The key to the suppliers' success in getting RetailCo's buyers to embrace these ideas lay in the way in which the suppliers had correctly identified their buyers' habitus, in particular, by recognising the manner in which the buyers were recognised by RetailCo and, as a result, were eventually promoted. The collaborative relationships proposed did not change the buyers' habitus, they were still motivated by the same factors, but the skill of the suppliers who proposed these new ways of working rested in their offer to open up cost data to be shared with specific, very tangible, uses to be made of that data, which would result in reducing the operational costs of the relationship. In so doing, there was more money available within the system to allow them to make other contributions

to RetailCo's costs, or to facilitate more cost-effective supply deals. Rather than the buyers' outcomes requiring suppliers to contribute more, here the suppliers were proposing a change in position-practices that, through their adoption, offered more to RetailCo. The former CCO, in his interview with the researcher in 2018, explained that the concept of data-sharing-cost-saving was starting to be considered by RetailCo too. It was something that he had been working towards at RetailCo but it had not really happened there. However, at the FMCG retailer where he was now MD, it was something that was practised, and initiated either by them or, sometimes, by their suppliers. The possible outcomes of the buyers' behaviour identified in Table 5.11, a copy of which is reproduced below, include one option of seeking alternative means of obtaining money from suppliers.

Quadripartite Nature of Structuration	Concepts <i>Term 'Agent' is used here to mean 'Agent-in-context' – the buyers</i>
External Structures <i>(Action Horizon – independent of the agent)</i>	Agent's factual knowledge about their working environment (structures) <ul style="list-style-type: none"> • Existence (or not) of Joint Business Plans with suppliers • Suppliers' place in the market • Suppliers' ability to supply RetailCo • Product specific requirements • Price competition from the Discounters
Internal Structures Knowledge Habitus <i>(values, beliefs and wants)</i>	Agent's awareness of external pressures to conform <ul style="list-style-type: none"> • Agent's knowledge of whole supply chain • Agent's awareness of product specific issues • Agent's experience of trading relationships with suppliers • Need to compete with the Discounters on price <hr/> Agent's sense of their own history, values, loyalties etc. <ul style="list-style-type: none"> • Agent's desire to meet or exceed their KPIs • Agent's expectation of promotion if KPIs met or beaten • Loyalty to RetailCo rather than to their current category
Active Agency/ Agent's Practices	Agent's application of knowledge and habitus to decision making <ul style="list-style-type: none"> • Agent's ability to develop or de-list suppliers • Agent's conscious and subconscious willingness to allow their habitus and knowledge to influence their behaviour
Outcomes	Agent's ability to make a choice of outcomes <ul style="list-style-type: none"> • Preserve the status-quo, reinforcing structures in place <u>or</u> <ul style="list-style-type: none"> • Change in structures, e.g. paying less for products, seeking alternative means of monies from suppliers, leading to a KPI-beating result for the buyer
<i>Copy of Table 5.13 – Broad Concepts Framework (Buyers)</i>	

Further research into the development of this approach is needed to ascertain (a) whether the steps taken by those suppliers had the effect of allowing the buyers to fully appreciate that there were more collaborative ways to gain resource from suppliers, and (b) whether that recognition had led to buyers initiating discussions with their suppliers along the lines of a more collaborative approach to share data and grow the category to mutual advantage.

5.8 Chapter Five – Conclusion

This Chapter has analysed the responses to the seven questions posed to suppliers, and their ancillary sub-questions, using the lens of Strong Structuration Theory. The use of Strong Structuration Theory, in particular the use of the Broad Concepts Framework derived from the Quadripartite Nature of Structuration, was central to the unlocking of one of many supplier' key concerns – why was the trusted CCO unable to effectively influence the behaviour of RetailCo's buyers. Strong Structuration Theory shone a light onto the values, beliefs and wants of the buyers, their habitus, which was focused on short-term gains in monetary benefits to RetailCo, leading to the buyers' improved promotion opportunities. It took the insight of a few suppliers to realise that there were ways in which they, the suppliers, could demonstrate to the buyers that there were collaborative ways in which buyers could demonstrate positive financial benefits through working with their suppliers rather than against them. In so doing, trust levels between suppliers and buyers increased – demonstrating that the use of a form of Open Book accounting had a positive effect upon supplier-retailer relationships.

Chapter Six, the discussion chapter, links together the analysed data outcomes with the literature reviewed in Chapter Two, and draws conclusions about trust in supplier-retailer relationships, and the utilisation of Open Book Accounting in furthering relationship depth.

CHAPTER SIX - Discussion

6.1 Introduction and overview of the analysis

The discussion that follows examines the analysis of the collected data in Chapter Five in the light of the literature reviewed in Chapter Two. The analysis of the collected primary data from the supplier interviews was undertaken using a Broad Framework that the researcher developed from the quadripartite nature of Structuration, based largely on Stones (2005) with the focus on structures and agents. Insights into the behaviour of the buyers in RetailCo were gleaned from an understanding of their habitus (Bourdieu, 1990 & 2018) and how some suppliers used their understanding of the buyers' motivation to offer alternative ways in which the buyers' objectives could be met, but with advantage given to the supplier as well. The industry structural diagram that was developed through the earlier stages of the research could now be reviewed in the light of the various different ways in which suppliers were observed to interact with RetailCo. The analysis of the data in Chapter Five led to the conclusion that four main categories of inter-organisational relationships between suppliers and RetailCo could be identified, each displaying specific characteristics. Three of the categories were populated mainly by own-label suppliers, but the three suppliers who were both branded and own-label suppliers also fitted into this grouping – one in each of the three categories. In addition, one branded supplier, S2, was felt to be most appropriately classified as fitting the third category in that group. The fourth group is populated by brands. Before reconstructing the Structural Issues diagram, it is helpful to summarise the ways in which relationships with RetailCo differ amongst those four main groups. The following figures illustrate those differences. Figure 6.1 shows the relationship characteristics for three (mainly own-label supplier) approaches that were observed from the data analysis, with the suppliers identified. These three categories follow the Supply Chain Maturity Model devised by Lockamy and McCormack (2004).

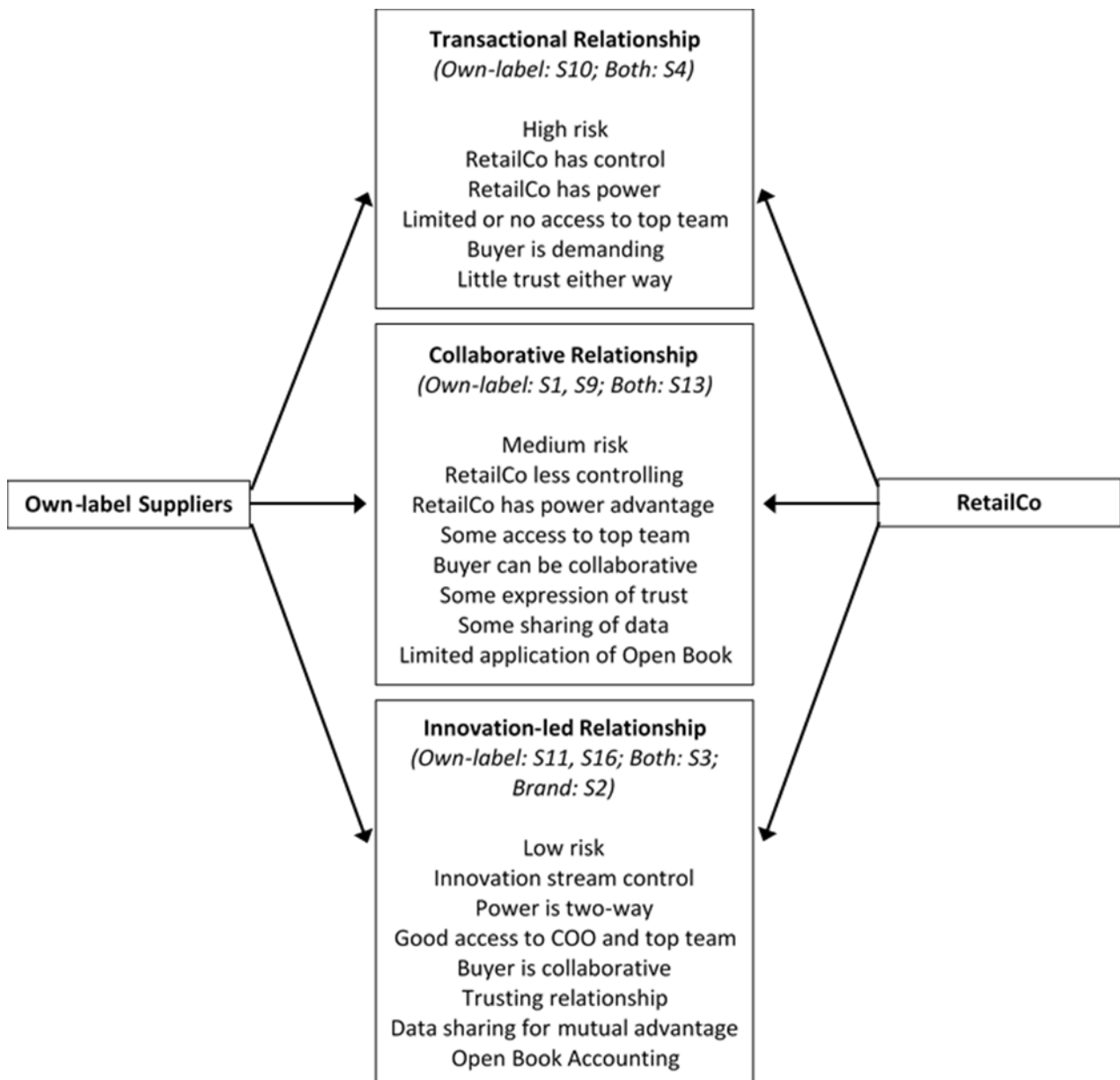


Figure 6.1 – Own-Label supplier characteristics for three distinct relationship styles, with supplier codes

At the most basic category, termed Transactional, there is little in the way of collaboration, rather that RetailCo buyers would place orders with such suppliers where the price paid was the most important aspect of that ad-hoc transaction. Power and control is exercised by RetailCo, with the supplier having little or no sense of a longer term commitment from RetailCo, and the supplier not having access to RetailCo’s top team. Two suppliers were classified as fitting this category, own-label supplier S10, and a branded and own-label supplier, S4. The divisional managing director of S10 explained that their supply chain lead time was about 18 months and *‘I think they are starting to understand that but actually ... it was a very transactional relationship. They looked at it as an opportunity to get better pricing and play suppliers off*

against each other.’ (S10, p8). S4’s commercial director felt that ‘RetailCo don’t get the best out of their suppliers. And the main reason for that is, until recently, we just couldn’t trust them. We have virtually no access to the CCO.’ (S4, p20/21). S4 had lost a chunk of own-label business from RetailCo, although their branded products were still listed by RetailCo. Their commercial director again ‘We lost virtually all that (own-label) business ... and the way that was handled, we felt, was extremely unprofessional, and almost done in secret.’ (S4, p2).

The middle category of supplier has been termed Collaborative, which would place such a supplier about half way up Lockamy and McCormack’s model. Here, there is a dialogue developing with the buyer, who acts in a less controlling manner, but the power is still largely with RetailCo. There may be instances of data sharing and limited use of Open Book, with elements of a more trusting relationship starting to emerge. Such suppliers often enjoy some access to the Top Team at RetailCo, and even gain access to the CCO. Two own-label suppliers, S1 and S9, and one branded and own-label supplier, S13, were classified as fitting this category. The commercial director of S1, who was a former senior executive with RetailCo, commented *‘Because we’re nearer to (RetailCo’s HQ) it is us they come to for samples or anything they want. If they want any samples sending anywhere, any special deliveries, any direct store deliveries, it’s us they come to. They’re always going to think of us as the No1 supplier but sometimes it’s high maintenance.’ (S1, p4). S1’s managing director and owner added, in a later interview, ‘Twenty years I’ve been with RetailCo. I think we’ve got a hard relationship, but a fair relationship.’ (S1, 2018, p7). The commercial director of S9 commented that ‘... there is an acceptance that they can’t do this on their own and they need to have partnerships and relationships with suppliers. One of the things that they have done very well over the last few years is to accept two things. They need to face into the consumer and understand their need more effectively. Secondly, the way to deliver that is working with suppliers, and they’ve done that.’ (S9, p2). The business development controller (who was also the commercial director) of S13 had some positive and some negative comments about RetailCo. ‘They’re a very approachable team which is great. In terms of going in, seeing them, and getting some airtime to discuss (problems) there hasn’t been any issue.’ (S13, p28). However, there were less positive issues: ‘We were asked to participate in Halloween which we didn’t want to do. But our buyer said we need to be a part of it, so we had our arm twisted to do some lines. It was moved to another buyer in RetailCo (who didn’t know the background) and we lost thousands on it.’ (S13, p29).*

The Innovation-Led category of classification is one where the suppliers have recognised the way in which they can work with their buyer(s) to secure a more long-lasting and deeper relationship, which they have concluded comes through being the source of an innovation stream. The relationship is all about growing the category to mutual advantage, and necessarily involves the sharing of cost data, often with a form of Open Book. Such suppliers are likely to have excellent access to the CCO and other members of the top team, and may well have LTAs in place for specific products. That strategy works for own-label suppliers who do not have brand equity of their own, so have to find ways of securing their position in the field of suppliers, which this approach succeeds in achieving. Buyers meet their KPIs through this collaborative approach without having to resort to harsh measures, and the category in question will grow through the innovation – which could be as simple as a change of packaging or, at the other extreme, a wholly new product. Two own-label suppliers, S11 and S16, one branded and own-label supplier S3, and one branded supplier, S2, all fitted this classification. The divisional managing director of S11 spoke about her relationship with RetailCo: *Our business has a massive amount of goodwill towards RetailCo. However good our relationship is with the CCO they've got to trust (the buyers) that they're acting with integrity and that they're fully qualified to make those decisions. I have a team that faces into different people and we've got 85 RetailCo contacts that we face into – regular contacts. In terms of general relationship, they're probably the best (retailer) overall. We got RetailCo to work on a tracker (on major ingredient pricing) because of the high price volatility and high value ... it works really well.* (S11, p8, p38, p65). The commercial director of S16 spoke about an innovation strategy: *We have got a history of doing innovation with RetailCo. We feel it is our job to bring it to RetailCo and keep them ahead of the game in private label. We ... keep coming to RetailCo every two or three years with fresh things that we do, give them innovation, new products. There is the openness there ... we do have that trust that they will work with us in the right way.* (S16, p18). The one branded supplier whose operation most closely fitted the own-label Innovation-Led strategy, S2, who developed and built a facility that was part-leased to RetailCo for handling the produce on a ten year agreement. S2's commercial director commented *It is a collaborative working relationship. We have a similar strategy. RetailCo have always traded slightly differently to that of the major competitors. They have always been more open, more transparent, whereas other trading relationships have been more adversarial.* (S2, p1, p3.) In a later interview, the commercial director explained that whilst they were a brand, there were significant differences from *Cadbury, who withdrew supplies to RetailCo some years ago ... RetailCo had to bring them back*

because you can't be without Cadbury. But with (our product) people don't go in and say do you have any (brand name product) please?' (S2, 2018, p13).

Figure 6.2 presents the relationship characteristics for branded suppliers who are in a very different place from their own-label colleagues. People who shop in the likes of RetailCo will often wish to buy some branded products, and expect their supermarket to stock those goods. If the retailer does not stock them then there is a risk, to the retailer, that the customer could choose to go elsewhere to obtain them. Thus, the power positioning relationship between RetailCo and branded suppliers is more equal as both parties need each other. Such a relationship is therefore very low risk for the branded supplier. Most branded suppliers regard their cost data as their own business and would not consider data sharing, nor any form of Open Book. S2, the exception amongst the branded suppliers interviewed, was included in the Innovation-Led own-label category in Figure 6.1. Brands tended to have good access to the CCO and other members of the top team at RetailCo, but relationships with their buyers were not always very positive.

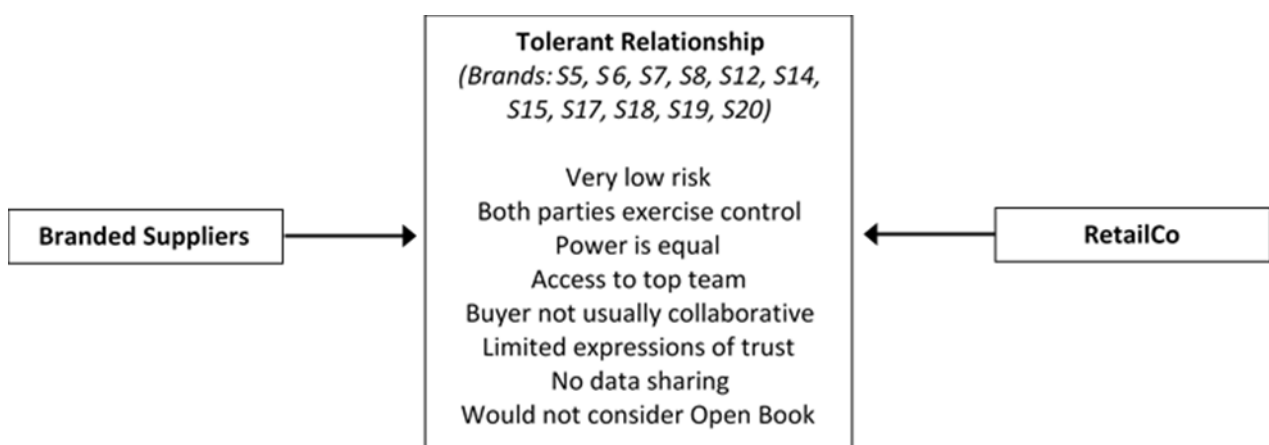


Figure 6.2 – Branded supplier relationship characteristics, with supplier codes

As representative examples of the manner in which the interviewed brands viewed RetailCo, two suppliers are used as illustrative cases. First, S17, a major global brand, and by contrast, S7, a much smaller UK centric brand. S17's Sales Director and his colleague the Customer Development Team Leader for RetailCo made the following comments: *RetailCo are a people business and because of that when they've changed their commercial teams often we find that we don't necessarily work well with individuals ... that doesn't (always) play through to a good collaborative relationship. We've been compelled to change our teams from time to time to*

make sure that people work better alongside RetailCo's teams.' (S17, p2). Despite that somewhat negative point, S17 gave RetailCo a mean score of 1.31 overall, and valued the relationship. *'Generally speaking, what they say they will do, they do. I think that's really important. Where they challenge us is articulated in a reasonably fair and collaborative way, but also understanding that not everything is simple. When they want money, we come to a generally sensible commercial, and there's an understanding that everything has reciprocity, you don't always get that (from other customers).'*' (S17, p10/11). S17 gave an interesting view on how RetailCo had changed the way in which NPD was developed; *'They've turned it on its head now because they do this Dragon's Den to add a bit of fun and energy into it as well. I think it's good, the way they do it.'* (S17, p16). S17 made an insightful comment about the relationship that branded suppliers had with RetailCo – *'It's a Marmite relationship – you're either in or out.'* (S17, p27).

The smaller branded supplier, S7, made the following comments about the relationship: *'I think there's trust in the relationship. I think there's good challenge in the relationship ... (just needs to be) a bit more formalised in terms of a joint business plan, which we're coming to ... I can think of a number of instances where there's been quite difficult circumstances, in terms of negotiation but once it's agreed, that's followed through and stuck to.'* (S7, p1/2 & 15). On NPD, S7 added *'It's acceptable. Their own label teams will look at what we do and there's examples every year where you show them something and next year they've got it (as an own-label produced by someone else).'*' (S7, p24). On data sharing and Open Book Accounting their views were typical of almost all the brands that had been interviewed. *'There's no way we would share the cost structure of our products. Because that's just suicide. There could be elements within the cost structure (such as) SRP²⁶ or cardboard (that we would consider).'*' (S7, p29/30). And finally, on the power of the brand – *'We're in a fortunate position. We have got a really strong brand that their shoppers want. They're good fun to work with. They bring excitement. They have what they call retailtainment ... to bring life into the store. I think they do that better than any of the others.'* (S7, p32 & 34).

Taking account of the above, therefore, means that the revisions to the Structural Issues diagram will be different for each of the identified four groups mentioned above. Accordingly,

²⁶ Shelf Ready Packaging

four iterations of the diagram have been created, one for each group. The order in which they are presented follows that of the figures above, so diagrams relating to the three mainly own-label supplier groups come first, followed by the final one, that for branded suppliers. The first diagram, Figure 6.3, represents the structural issues as related to suppliers in the Transactional group. That diagram is the closest to the revised original diagram, Figure 2.7, but the power-positions are clearly shown to favour RetailCo.

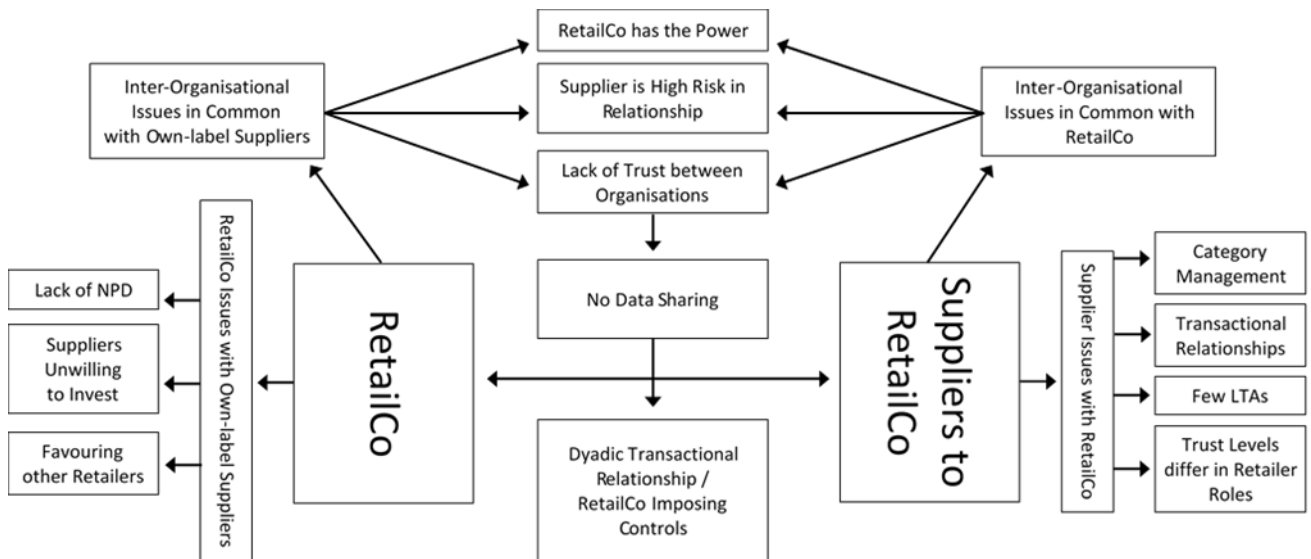


Figure 6.3 Revised Structural Issues Diagram for Transactional suppliers (Both S4 & Own-label S10)

The diagram for suppliers in the Collaborative Group, Figure 6.4, illustrates the subtle differences from the first group in the relationship between those suppliers and RetailCo.

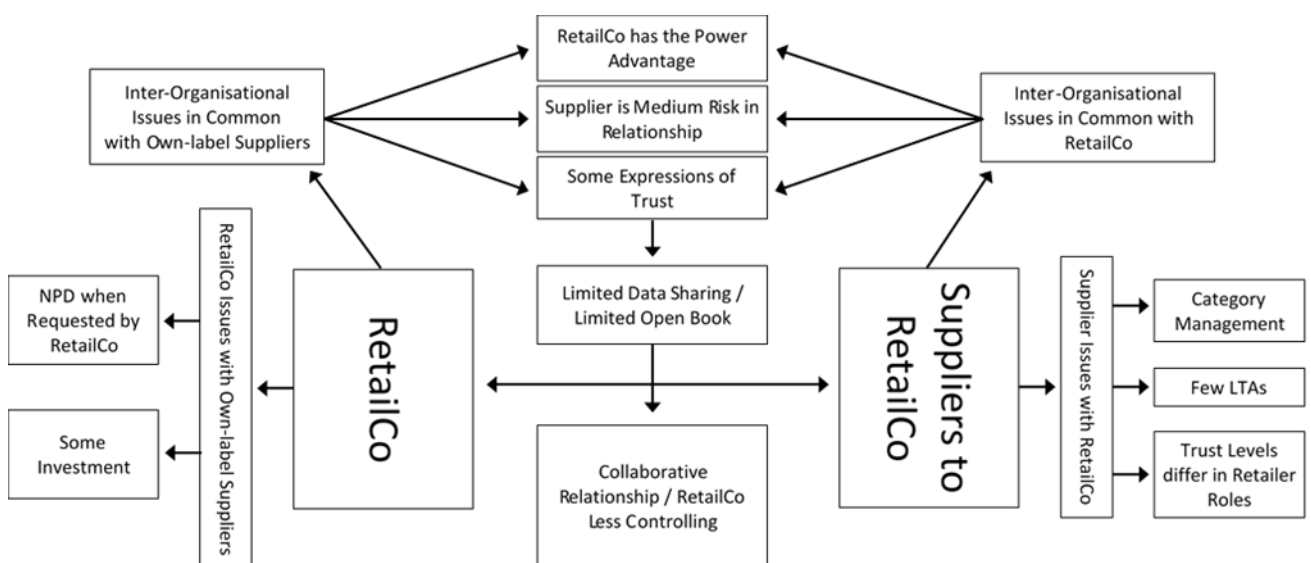


Figure 6.4 Revised Structural Issues Diagram for Collaborative suppliers (Own-label S1 & S9, Both S13)

The third group of the first set, the Innovation-Led Group, has a quite different set of parameters, as shown in Figure 6.5. Suppliers in this group would clearly be collaborative and very interactive, and likely to secure LTAs, in a very low-risk relationship.

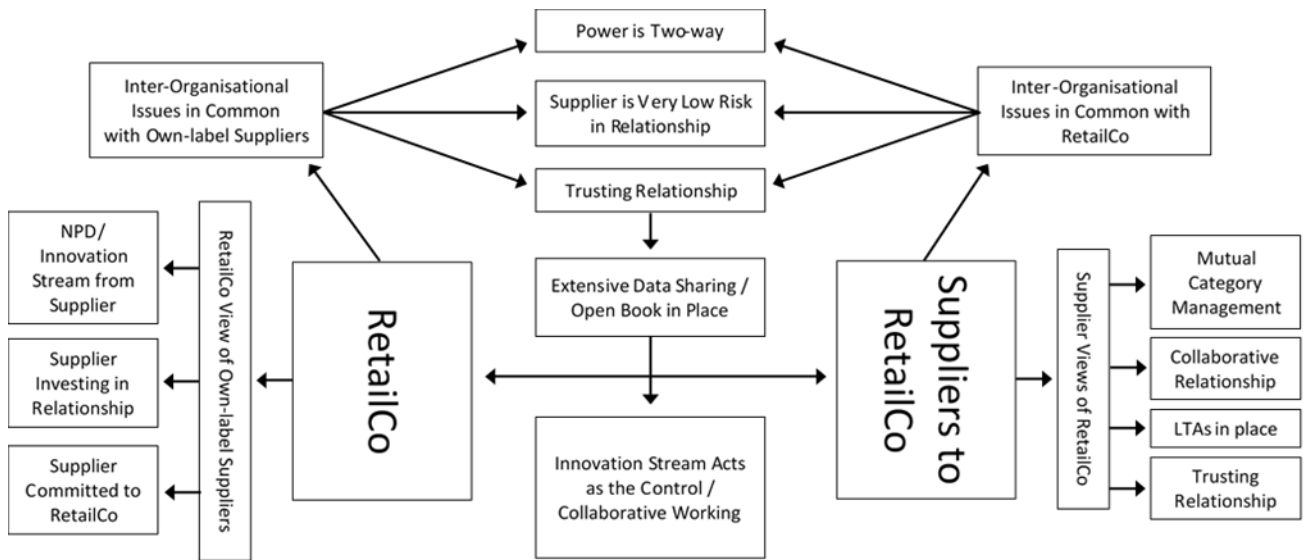


Figure 6.5 Revised Structural Issues Diagram for Innovation-led suppliers (Brand S2, Both S3, & Own-label S11 & S16)

The final revised diagram, Figure 6.6, shows the inter-organisational relationships for typical branded suppliers. However, as has been pointed out, one branded supplier had taken a very different stance from the rest of the branded group, and in that case, they would align more closely with the Innovation-Led group of Own-Label suppliers.

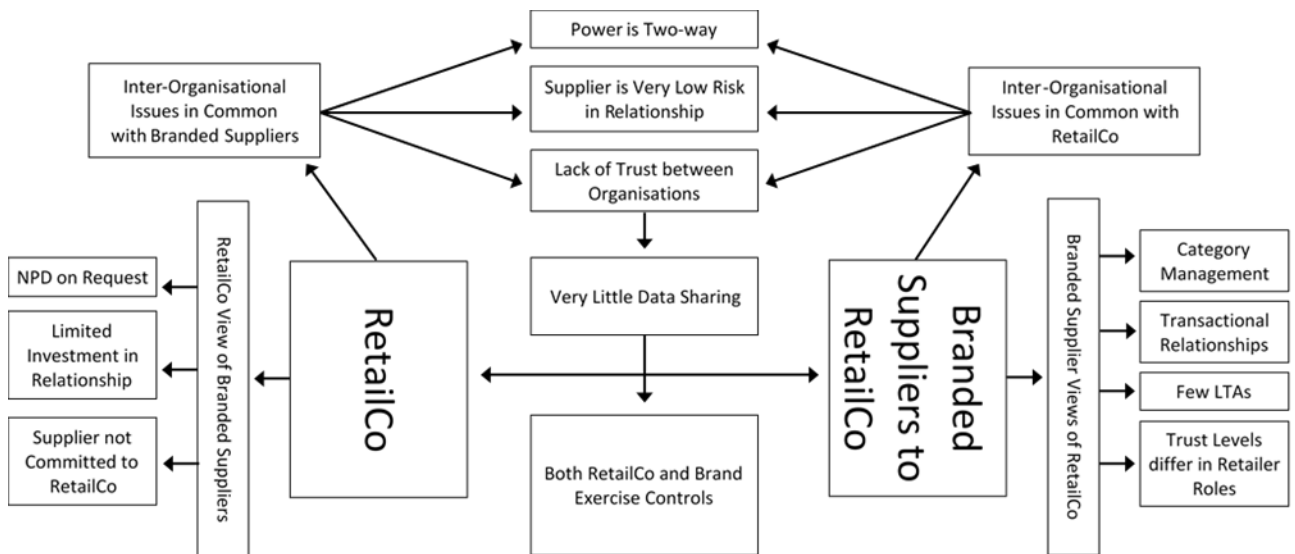


Figure 6.6 Revised Structural Issues Diagram for branded suppliers (Brands S5, S6, S7, S8, S12, S14, S15, S17, S18, S19 & S20)

The rest of the chapter examines the issues raised by each of the three Research Questions in turn. The three Research Questions are:-

RQ1 – How are power, risk and control factors evident in supplier-retailer relationships in the UK food industry?

RQ2 – Does Open Book Accounting enable or constrain supplier-retailer relationships in the UK food industry?

RQ3 – How and why is trust built or destroyed in supplier-retailer relationships in the UK food industry?

6.2 Discussion relating to Research Question One – *How are power, risk and control factors evident in supplier-retailer relationships in the UK food industry?*

The differing position-practices of the various actors in the suppliers and within RetailCo demonstrate the impact of the three factors identified from the literature upon inter-organisational trust relationships between the parties: power (c.f. Luhmann, 2018), risk (c.f. Dekker et al, 2013) and control (c.f. Simons, 1995). For example, with power, brands tend to have some power over RetailCo in the sense that customer loyalty means that it would be hard for RetailCo to de-list them. Equally, RetailCo has quite considerable power to delist own-label suppliers and replace them with alternatives. Control is exercised in an analogous manner. Both power and control were observed to be largely unidirectional in this research. Risk is unidirectional between RetailCo and own-label suppliers, as RetailCo has the opportunity to engage with alternative own-label manufacturers, almost at will. However, with brands, risk is a two-way flow, as – in effect – they both need each other, and the risk to either of a cessation of trading would be significant, though more severe to RetailCo as the failure to stock a popular brand would cause customers to consider shopping elsewhere. For some characteristics such as access to the top team, data sharing, and collaboration, there can be two-way flows between brands and RetailCo, and two-way flows between own-label suppliers and RetailCo. Innovation was observed to offer the possibility of two-way flows between own-label suppliers and RetailCo, with the suppliers usually being the ones initiating the thinking that led to the two-way flow processes. Innovation from brands was usually unidirectional, from supplier to RetailCo, with only occasional examples of a two-way flow.

For brands and own-label suppliers, access to the top team at RetailCo, and in particular access to the CCO, was very important to suppliers in terms of their position-practices. Where such access was possible, suppliers tended to be more satisfied with their relationship with RetailCo,

were more trusting of the organisation as a whole, and felt that they had more power over the relationship. For most brands, their perception was that the access they were granted was at a level of equal importance to RetailCo but own-label suppliers tended to think that RetailCo valued those interactions less highly than they did. Accordingly, one very important facet of trust manifestations was the permitted free access to the top team at RetailCo, as this gave suppliers the ability to learn about RetailCo's plans for their category, but also to have their say about how they wished to be involved in supplying RetailCo. For the suppliers who had such access, those encounters engendered trust in their customer.

Collaboration was also important as a means to engender trust, it tended to move control away from RetailCo to a more shared basis. This was, in many ways, linked to data sharing, as the greater level of collaboration achieved led to much more willingness to share data. Own-label suppliers regarded their two-way relationship covering data sharing and collaboration as of great importance. In some instances, such high levels of collaboration and data sharing were the result of innovations proposed by the suppliers to RetailCo, and in fewer cases, where RetailCo had proposed innovation. So, whilst own-label suppliers were more at risk of being delisted by RetailCo than their branded supplier colleagues, and the power and control influences over them were similarly weighted against them, those that had developed an innovation concept or innovation stream to RetailCo saw such initiatives bear fruit through greater collaboration with data sharing as a result. They in turn were more likely to then benefit from access to the top team. Free (2007 & 2008) talked about the pressures that the adoption of category management placed on suppliers, based on research carried out in the early and mid-2000s. This research suggests that the role of category management in the retail sector had moved on very positively since then, with many suppliers to RetailCo having found ways in which to engage with their buyers to mutual advantage. The former CCO, in his interview with the researcher in 2018, spoke about the ways in which he and his team were trying to engender a more trusting atmosphere in their relationships with suppliers, and the evidence from this research is that progress towards that goal had been made. The limited follow-up interviews carried out in 2018 confirmed that was the case.

The four elements that characterised supplier-retailer relations were identified in the early stages of this research as power, control, risk and trust. There has been extensive coverage in the literature about their impact upon trust, or trust-like manifestations. In section 3.1.3 where

the literature about trust was considered, Luhmann (1988) makes the point that risk is a necessary component of any trust-based inter-organisational relationship as, without risk, there cannot be trust. Risk is an essential part of any business's strategy (BDO, 2019) but, in working through risk in a collaborative manner, an increase in perceived trust levels can occur (Laing & Lian, 2005). The research found evidence of closer working relationships between suppliers and RetailCo, one example being when a supplier (S1) and RetailCo had jointly worked through the business case and its associated risk-assessments for a potential new venture. S1 had developed an integrated approach to supply volumes and price with RetailCo, such that the buyer and the supplier work together to manage the category. In that case, RetailCo suggested to S1 that they could expand their operation by taking on new farms in a different part of the UK to increase the time spread of product availability, taking advantage of the differing climate experienced in the proposed new farm's location. S1 felt that their in-house accounting function was not suitably skilled to evaluate this proposal so RetailCo sent S1 some of their management accountancy team on short-term loan to work through the scenarios. In the event, it was determined that the risk was too great for S1 for the potential rewards and the idea was dropped. As an example of the effects of collaborative working, where there was a far greater level of mutual trust than had existed before, that is a very compelling illustration. Both Ding et al (2013) and Romano & Formentini (2012) observed how risk minimisation was obtained through closer working relationships, though in very different ways. The argument put forward by Ding et al (2013) demonstrated that trust depended on a level of risk-taking by the supplier and the customer.

Part of the 2018 interview with the former CCO explained how the KPI-led recognition and remuneration reward structure and the resultant promotion system then in use by RetailCo (and by some of the other Big 4 retailers) emphasised short-term financial gain as a key criteria for those buyers. The buyers aimed for reductions in the price paid to their suppliers, which they regarded as of more importance to RetailCo than the desire to retain and develop relationships with those same suppliers. RetailCo had, at that time, a clear policy of cost reduction which placed enormous pressure on buyers to ensure that RetailCo made a profit on its trading operations. The rise of the discounters, whilst partially recognised by some retail commentators, was not fully recognised as an issue by the Big 4 as the threat it had by then become. Thus, whilst RetailCo's corporate strategy was presented as an idyllic collaborative relationship with their suppliers, and was propounded as such by the senior team and the category directors,

those in the front line of the commercial reality in their relations with suppliers were, by the buying team heads, driven to extract more and greater price reductions from their supplier base. Tension clearly existed between the strategists and the buying teams. Buyers at the Big 4 tended to be in post in each category for around nine months, after which they were moved to another buying role in a different category. Their performance was monitored and their promotion into ever higher ranks of the buying team depended on their perceived robustness with those they clearly saw as 'the enemy' – their suppliers. That is clearly reflected in numerous comments made by suppliers in the interviews, and is also picked up by the CCO in the 2018 interview with him, which clearly demonstrated the internal tensions between what could be termed the 'aspired-to-culture' of the strategic teams, and the 'reality-culture' of the commercial teams. Interestingly, several suppliers commented on the different duration terms they experienced with some other retailers – although, in almost all cases, such favourable comparisons were limited to non-Big 4 retailers.

Why is there such a divergence between the very positive strategic statements about supplier commitment made by the senior team at RetailCo and the reality of those relationships as observed by their suppliers? The structural issues that affected buyer remuneration have been clearly stated, but as the CCO was openly committed to a more collaborative approach, was the failure to effect change in buyer performance and operating style avoidable? The CCO was apparently quite sincere in his aspirations to have mutually beneficial relationships with RetailCo's suppliers. However, it is certain that, taken together, and having regard to RetailCo's comparative position as one of the Big 4 Grocery Retailers, those forces of influence did then, and still do have, a profound effect on the internal culture of the buying part of the organisation which someone even as senior as the CCO could not, in the end, affect. The fact that the CCO did wish to develop the Advantage Report's work, and was – with his team – very supportive of the research that this research programme was to carry out, speaks well of the CCO's desire to attempt to manage the relationships in a more mutually advantageous manner going forward. In the event, the change in the senior team, which meant that he and his close team members had all left RetailCo before the research was completed, drew a line under the attempts he had made to change the nature of those relationships. However, in the small number of repeat interviews with suppliers that were carried out in 2018, it was clear that in some ways, and for those suppliers, the after-effects of the CCO's attempted changes in behaviour had borne some fruit.

One route open to suppliers to increasing and securing trade with retailers is through New Product Development (NPD). NPD often originates from a supplier, who may have NPD ideas on product, packaging, presentation, or marketing – or all of those together. They would present that NPD to a Category Manager or Category Team at RetailCo who would consider the potential place for the NPD in the current portfolio of analogous items. In the Trust-Risk-Power-Control dimension, the supplier is taking a risk, as the balance of power at that point is very much towards RetailCo, so the supplier has to have trust that RetailCo is not going to take the idea and run with it, possibly taking it to a (more favoured) competitor supplier. Nineteen of the twenty suppliers interviewed had views on this issue, and – revealingly – only one reported a really bad experience. Supplier S4 developed a set of recipes for RetailCo using some rather special ingredients that were bought in to make the trial products, having been told that this was a project exclusively between RetailCo and themselves. After the trial was completed, they were told that the project was not going to proceed, but later on saw that the products were on sale in RetailCo, supplied by a competitor of theirs. They felt that action by RetailCo had destroyed their trust in the retailer. That was very much the exception, though.

As observed in the literature (see Table 3.1), category management can be beneficial but also can be used by retailers as a bludgeon to dominate suppliers: (Chen et al, 1999; Free, 2007; 2008; Brinkhoff et al, 2015). The other, less risky NPD route is when the retailer has an idea and wishes a supplier to make that product for them. However, that approach also comes with risks. The retailer may make repeated demands of the supplier which, in the absence of any form of Long-Term Agreement to supply, places the supplier in a very difficult position: to refuse to cooperate could damage the relationship. Supplier S3 described repeated requests for innovation in design, ingredients, and packaging, often at very short notice, and with little cognisance of the demands that made on their supplier, in terms of manpower and cost. Often they were asked to produce something and courier it over to RetailCo's head office the same day. They did manage to 'educate' their then buyer at one point about the impact of such requests, but the frequent changes in buyers meant that the situation kept recurring.

There are examples of trading relationships where there is a highly participative relationship between the retailer and the supplier. Supplier S2 engaged in a major revamp of the supply chain for their category, which involved the construction of a combined warehouse and finishing centre. The building work was carried out and financed by the supplier, with RetailCo as a

tenant on a long-lease for a part of the facility. Where such arrangements exist, as in this example taken from this research, there is usually also a high degree of sharing of cost data between the participants in the supply chain.

The main relationship between suppliers and retailers is that of the commercial supply of products, as specific SKUs, to the retailer. Lockamy & McCormack's (2004) model of supply chain maturity (Figure 3.1) describes the development of relationships over time in supplier–customer trading. Those relationships often start as an 'ad-hoc' or dyadic transactional relationship, where there is no commitment other than to the most recent order. There is no cooperative planning, and little consultation. Some organisations progress up the maturity ladder through various intermediary stages to the pinnacle, which Lockamy & McCormack (2004) term an 'extended' relationship. In those 'extended' relationships, all parties in the supply chain work together, in planning, sourcing, making and delivering. 'Ad-hoc' trading relationships operate on an order-by-order basis, often based purely on price, and carry with them little or no established detailed relationship with the customer. Whilst that type of relationship can work reasonably well with manufactured goods that do not go out of date, it is much harder for food producers. Supplier S19 (a dairy company) described situations where RetailCo would advise them on a Friday that their products would go onto BOG OFF²⁷ on Monday, seemingly failing to appreciate that with such products a sudden increase in demand, such as would be generated by a BOG OFF promotion, was very hard to manage as milk supply volumes from contracted farmers could neither be increased nor be reduced at will. In ad-hoc or transactional relationships there is little scope for any form of collaborative costing, so Open Book Accounting would not even be considered. At the other end of the Lockamy & McCormack (2004) scale, with fully collaborative relationships across the supply chain, where the chain becomes a quasi-organisation as an integrated network, there is scope for real advantage to be gained through the sharing of cost across the network. Therefore, Open Book Accounting, or an approach that encapsulates the essence of that technique but does not use that descriptor, will tend to be found much more commonly in trading relationships at the top of the Lockamy & McCormack (2004) progression.

The research has demonstrated that RetailCo had, at the time the interviews were being carried out, a variety of different relationships with different suppliers. There was even a variety of

²⁷ BOG OFF – Buy One Get One Free – determined by the retailer but paid for by the supplier

relationship models in operation with their dealings with different categories of product from one particular supplier, when the relationship style depended on the specific categories concerned. This thesis has shown that there are 'trusting' or 'trust-like' manifestations between suppliers and RetailCo. The levels of such manifestations vary depending on which particular relations are being considered. The supplier interviews clearly demonstrated that there was a general level of 'trust' or 'trust-like behaviour' towards RetailCo as a whole, though on further examination, that was based on the suppliers' belief that the CCO was trustworthy. Buyers, generally, were not trusted. Thus, the level of 'trust' that was being described in the interviews as 'trust' in RetailCo as an inanimate organisation was a direct consequence of 'trust' in the CCO.

6.3 Discussion relating to Research Question Two - Does Open Book Accounting enable or constrain supplier-retailer relationships in the UK food industry?

The research empirics illustrated that some of the interviewed suppliers were operating a form of Open Book Accounting but, in most cases, either chose not to describe it as Open Book Accounting, or simply did not realise that it was, in effect, what they were practising. The literature is divided on the merits and demerits of Open Book Accounting, with examples of opposing views coming from a more positive assessment Agndal & Nilsson (2010) and Kajüter & Kulmala (2005) presenting a more negative view. Cost data is generally thought to be included in any Open Book Accounting system, but several papers refer to 'cost and other data' without, in most cases, any clear definition of what the 'other data' comprises. Fehr & Rocha (2018) gave a useful definition of Open Book Accounting as information sharing aimed at cost management, by adding processes and activities to the usual explanation of the technique as one that focused on sharing cost data. In the section in the literature review which explored the various types of trust that were deemed to be relevant to this research, Vosselman & Meer-Kooistra (2009) developed the idea of 'thick trust' and 'thin trust' (see 2.1.16). Whilst 'thin trust' was deemed a concept that related to control in inter-organisational relationships, 'thick trust' was more closely aligned to accounting techniques, and hence the discussion in the literature review of that concept was included in the second section of that review, which was focused on accounting.

Analysis of the conducted interviews reveals that several issues were a concern when considering the desirability (or otherwise) of an Open Book Accounting arrangement between

parties in a supply chain. First, fear of abuse in an Open Book approach seems to come from a perceived extension where data collection goes beyond cost data into the supplier's own financial data, such as profitability, debt and gearing. It became clear from the literature that in many cases where data was shared, or where there was an expectation that there would be data sharing, this sharing was unidirectional, with the supplier opening up their books and sharing data, without any reciprocal sharing occurring at all. The empirics identify a constraining example where one potential supplier was apparently being considered for inclusion in another retailer's programme (not RetailCo) but, it seems, the exercise was more designed to obtain comparables so the retailer could force down the price paid to the existing supplier.

Secondly, different views prevailed depending on whether the supplier was supplying a branded product or was an own-label manufacturer. On balance, the views of the participating suppliers in the research programme who were supplying own-label products were that they saw advantages of adopting a form of Open Book Accounting to enable them to identify and reduce supply chain costs. That view was not shared by the brands, though, who felt that their supply chain models and costs were their intellectual property and not for sharing with their customers, and certainly not with existing or potential competitors. There did not appear to be much in the literature on this aspect of suppliers' willingness to consider entering into an Open Book Accounting arrangement. It is suggested that future research should specifically examine the differences expressed about Open Book Accounting between brands and own-label manufacturers.

The third main area of interest that emerged from the analysis of the interview transcripts, and was the subject of discussion in the literature, was whether the adoption of any form of data sharing such as Open Book Accounting was more likely in a scenario where high levels of trust were displayed between the organisations. The empirics did not demonstrate a strong correlation between suppliers' willingness to share data with RetailCo and trust levels in RetailCo, but there was a positive link observed between trust levels in RetailCo and Open Book Accounting (or data sharing in other forms not termed Open Book Accounting) where the openness had been, in effect, a requirement imposed by RetailCo. In all cases where Open Book Accounting was in place, the supplier felt enabled to participate in a relationship that was more open on issues including, but not limited to, cost data, and that level of increased openness seemed to be regarded in a positive manner by both the supplier and by RetailCo.

An issue that was raised in some of the interviews, and had been identified in the literature as a problem with Open Book arrangements, was that of constraints to the effective operation of Open Book systems due to issues with overhead allocation. This literature cites the first observation of this phenomena in an account reflecting on the UK Government's First World War procurement policies (Addison, 1934). Supplier S1 identified this as a major problem for them as in addition to them supplying a couple of major retailers, they also supplied some independent retailers, and some wholesalers. Determining a fair and equitable manner in which to enable the apportioning of the overheads of the organisation proved to be difficult. RetailCo made it clear to the supplier that they felt that the costing calculations of the supplier loaded a disproportionate level of the total overhead costs onto them. In practice, as S1 was providing commodities to RetailCo, the price paid by RetailCo to S1 was generally in line with the market rate, but during the period when the two organisations were operating a full Open Book Accounting system, that issue was a recurring problem which was never satisfactorily resolved. Interestingly, S1's other customers were unhappy with the fact that RetailCo had access to the S1's cost data for all operations, and they did not. As was recounted in Chapter Five, S1 decided to exit from the Open Book arrangement with RetailCo, which resolved the problem. S1 thereafter enjoyed a closer relationship with RetailCo and secured a coveted 3-year rolling LTA (Long Term Agreement) on good terms. S1 and RetailCo had established a good working relationship through their experience of Open Book Accounting, which might otherwise have not occurred.

Romano & Formentini's (2012) research in Italy studied a kitchen furniture manufacturer and observed that Open Book Accounting was being used to enable the company to determine their future supplier selection criteria. The company's selection decisions were based, in part, on potential suppliers' level of transparency and openness about their businesses, in particular their willingness to share the full costs of operating their businesses, and the manner of their overhead costs allocation.

In general, the simpler the supply chain, the greater the willingness to enter into an Open Book Accounting relationship. That was mainly due to the ease with which RetailCo could obtain comparative data on, for example, shipping costs or animal feed costs. Processed foods were far more difficult for RetailCo to cost using comparative data, and, especially in the case of brands, there was a very strong reluctance by the suppliers to describe their supply chain costs in any

open manner. However, and interestingly, the suppliers who were re-interviewed in 2018 seemed to be accepting that a move towards more transparency on costs, and the adoption of Open Book Accounting, was occurring or starting to occur, with newly adopted technologies such as Blockchain making such openness easier to manage and less constraining. There is a need for future research to further explore the question of supplier overhead allocation in multi-customer relationships.

Whilst the literature generally paints a fairly negative picture about Open Book Accounting, not universally, the research conducted for this thesis suggests that in practice, many of the interviewed suppliers were involved in some form of data sharing, in some cases voluntarily, but in other cases because they had been asked to do so by their customer. Interestingly, nearly all of those who were involved in some form of Open Book Accounting expressed positive benefits had emerged from its adoption, even when, as in the case of S1, they had ceased their experiment with Open Book Accounting (in that case for reasons related to problems with overhead allocation). Cost reduction is certainly possible in supply chains, without reducing the profit level of the suppliers. By taking unnecessary costs out of the supply chain, there are almost no losers, but the financial gains are clear. That is observed in some cases already, and could be observed in the future if more supply chain relationships entered into such arrangements. There are two other benefits that need to be mentioned, and both of these are likely to be ones that are going to be more relevant in the future. They are traceability and transparency. The push towards greater sustainability will drive both of these goals. Shopper trust in food businesses is not high, and increased levels of traceability information is important. Hand-in-hand with increased information on transparency is a greater degree of transparency, showing the consumer exactly what processes the product has been through, and why. The potential for a digitised system, such as may be offered by a form of Blockchain, has enormous potential here.

6.4 Discussion relating to Research Question Three How and why is trust built or destroyed in supplier-retailer relationships in the UK food industry?

The majority of interviewed suppliers indicated that they had great respect for, and trust in, RetailCo's CCO. That respect was, generally, not carried over at that same level, or in some cases at all, into suppliers' views of RetailCo's buyers. However, despite the negative scores and remarks made by some suppliers about the buyers in RetailCo, as a whole RetailCo was well

regarded. The relationship between the three identified factors that impacted upon trust – being power, risk and control - were also examined in the literature review. Before examining how trust can be manifested in inter-organisational relationships, it is necessary to consider the question of what is meant by trust, and whether true trust actually occurs and can be observed in those relationships.

The literature reviewed in Chapter Two studied over 150 papers that focused on trust, with one central issue being the first mentioned above – the question of whether trust as it is commonly understood exists at all in inter-organisational relationships. Whilst others had posited the view that trust in business was fundamentally different from the understood notion of family level trust, this was brought to a head by Grafton & Mundy (2016) who wrote about the ‘myth of trust’. Their conclusion was ‘... we suggest that the concept of ‘trust’ adds neither to explanations nor predictions about the management of risks within the alliance, indicating that it is more appropriately described as an ex-post labelling of personal affect by those involved in economic exchange’. (Grafton and Mundy, 2016 p15). This was extensively discussed in the literature review (Chapter Two) with the researcher giving credence to elements of Grafton and Mundy’s point, whilst also recognising that there were examples of behaviour that the research programme had discovered where it would be difficult to attribute the described behaviour in any way other than to call it true trust. Grafton and Mundy’s views, and those of others who agree with that stance, were extensively explored in the literature review, alongside the alternative views held by those who aver that trust does exist and is visible in inter-organisational relationships; amongst those who take the latter view are Luhmann (1979), Kassembaum (2004) and Claro and Claro (2008). During the conduct of this research, the researcher had several detailed discussions with Dr Julia Mundy of Greenwich University whilst he was participating in Management Control Association conferences and presenting papers about this issue. At first, the researcher was fairly sure that the view held by Dr Mundy, and reflected later in the 2016 Grafton & Mundy paper, was not one that he could ascribe to at all, but, over time, the researcher came to see that in one sense, this question was secondary to the importance of the effect of trust-like manifestations of behaviour in inter-organisational relationships. If that form of behaviour has the effect of enhancing the relationship between parties in an inter-organisational relationship, then that is a tangible benefit. Whether that is really ‘trust’ or a different characteristic that has ‘trust-like’ manifestations may be regarded as a somewhat less important discussion to be resolved, though it is further considered in the following sections.

The data analysis in Chapter Five throws light on the suppliers' various views about trust in their relationship with RetailCo. It also illustrates clearly that the then CCO at RetailCo clearly thought in terms of 'trust'. The email sent out by him in October 2014, and reproduced in full in Figure 4.2, informing the selected suppliers of the research programme, includes this opening invitation for suppliers to *'... take part in a research project to understand more about the subject of trust in Retailer/Supplier relationship following the recent Advantage Group Survey results'*. As described in Chapter One, RetailCo had a strong and improved Net Favourable Score in the Advantage Report – Mirror of 2013, which put them in 2nd place out of the six retailers that formed part of the annual survey. In addition, the newly introduced Trust Composite score²⁸ was a Net Favourable score of 48, again putting RetailCo into 2nd place in the survey. RetailCo were thus in a fairly good place, both in overall terms as a retailer to deal with, and as one in whom trust could reasonably be placed. This research programme sought to drill down into that overall view and ascertain whether that was the full picture, and, if not, what was happening within and beyond the organisation that impacted on trust or trust-like relations with their suppliers.

One specific example of a trusting relationship in supplier-retailer relationships was identified during the 2018 interview carried out with the former CCO of RetailCo when he was in post as Managing Director of the low-cost FMCG retailer (R2). Due to financial concerns over the ongoing viability of R2's foreign owner, R2's suppliers were unable to obtain trade credit insurance²⁹ as the risk was deemed uninsurable, despite R2's own UK financial performance being very sound. Usually, if credit insurance is not able to be obtained, suppliers will refuse to deal with a customer unless payment is made in advance, as there is a serious risk of any supplies made not being paid for, if the customer was to become bankrupt or even enter into a Company Voluntary Arrangement (Walton et al, 2019). Thus it is very interesting to note that the vast majority of suppliers to R2 determined to continue to supply R2 even without credit insurance. They had experienced dealings with the Managing Director previously in his various

²⁸ Introduced by the Advantage Group for the Mirror report for the first time in 2013

²⁹ *'Trade credit insurance is an insurance policy and risk management product that covers the payment risk resulting from the delivery of goods or services. Trade credit insurance usually covers a portfolio of buyers and pays an agreed percentage of an invoice or receivable that remains unpaid as a result of protracted default, insolvency or bankruptcy. Trade credit insurance is purchased by business entities to insure their accounts receivable from loss due to the non-payment of valid debt by their debtors. It can also be expanded to cover losses resulting from political risks such as currency inconvertibility; war and civil disturbance; confiscation, expropriation and nationalization.'* (Jones, 2010)

incarnations, most recently as CCO at RetailCo, and made the assessment that they could trust him. They could trust him to let them know if it became clear to the Managing Director that R2 would not be able to service its debt. Bearing in mind the small size of R2 compared with many other retailers that the suppliers were servicing, it is doubtful that the decision made by nearly all of R2's suppliers to continue to supply was for reasons of business gain. Their risk assessments would have flagged this up as a non-standard course of action to take, and the loss of sales if they ceased to supply R2 would have been minor. It is the researcher's contention that those suppliers, a mixture of global giants and local manufacturers, trusted the Managing Director in the fullest sense of the word. But, and this is the salient point here, the discussion which has been described in this section of the chapter is actually about two views to describe the same, or a very similar, phenomenon – which is what in common parlance, is often called 'trust'. Perhaps it would not be an exaggeration to suggest that it could possibly become as esoteric a question as to discuss how many angels could stand at one time upon the head of a pin. That is not to dismiss the question as a trivial and pointless academic speculation; the issue is that the determination of whether trust does indeed exist in the relationships described in this research goes to the heart of what characterises human nature, and is one that has, in a different form, exercised philosophers over the history of human civilisation. A perceptive point was made by the very experienced Sales Director of S14. He drew a distinction between a business relationship, where on the one hand the two parties were looking to win, so trust was perhaps about managing that relationship, and on the other hand a social relationship with friends and family, where trust was not about winning. Table 2.1, the chronology of categorisations of trust, provides a view of the very many different aspects of trust through classification into the categories identified in the literature from those researchers. Drawing together the literature, the researcher's prior knowledge, and the empirics, leads the researcher towards the conclusion that trust, in the manner in which the term is typically used, is primarily a phenomenon seen in, and an essential part of, close inter-personal relationships. Trust in such inter-personal relationships is clearly in evidence in family and friend relationships, but also in societal groups, as originally observed by Mauss (1926). The essence of those trusting relationships is the in-depth knowledge of the other person, often associated with a significant elapse of time during which trust emerges as a feature of that relationship (Mayer, 1995).

Whilst trust clearly has, in its origin, some level of altruism in its manifestation, and the alternative view deems that to be, essentially, an expression of self-interest, the end result in

inter-organisational relations is almost the same. Almost is underlined there as there has to be a caveat to the view that the driver that motivates actors in inter-organisational relationships is purely one of self-interest – of gaining an economic advantage through behaving in a manner that could be described as ‘trusting’. This research programme has observed very interesting differences in the analysis of the empirics that demonstrate that there is a difference in the levels and quality of ‘trust’ between that felt towards certain individuals in RetailCo, and that felt about RetailCo as a whole entity. If economic interest was the only factor, and there was no actual ‘trust’, then one would expect to observe the same level of feeling towards the organisation as a whole and individuals within it. The validity of Grafton & Mundy’s (2016) argument is acknowledged that, in commercial inter-organisational relationships, ‘trust’ may not be the most appropriate expression, but the researcher does not accept that all inter-organisational relationships lack any form of trust at any level. What is abundantly clear from this research is that there is very strong evidence, contained both in the literature and in the empirics obtained through this research, to demonstrate that in commercial relationships between suppliers and retailers there can be and indeed often are some trusting relationships. However, that trust is exhibited in inter-personal trust between specific people in those organisations. Where those relationships exist in a manner that has an effect upon the nature of the trade conducted between the organisations, there is often a less transactional nature to those dealings. In terms of Lockamy & McCormack’s (2004) Supply Chain Maturity Model, that is a move away from a transactional and ad-hoc relationship to an extended, networked, collaborative one. In those conditions, there is likely to be seen a much greater willingness to share cost and other data to enhance the supply chain efficiency.

There is certainly scope for future research on this point, but the researcher would caution against too much effort being spent on trying to determine whether there really is ‘trust’ in inter-organisational relationships. Better to research how ‘trust-like’ behaviour – whether real ‘trust’ or not – can make for improved relationships with tangible, economic, benefits. There is a second question about trust that needs to be explored before ways in which trust can manifest itself in inter-organisational relationships can be considered. This second question goes to the heart of the trust debate, and considers whether observed trust in inter-organisational relationships is based, wholly or in part, on trusting relationships between actors in the participant organisations.

The data suggests that the very high esteem exhibited by the majority of suppliers towards the CCO was reflected in a higher level of regard for the company as a whole, but was in contrast to a much lower level of regard, or trust, in the buying team with whom they had direct relations. Did suppliers therefore trust RetailCo? Tomkins (2001) cited a comment that arose in a conversation with a colleague, that what is described as trust in an inanimate object, such as a motor vehicle, was perhaps more accurately a vicarious expression of trust expressed by the motor vehicle owner in the vehicle's human designers and their manufacturing regime. Whether there can be true trust, or what is commonly identified as trust, in inanimate actors, such as motor vehicles, is a different issue from whether organisations such as RetailCo can be trusted; as organisations are comprised of animate and inanimate elements. Walker et al (2007) expressed a strong view that their research demonstrated clearly that where trust was exhibited, it was between individuals, and not in inanimate objects – such as organisations. However, many of those interviewed for this research programme clearly were of the view that they could trust RetailCo as an entity itself, though on deeper questioning it became clearer that, as suggested above, their trust was in the corporate values statement of the likes of the CCO and his team. Several suppliers did personalise their trust perceptions to a focus on that one individual.

6.5 Chapter Six – Conclusions

The research started with the researcher's prior knowledge from his work with global supply chains, which led to the creation of Figure 1.1, the initial Structural Issues diagram for suppliers and retailers in the UK Grocery Sector. The importance of 'a native insider' – the researcher's background giving him that status - in interpretive management accounting research was described by Lukka and Modell (2010). The research programme collected data from some 20 suppliers to RetailCo, and conducted an extensive literature review. The data analysis through a Strong Structuration Theory lens (based on Stones (2005 & 2015) revealed that the original structural issues diagram was over simplistic in suggesting that the manner in which the issues manifested themselves to suppliers were homogenous and uniform. The four structural issues diagrams above represent the nuanced variation that has been observed from the detailed analysis of the data. The choice of Strong Structuration Theory as the theoretical framework for the research has been demonstrated to be entirely appropriate as a means of understanding the position practices of the agents, and how their habitus influenced their behaviour. Table

5.14, in Chapter Five, (a copy of which is reproduced below), summarised the critical differences exhibited in the position-practices of the three main people in RetailCo with whom suppliers interacted; the CCO, the buyer and the category manager, relating them to the quadripartite nature of Strong Structuration Theory.

	The Category Manager	The Buyer	The CCO
External Structures <i>(Action Horizon – independent and irresistible)</i>	The specific category as a contributor to the retailer’s success	Short-term cost reduction seen as route to promotion	The retailer as an entity in its environment
Internal Structures – <i>Knowledge</i>	Some recognition of negative issues suppliers experience and aimed to mitigate them	Required to squeeze maximum value for money from suppliers	Experienced positive working with suppliers previously and tried to replicate it
– <i>Habitus (values, beliefs, wants)</i>	Desirous of innovative NPD and other ways to grow the category	Perceived need to show senior management ability to be tough and save cost	Sense of obligation to suppliers on-going
Active Agency/ Agent’s Practices	Wants to grow the category with suppliers on board	Limited freedom of action as cost dominates thinking	Committed to +ive interactions with suppliers
Outcomes	Joint Business Plans aim to improve relationships	Hard treatment results in promotion – few months on	But ... inability to change buyer behaviour

Copy of Table 5.14

The tensions observed between the active agency/agent’s practices of the CCO and the buyers go to the heart of why suppliers had differing views of those two people with whom they had encounters. The very short-term nature of the buyer’s thinking came about as a result of their desire to cut cost and reach their KPIs. That was in stark contrast to the far longer-term view of the relationships with suppliers that the CCO espoused. Some suppliers, those in the Innovation-Led category (S2, S3, S11 and S16), devised solutions that led to the buyers reaching their KPI targets. That approach led to a greater level of collaboration with the buyer for those suppliers.

Chapter Seven summarises the contribution made by this research in seeking to answer the three Research Questions. Chapter Eight includes the research programme’s recommendations for future research, and planned publications arising from the work.

CHAPTER SEVEN – Contribution, Future Research, Validity

7.1 Contribution

The research programme developed in a wholly unexpected way, with the departure of the CCO and his team, leading to a change in the research design and the adoption of a different theoretical framework. The analysis of the data collected from the in-depth semi-structured interviews with the 20 suppliers selected for the research proved to be very revealing, with a proposed classification of suppliers into the four groups that were set out in Chapter Six. That grouping led to the formulation of four industry structural issues diagrams, which were derived from the original diagram proposed in Chapter One (based on prior knowledge) and amended in Chapter Two as a result of the insights gleaned from the literature review. Being able to work closely with RetailCo, one of the Big 4 Grocery Retailers in the UK, and to conduct in-depth interviews with very senior staff at the selected suppliers was immensely helpful and insightful. Prior to conducting the in-depth semi-structured interviews with the suppliers, an extensive examination of the 2013 Advantage Report – Mirror on RetailCo was carried out. The line of questioning and the approach taken in the interviews was designed to build upon the work carried out by the Advantage Group team, to whom the researcher is indebted for their permission to use their 2013 study of RetailCo as background for the research programme.

The data analysis in Chapter Five, and the discussion in Chapter Six, have enabled a set of contributions to be made, each related to one of the three Research Questions. The contributions are presented later in this Chapter after a summary of the research findings, which are discussed Research Question by Research Question.

7.1.1 Observations from Research Question One – How are power, risk and control factors evident in supplier-retailer relationships in the UK food industry?

Supplier-retailer relations in the UK food industry are characterised and differentiated by the manner in which the three identified factors (power, risk and control) are displayed. The discussion in Chapter Six presented four supplier categories (in Figures 6.1 and 6.2) each with a distinct involvement style with RetailCo. The first three categories – ‘Transactional Relationship’, ‘Collaborative Relationship’ and ‘Innovation-led Relationship’ – were mainly applicable to own-label suppliers, whilst the fourth group – ‘Tolerant Relationship’ – was applicable only to brands. The suppliers were categorised according to various characteristics of their relationship with RetailCo, but their interface with their buyers was particularly significant. For the three

categories mainly applicable to own-label suppliers, the buyer descriptors were as follows: for 'Transactional' – Buyer is demanding for 'Collaborative' – Buyer can be collaborative; and for 'Innovation-Led' – Buyer is collaborative. The critical differences exhibited in the position-practices of the buyers and the other people in RetailCo with whom suppliers mainly interacted (the CCO and the category manager) related to the quadripartite nature of Strong Structuration Theory, was discussed in Chapter Five, and summarised in Table 5.14. Taking those two sets of analysis together enabled the production of a set of revised structural issues diagrams (Figures 6.3, 6.4, 6.5 & 6.6) – one for each supplier category.

The research clearly illustrated that the respective position-practices of the CCO, Category Managers and Buyers severely impacted upon the relationship that suppliers experienced with RetailCo. Brands were usually able to ride out any relationship issues with RetailCo due to the fact that retailers such as RetailCo had to stock well known branded goods to satisfy customer demand. The power position of brands was thus considerably more than that of own-label suppliers, whose relationships with RetailCo were far more tenuous. Brands could, in effect, control the way in which their category developed or grew with RetailCo. There was little in the way of branded supplier risk, as examples from the interviews revealed. One leading brand had their SKUs limited and the volumes reduced to less than a third following a tense bout with the buyer, but RetailCo could not maintain that position for long, as customers would simply shop for the missing SKUs elsewhere, resulting in RetailCo losing out though associated sales too.

Own-label suppliers would find themselves in situations where they were in a downward price auction with a buyer at RetailCo with the lowest bidder receiving the order. The balance of power was firmly in the hands of RetailCo with own-label suppliers, in particular when the products were commodities. That transactional style of relationship did little to encourage NPD and investment in the product, but some suppliers recognised the need that buyers had to reach their KPIs and achieve a bonus or promotion, and devised a way to help them achieve that. These 'Innovation-Led' suppliers presented new ideas to the buyers and helped the buyers to see the advantages of listing new or improved products, sometimes exclusively, with resulting increased sales and/or improved profit margins. Those suppliers had cannily changed the respective power-positions of themselves and their buyers, and in so doing, through seeing the buyers achieve their targets, were rewarded by a far more collaborative relationship with that buyer, who sometimes reciprocated by placing more development work, or more orders, to

those suppliers. Such an improved relationship was, however, transient, as it was related to the buyer in question, and once that buyer moved on, the process had to be repeated. One supplier talked about a two to three year cycle of NPD and resulting improvements as typical. Other suppliers were less fortunate, and were exposed to far greater levels of risk, such as through presented NPD ideas turning up in a competitor's offerings later, due to the buyer favouring a different supplier. In such situations, those own-label suppliers were unable to exercise any levers of control. Interestingly, the own-label suppliers who took the 'Innovation-Led' route clearly were exposing themselves to considerable risk, but, due to the manner in which they crafted their propositions, with contractual obligations from RetailCo, they had identified suitable control levers which reduced their risk and gave them some power over their buyers.

Further research, building on what has been identified in this thesis, is required to develop understanding of the implications of the respective power-positions of brands and own-label suppliers.

7.1.2 Observations from Research Question Two – Does Open Book Accounting enable or constrain supplier-retailer relationships in the UK food industry?

The research has identified benefits that Open Book Accounting can bring through mutual cost reduction (supplier and retailer) without loss of profit. Analysis of different supplier approaches to their trading relationship with RetailCo identified the Innovation-Led approach which was based on a stream of NPD or innovations coming from the supplier, and in then working with RetailCo to affect their implementation. That closer working style between the two players included considerable data sharing, and a move towards the adoption of Open Book Accounting for cost data.

The supplier interviews revealed that very few of those interviewed regarded themselves as having an Open Book relationship with RetailCo, though several of the suppliers did refer to practices that could legitimately be termed as 'Open Book' procedures. The own-label suppliers who had a described Open Book relationship with RetailCo, or were carrying out a form of data sharing that was, in effect, Open Book, expressed a more positive attitude towards RetailCo than those who were not in such an arrangement. The most positive own-label suppliers who were sharing data were those who had adopted the 'Innovation-Led' strategy with their buyers, as they were able to see how sharing cost data can lead to cost savings for mutual advantage, so

viewing Open Book as an enabler leading to improved relationships with RetailCo. As has been discussed earlier, the interviewed brands (with one notable exception) were far less likely to wish to share data with RetailCo, regarding the cost elements of their products as their own business. The literature on Open Book Accounting demonstrated that elements of one sector, the Japanese automotive industry, had adopted Open Book with many of its unbranded suppliers, and both the manufacturer and their own-label suppliers were content with their relationships. That supports the point made above, that own-label suppliers to RetailCo are more likely to share cost data as the suppliers to the Japanese car manufacturers are mainly unbranded ones. Most components that go to make up a motor vehicle are not branded, though some specialist items - such as for example communications systems and some electrical components - can be branded. It is clear from the data analysis that for own-label agri-food and FMCG suppliers to RetailCo, instances of practices that are forms of Open Book (whether termed as such or not) result in more positive supplier-retailer relationships. The view of all but one branded supplier, that they would not countenance sharing costs data, was seemingly to protect their cost structure data, and to avoid revealing their profitability. The one exception, a major branded produce supplier, made the point that the cost structure of their business was readily obtainable, so there was little point in refusing to share it. They also suggested that they observed both short term and longer term benefits through sharing their data, in part related to demand shifts and shelf-life issues.

Overhead allocation was mentioned as an issue by the one supplier who had been in a full Open Book relationship with RetailCo. That is an issue that has received some discussion in the literature, but does not seem to have been fully addressed. However, that supplier was clear that the relationship they enjoyed with RetailCo improved during their period of time in the Open Book relationship, but survived and developed even after they had decided to terminate the Open Book system, as a result of unreconciled overhead allocation issues. In their case, the level of mutual trust that was mentioned was clear, and was largely attributed to a far closer working relationship developed through the desire to manage cost and other data collaboratively. The research identified the need for a clearer picture of how overhead allocations may be fairly made by suppliers in their relationships with customers where Open Book Accounting is to be adopted. First there has to be recognition that overhead allocation and recovery mechanisms need closer examination by trading businesses, and secondly that a clearer distinction between direct and indirect costs must be made. As far as possible, all costs

in the supply chain should be identified and classified as directly attributable to the product or service being delivered, or as part of the general overhead of the business. Whilst that is a core principle of management accounting in business, the evidence from these interviews, and from the literature, suggests that there may be a lack of transparency on direct costs, which is becoming an issue if or when the customer is able to check those items for themselves. The potentially more tricky part of the issue is the fair allocation of the indirect costs that are termed 'overheads' to specific products or service delivery.

The review of the literature relating to Open Book Accounting has many different definitions, and accords the system both significant benefits when adopted, but also serious negative issues in some cases. In part that is due to the extent to which data is shared, and what is included in the data shared. As was discussed earlier, many suppliers regarded a uni-directional flow of data that include their own organisation's financial accounts, to be an approach to which they did not wish to subscribe. Sharing cost data was far less of a sensitive issue, though again, the extent to which certain data was shared was a key factor there. The more successful 'Innovation-Led' supplier initiatives worked well because data from both the supplier and RetailCo was shared, and tangible benefits of cost reduction and better product planning timings were possible.

In summary, the research had demonstrated that there were clear enabling benefits to own-label suppliers through entering into a bi-directional cost data sharing system with RetailCo, and there were also improvements to the less tangible issue of trust levels. Branded suppliers largely remained unconvinced that sharing cost data would be beneficial and had resisted moves towards data sharing. However, one supplier who had experienced Open Book felt that it constrained them in their relationships with other customers (who were not operating Open Book) due to issues with overhead allocations.

7.13 Observations from Research Question Three – How and why is trust built or destroyed in supplier-retailer relationships in the UK food industry?

A new insight into the perceived link between trust (or trust-like manifestations) and the quality of inter-organisational relationships has been developed. The research has shown that there is evidence that demonstrates that a form of trust in inter-personal relationships does exist in the UK food industry. The conclusion that has been drawn from the literature and the research is

that 'trust' is only exhibited in those inter-personal relations and what is exhibited as a form of trust in inter-organisational relationships is based on the trusting nature of the inter-personal relationships between actors in each of the organisations. However, the nature of 'trust' is widely debated, to the extent that some writers doubt that there is any trust manifested in inter-organisational transactions, and therefore none in those relationships. Instead, they aver, what is seen as 'trust' is actually a calculated posture for sound business reasons. Building trust with buyers was shown to be an ongoing process for suppliers as buyers were transient and, at RetailCo, buyers changed fairly frequently. Mention has been made of the reward system in place for buyers, with KPIs related to cost savings. The operation of that system appeared to have an in-built tendency to destroy trust with RetailCo's suppliers, as confrontational situations where funds being demanded from suppliers were commonplace. Those suppliers who adopted what the research has termed 'Innovation-Led' strategies were able to see benefits from their initiatives through a far closer and more collaborative relationship with their buyers, and, in time, a more trusting relationship was built.

Many suppliers referred to the fact that they trusted the CCO as an individual. In many cases, that level of trust cascaded down to suppliers generally trusting RetailCo as a whole, but trust levels in buyers were generally lower. An oft-repeated query in the interviews was why the CCO was unable to change the behaviour of the buyers to help them build more trusting relationships with their suppliers. The research ascertained that the KPIs given to the buyers by the financial side of RetailCo were designed to minimise costs and were not crafted in a manner that recognised the longer-term value of a soundly built trusting relationship. The CCO departed from the business but has introduced a far more collaborative style of operation in the FMCG retailer where he is now the Managing Director. In the 2018 interview with the former CCO, the CCO recognised the issue with buyers, but explained that the system was constructed like that in all of the Big4 grocery retailers, and it was very hard to effect change. Interestingly, one supplier mentioned that they had been dealing with the same buyer at a high-end retailer for over 25 years, and their relationship was a really strong one with mutual trust and respect.

This thesis concludes that the argument about whether 'trust' exists, or whether the 'trust-like' manifestations are really something else, is somewhat less important than the seemingly commonly observed fact that 'trust-like' behaviour is observed and does occur to a greater or lesser extent in inter-organisational relationships. Maybe that argument is more about

terminology, rather than the effect of whatever it is that looks like a form of 'trust'. The conclusion of this research programme is that 'trust', in the normally used sense of that word, does exist and can have a very positive effect upon trade between organisations in building better relationships. The research proposes that only inter-personal 'trust' can occur, as trust - a very human emotion - can only be displayed by and between humans. When such a trust relationship is present, there is a tendency for inter-organisational trust to be built. The researcher has carefully considered other views on that subject, but has rejected the argument that what manifests as trust is more a calculated style of behaviour designed to win over the other side of the relationship. However, it is concluded that whether or not true trust is accepted as a factor in inter-organisation relationships, there is no practical argument with those scholars who propose that what is observed is a 'trust-like' manifestation, but not real 'trust'. 'No practical argument' because the effect on the inter-organisational relationships is the same in both cases, only the individual's motivation is different.

The thesis has explored the concept that the researcher has termed 'true trust' and also what he has termed 'trust-like behaviour'. The analysis of the data collected from the twenty suppliers who were interviewed identified two distinct characteristics that, when manifested, demonstrated trust or trust-like behaviour. The two characteristics were tangible (with collaboration mentioned most frequently, illustrated by – *inter alia* - joint business plans) and intangible (having access to the top team, and in particular, to the CCO. In addition, time was an important factor as those suppliers who had dealt with RetailCo for considerable periods of time tended to describe higher levels of trust in their customer). Where both the tangible and the intangible characteristics were observed by suppliers, they regarded such manifestations as trust or trust-like behaviour on the part of RetailCo. The overarching behavioural characteristic that suppliers described as manifestations of trust was collaboration, with the relationship between the supplier and RetailCo as at the top or near the top of Lockamy and McCormack's (2004) Supply Chain Maturity Model of an integrated relationship. Collaboration was manifested through a variety of ways, all of which were exhibited when the RetailCo buyer and the supplier discussed the relationship and reached agreement of whatever was under consideration. Joint Business Plans were a specific example of a positive outcome from a collaborative approach. The innovation-led approach that some own-label suppliers had adopted was a further example of how trust could develop, in that case with the initiative originating usually from the supplier, with the RetailCo buyer embracing the initiative and, in some cases, adding to it. Such

occurrences were very effective manifestations of trusting behaviour, with both parties (supplier and RetailCo) exhibiting trust in the other, in part as their behaviour had inherent risk attached to it. In the more traditional own-label supplier-retailer relationships that had existed for many years, the power was very largely held by RetailCo. Control was exhibited by RetailCo over the suppliers. The risk was almost entirely an issue for the suppliers, as the essence of own-label manufacturing is that the retailer could drop a particular supplier and select an alternative. Changing the balance of the relationship between own-label suppliers and RetailCo involved ensuring that the buyers could reach their targets, and some insightful own-label suppliers spotted the opportunity to promote a collaborative approach that would increase sales and reduce costs. In response, the attitude of the RetailCo buyers in those situations allowed the balance of power to shift to become more equal, with risk shared by both RetailCo and the supplier. Control became shared as well, as both parties had shared ownership of the developed concepts. Mention has been made of the different issues that faced many brands, where protection of their brand characteristics limited the scope for truly collaborative working. However, there was one mentioned example of a brand who had successfully followed the innovation-led route that was used by own-label suppliers. Their collaborative relationship went further than the own-label suppliers had experienced, with a facility jointly owned by the supplier and RetailCo. In that case, trust was manifested by the shared risk, with power and control exercised jointly by the two parties.

The research determined that trust in supplier relations with RetailCo could be destroyed through the behaviour of the buying team at RetailCo. An example of an NPD presentation from a supplier resulting in RetailCo announcing that they were not proceeding with the concept, for the supplier to then see the product on the shelves from a different supplier, completely destroyed their trust in both the buyer and RetailCo as a whole. In that case, recovery was slow, and some years later, there was still a level of wariness about the trustworthiness of RetailCo as a whole.

There is an ongoing discussion as to whether organisations can inspire or exhibit trust, or is such trust in organisations actually more correctly attributed to the behaviour of key individuals within the organisation? It is recognised that the literature is divided on this point, as has been discussed in this thesis. The analysis of the data and the conclusions drawn from the use of Strong Structuration Theory leave the researcher in little doubt that only individuals can inspire

trust, and as a result, when such claims are made about organisations, it is the behavioural patterns of key individuals within those organisations that have resulted in a corporate behavioural pattern that can be described as one that inspires trust. In the case of RetailCo, the behaviour of the CCO was such that suppliers trusted him, and in most cases, transferred that trust through to RetailCo as a whole, though in many cases, finding that the buyers that they dealt with did not always display behaviour that inspired trust. Those suppliers who had access to the CCO tended to believe that RetailCo was more trustworthy as an organisation, even when they experienced problems with their buyers. The conclusion that has been reached by the researcher, based on a careful study of the literature and the analysis of the collected data, is that organisations do not in themselves inspire trust, but rather that key players in those organisations do themselves inspire trust which affects the manner in which suppliers view the organisation. The research has shown that trust takes a while to be built, but can be destroyed very quickly.

7.1.4. The use of Strong Structuration Theory in qualitative research

Strong Structuration Theory is a relatively new theory, and examples of the theory's use continue to add to the growing body of knowledge about its strengths and application. This research programme has utilised Strong Structuration Theory in the analysis of the data collected from the in-depth semi-structured interviews. Many of the findings that have been presented in Chapters Five and Six are a direct result of the interrogative style of data analysis that is made possible through the use of the theory. Strong Structuration Theory includes the concept of 'unintended consequences', the prime example of which has been observed through the analysis of the data in this research programme, and concerns the buyers' motivation.

In common with the other Big 4 grocery retailers, RetailCo had adopted the cost-reduction KPI as a route to promotion for its buying team. That was designed to motivate them to achieve better value for money from suppliers. There were two unintended consequences that the research programme observed to this strategy; first, that suppliers' relationships with RetailCo deteriorated as a direct result of the unilateral approach taken by buyers. Secondly, some of those suppliers who had observed what was happening and why it was happening devised an innovation-led relationship with RetailCo that was designed to secure their position as a supplier to RetailCo, and aid the buyers to reach their KPI targets. The unexpected and unintended consequence was that those buyers started to reciprocate with further ideas and plans for even

more integrated working, which resulted in those suppliers becoming even more secure in their relationship with RetailCo.

The development of the industry structural issues diagram, illustrated by the changes from Figure 1.1 to the four variants presented in Chapter Six (Figures 6.3 to 6.6) was very largely facilitated by the interrogative nature of the theoretical framework used in this research programme. This research has, therefore, demonstrated that Strong Structuration Theory, applied in an Abductive manner, can be a powerful analytic approach in social science research. The Broad Frameworks that were constructed for the data examination have a wider application in research programmes, as they link together the quadripartite essence of Structuration with structure and agents, viewed through the perspective of conduct and context analysis.

The value of the research programme, using an approach akin to a form of interpretive management accounting research, has been alluded to. Lukka and Modell (2010) identify the importance of the 'native insider' involvement in this form of research. The background of the researcher combined with the use of the literature, viewed through the Strong Structuration Theoretical lens, contributes to the validity and applicability of the research.

7.1.5 Contribution

This case-study research programme has produced a number of contributions. The contributions are all derived from the analysis of the primary data, the literature, and the use of Strong Structuration Theory. The contributions are presented in Table 7.1, with each contribution against the Research Question it is primarily associated with.

Research Question	Contribution
<p data-bbox="252 353 555 387">Research Question One</p> <p data-bbox="193 488 616 656">How are power, risk and control factors evident in supplier-retailer relationships in the UK food industry?</p>	<ul data-bbox="655 230 1342 797" style="list-style-type: none"> <li data-bbox="655 230 1342 488">• The suppliers in the UK food retailer case examined experienced different power, risk and control factors in their various relationships with RetailCo as a result of the respective position-practices of the category managers, buyers and trading directors <li data-bbox="655 499 1342 622">• The nature of supplier-retailer relationships can be shaped by the own-label or branded goods categories and are largely buyer-specific <li data-bbox="655 633 1342 797">• An innovation-led strategy adopted by some suppliers can result in buyers meeting their KPI targets through increased sales and generate a collaborative approach to the relationship
<p data-bbox="252 880 555 913">Research Question Two</p> <p data-bbox="193 1014 616 1182">Does Open Book Accounting enable or constrain supplier-retailer relationships in the UK food industry?</p>	<ul data-bbox="655 819 1342 1171" style="list-style-type: none"> <li data-bbox="655 819 1342 987">• Data sharing can enable supplier-retailer relationships / build trust, but such data sharing is not always identified by the parties involved as an Open Book technique <li data-bbox="655 999 1342 1171">• Brands feel that a requirement for OBA is a constraint in supplier-retailer relationships because they are reluctant to share detailed cost data about their products
<p data-bbox="252 1346 555 1379">Research Question Three</p> <p data-bbox="193 1480 616 1648">How and why is trust built or destroyed in supplier-retailer relationships in the UK food industry?</p>	<ul data-bbox="655 1216 1342 1727" style="list-style-type: none"> <li data-bbox="655 1216 1342 1429">• The transient/short-term nature of the specific incumbent in a buyer role, together with the means of appraising their performance, can make ‘trust-like’ relationships difficult to form or sustain <li data-bbox="655 1440 1342 1727">• A dominant player in a retail organisation with a strong reputation, such as the CCO, may influence those working in supplier organisations to form a ‘trust-like’ relationship that can underpin collaborative working and foster innovation, but this can be lost if that person leaves the retail organisation

Table 7.1 – Research Contribution

7.1.6 Implications for practice

The research programme has demonstrated that own-label suppliers can go some way to improving the relationship they have with their customer(s) by adopting an Innovation-Led strategy. Such an approach has resulted in those suppliers demonstrating to their buyers that an alternative way of working could deliver positive benefits to the buyers by meeting or exceeding their KPI targets. The Innovation-Led approach, as adopted by some of the own-label suppliers interviewed, resulted in some cases with a response from the buyers concerned, who added further value to the concept(s) proposed by the suppliers. The resulting relationships were more trusting and collaborative. The intangible benefit of having access to the top team at RetailCo was more readily available to innovative suppliers, and for those who had such access, their relationship with RetailCo was shown to be more satisfactory.

Where a form of Open Book was in use, with the sharing of cost and in some cases other data, there was a greater sense of collaboration between the suppliers and RetailCo. Whilst there is still a level of suspicion about Open Book, expressed in the literature, and encountered in the supplier interviews especially when the sharing is uni-directional, the research has demonstrated that there can be tangible benefits which suppliers should explore before dismissing Open Book entirely.

7.2 Future Research

There are a number of avenues for future research that have been identified in the thesis.

7.2.1 Future Research related to Trust

This thesis has concluded that the discussion about whether 'trust' exists, or whether the 'trust-like' manifestations are really something else, is less important than the seemingly commonly observed fact that 'trust-like' behaviour is observed and does occur to a greater or lesser extent in inter-organisational relationships. However, there is a need for future research which should concentrate more on the effects of 'trust-like' behaviour than on revisiting the discussion about whether 'trust' exists at all in inter-organisational relationships. An evaluation of the adoption of trust or trust-like behaviour by organisations and whether those behavioural practices can lead to tangible economic benefits would be beneficial. The research identified the need to further investigate the effects of key staff changes where the presence of 'trust' or 'trust-like' behaviour has been attributed to that relationship and the respect held for certain key players.

A further point is to consider whether the taxonomy of trust classification literature (Table 2.1) provides a platform from which future research could be usefully conducted to further synthesise the categorisations.

7.2.2 Future Research related to Open Book Accounting and Digitisation

The development of digitised systems in supply chains, including Blockchain, will have an effect upon supply chain relations and in particular with reference to the adoption of Open Book Accounting. At the time the primary data collection was carried out in 2014, Blockchain was scarcely a topic that was discussed in retailing. It is now under evaluation for its potential application in complex supply chains, and future research is required to evaluate its potential. A further need for future research, related to the above, is in the development of Strong Structuration Theory into technology. This was identified as a potential requirement in the theoretical framework (Chapter Three) and there is a clear need for management accounting research to not just embrace new technologies but also to lead their development and application. The potential impact on social integration that could result from the development of a Technology Strong Structuration Theory is an avenue worth researching.

The research observed significant differences between own-label suppliers and brands in their willingness to move into closer accounting arrangements with their customers. The power of the major brands and how that affects inter-organisational relationships is an area where future research would also be beneficial. Another area where future research is required is in the equitable allocation of overheads in an Open Book Accounting system.

7.2.3 Future Research related to links with the Advantage Group

The incorporation of the Advantage Report – Mirror into this research programme has demonstrated the real value of the work of the Advantage Group to researchers. A comparative study of another Big Four UK Grocery Retailer, based on the work of the Advantage Report – Mirror would be useful. Consideration could also be given to further integrating such research into the existing work carried out by Advantage Group, although that would, of course, substantially change the research dynamic. The Advantage Group have asked for a copy of the thesis. As some of the conclusions and research recommendations are related to the potential for further linkages with the Advantage Group, the research may have an impact in developing a

working relationship around collaboration in this sphere. That has the potential to demonstrate Research Impact.

7.2.4 Future Research related to the UK food industry

The first phase of the research was carried out in 2014/2015 with a limited number of follow-on interviews carried out in 2018. The research extrapolates the findings to draw conclusions that imply that, in broad terms, the results obtained are typical of what would be observed in any such similar study. However, the rapidly changing nature of the UK Grocery scene since the primary data was collected means that the results could usefully be updated through a future longitudinal research programme. The apparently inexorable rise in market share by the two Low Cost Retailers continues apace and, at the time of writing, several other supermarkets are planning store closures or further cost-cutting measures to deal with the increasing competition. The other main pressure is that of the on-line grocery developments, with one high-end retailer launching an on-line service shortly, whilst the on-line-only all-category market leader continues to grow and erode the more conventional stores' custom.

Further research, building on what has been identified in this thesis, is required to develop understanding of the implications of the respective power-positions of brands and own-label suppliers. Finally, the impact of Covid-19 on the grocery supply chains has been very considerable, and future research is needed to explore more resilient approaches that could be adopted in future.

7.3 Validity

Ahrens and Chapman (2006), in their paper *Doing qualitative field research in management accounting: Positioning data to contribute to theory* conclude that 'By showing the relationship between qualitative field study observations, area of scholarly debate, and theory, the observation and analysis of organisational process can be structured in ways that can produce theoretically significant contributions.' (Ahrens & Chapman, 2006, p836). This research programme has sought to follow that plan, by incorporating a detailed mixed-methods semi structured interviews with suppliers, a thorough literature review, the adoption of a robust theoretical framework based on Strong Structuration Theory with an Abductive approach, based

on the researcher's very comprehensive level of prior knowledge about the researched sector. Lukka and Modell (2010) in their discussion of interpretive management accounting research examine how interpretive research can be validated. One key element of such validation resides in the contribution that a knowledgeable researcher brings to the research; to which they ascribe the term '*emic perspective*' that is, the contribution of a native insider. Lukka and Modell (2010) conclude their paper with two possible strategies for validating research findings, of which their second strategy is more applicable to this research. They state that the researcher can (*... rely heavily on rich, emic accounts whilst leaving explanations somewhat open-ended and thus affirming the messy and often paradoxical nature of life in complex organisations.*) (Lukka & Modell, 2010, p475). The necessity of the researcher being involved deeply in the research is considered vital by Parker (2012) for effective qualitative management accounting research, distinguishing it, he avers, from the positivist tradition. Parker writes about the importance of being able to '*... experience, at least to some degree, what it feels like to be there.*' (Parker, 2012, p68). Modell (2009) writing about triangulation, considered the relationship between critical realism and mixed methods research, and drew some relevant conclusions about interpretive management accounting research. Of those, his comment that '*A deeper understanding of context-specific meanings ... was achieved through the immersion of researchers in the lived experience of the researched.*' (Modell, 2009, p219).

The value of the researcher's recent experience of working in global agri-food supply chains was borne out by the manner in which the interviews were conducted, where the researcher was treated more as a colleague than as an external actor. That observation illustrates the relevance of the comments made above by Modell (2009), Lukka and Modell (2010) and Parker (2012) concerning the value of an immersed researcher, using the approach described by Lukka and Modell (2010) as an '*emic perspective*'. One supplier, S3, made this comment: '*... without people like you, no-one like me can have this (sort of a) conversation really. You just tell it like it is.*' (S3, p109).

CHAPTER EIGHT - Reflection & Planned Publications

8.1 Reflection

The researcher joined the University of Sheffield in 2012 to teach Master's students Supply Chain Accounting and Finance after 16 years working as an agri-food and FMCG global supply chain consultant in the UK, Europe and China. The idea of conducting research in the field where he had been working led to the start of a PhD programme. The journey through the PhD saw the researcher develop their academic skills whilst retaining their agri-food global supply chain sector knowledge and contacts. Some significant personal issues occurred early-on during the journey, including a very serious road traffic accident, and the sudden death of the researcher's wife to rapid-onset cancer. More recently, and more happily, he married again. The researcher has developed an approach to helping students grasp management accounting principles through the application of critical analysis techniques to relevant case-studies, with some of the principles of Strong Structuration Theory being built into the analytic approach.

The change in the structure of the research programme, due to the departure of the CCO and his team, led to the adoption of Strong Structuration Theory as the framework for the data analysis. In using Strong Structuration Theory, the researcher gleaned insights into behaviour exhibited by the suppliers and by RetailCo staff. The discussion of the research findings in Chapter Six, and the conclusions drawn from the research in Chapter Seven, were very much the result of the application of the frameworks developed from the work of Stones' (2005) and others with Strong Structuration Theory. Mastering Strong Structuration Theory is complex, but the use of the theory has been rewarding. The researcher plans to build on what he has learned thus far, and seek to adopt the theory to other research where the interplay of structures and agents is central to the issues to be studied.

8.2 Publications Planned

It is intended to write, with colleagues, research papers in the following subject areas:-

- Application of Strong Structuration Theory to qualitative social science research, especially in the agri-food sector – target journals include British Accounting Review and Management Accounting Review

- Developments in the application of Open Book Accounting, including ideas about overhead allocations – target journals include British Accounting Review and Management Accounting Review

- Potential applications of distributed ledgers such as Blockchain – target journal is the International Journal of Production Research

In addition, Routledge has offered to commission a handbook provisionally titled 'Accounting for the Sustainable Development Goals' which would focus on three sectors – Business, Academia and NGOs. It will have contributions from academics, practitioners, and NGOs, from both a Global North and a Global South perspective. The researcher has been asked to be the co-ordinating editor at the University of Sheffield, contributing a chapter covering the application of Open Book Accounting as an aid to trust improvements and greater transparency in inter-organisational relationships.

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Appendices

Appendix 1 – Likert Scale Interview Questions

Question 1. In overall terms how would you describe your trading relationship with RetailCo?	
Description	Likert Score
Excellent	1
Good	2
Acceptable	3
Poor	4
Very poor	5
Unacceptable	6
Prefer not to answer	0

Question 2. Has that changed over the past 5 years?	
Description	Likert Score
Yes, substantially better	1
Yes, a bit better	2
No change	3
A bit worse	4
A lot worse	5
Prefer not to answer	0

Question 3. How does your current relationship with RetailCo compare with the other major retail customers that you supply?	
Description	Likert Score
Significantly better	1
Better	2
About the same	3
A bit worse	4
A lot worse	5
Prefer not to answer	0

Question 3a. Which retailer(s) are better for you to trade with?	
Attribute	Responses were given for the major retailers that the individual suppliers dealt with
Better Prices	
Simpler trading terms	
Audit requirements less demanding	
Trust them more	
Easier to get new lines listed	
Buyer more understanding about our business	
Feel we're more important to them as suppliers	
Delivery arrangements easier	
Other	
EDI systems easier for us to work with	

Question 4. Overall, do you trust RetailCo as a generally good customer to deal with?	
Description	Likert Score
Yes, they are excellent	1
Yes, they are good	2
They are acceptable	3
No, they are poor	4
No, they are very poor	5
No, they are unacceptable	6
Prefer not to answer	0

Question 5. Do you completely trust your Buyer at RetailCo?	
Description	Score & Range
Yes, they are excellent and I totally trust them	1
Yes, they are good and I trust them most of the time	2
They are acceptable but I don't trust them much	3
No, they are poor and I don't trust them	4
No, they are very poor and there's hardly any trust there	5
No, they are unacceptable and I can't trust them at all	6
Prefer not to answer	0

Question 6. If you carry out NPD/innovation and share that with RetailCo do you feel you can trust RetailCo to treat you fairly?

Description	Likert Score
Yes, their treatment is excellent	1
Yes, their treatment is good	2
Their treatment is acceptable	3
No, their treatment is poor	4
No, their treatment is very poor	5
No, their treatment is unacceptable	6
Prefer not to answer	0

Question 7. Do you have or are you planning to have any special accounting arrangements with RetailCo that involve sharing data?

Description	Likert Score
Yes, we do have	1
Yes, we are planning to have	2
No, not considered it	3
No, considered it and rejected the idea	4
Prefer not to answer	0

Question 7a. (If yes) Do you trust RetailCo with the data that you supply?

Description	Likert Score
Yes, completely	1
Yes, to some extent	2
No, we are a bit concerned that they know too much about our business	3
No, we are very concerned that they know too much about our business	4
Prefer not to answer	0

Question 7b. (If no) Would you be willing to explore data sharing with RetailCo designed to take cost out of the relationship and improve the relationship in terms of longevity and security?

Description	Likert Score
Yes, very interested	1
Yes, but with some concerns	2
No, they already know too much about our business	3
Prefer not to answer	0

Appendix 2 – The Researcher’s Recent Publications

The researcher’s recent publications include:-

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