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I'm your man: How suppliers gain strategic status in buying companies

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ABSTRACT

Selecting suppliers and deciding which suppliers to develop strategic relationships with is important for buying organisations. However, little is known about how strategic suppliers become recognised as such in the first place. We provide a detailed and explorative case study of supplier categorisation processes among actors in buying organisations. The social process of categorising and evaluating supplier inputs has been referred to as status creation. We map sensegiving processes and how they influence supplier status development using a longitudinal case study approach.

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1. Introduction

Selecting and classifying suppliers in order to adequately manage supplier relationships is seen as increasingly critical (Van Echtelt et al., 2008). Partnerships with strategically important suppliers can reduce the buying organisation's supply channel coordination costs, increase exchange effectiveness and provide exclusive access to supplier resources (Kauffman and Popkowski, 2005; Liesch and Buckley, 2012). While at the same time, the number of critical supplier relationships that a buying organisation can commit to is limited, making the choice and development of supplier relationships critical (Kauffman and Popkowski, 2005). Much of the purchasing and supply management literature has focused on policies for organising the supply base and on the development of supplier management policies for various groups of suppliers (Day et al., 2010; Gelderman and Van Weele, 2005; Olsen and Ellram, 1997). However, while research has been done on selection criteria and several frameworks for supplier selection and classification have been provided, the individual and collective processes through which suppliers become recognised in buying organisations are not well-known. Research into these processes and into the role of suppliers in influencing and shaping these processes is called for (Bakker and Kamann, 2007).

OA recent stream of supply management research seeks to understand how cognition and sensemaking processes unfold in

supply-related activities (Bakker and Kamann, 2007; Leek and Mason, 2010; Mota and de Castro, 2005). This literature offers insights into the processes of organisational commitment and alignment with critical suppliers. The paper seeks to investigate the process through which a supplier gains status in a buyer's organisation. We conduct a detailed and explorative case study of categorisation processes among actors in the buying organisation. Labelling certain qualities and ascribing them to phenomena, as well as communicating these to others are important categorisation processes in organisations (Weick, 1995). The social process of categorising and evaluating supplier inputs has been referred to as status creation (Merton, 1968; Podolny and Phillips 1996). We draw on this stream of literature and ask how the perceived status of suppliers develops in buyer organisations. The interplay between critical events in the buyer-supplier relationship and how these are translated in the buying organisation are analysed, and we discuss how these events affect the development of the supplier's social status, as perceived by members of the buying organisation (as a shorthand we use supplier status). The paper proceeds as follows: First, we provide a critical review of the supplier selection literature, discussing supplier status and sensemaking as possible perspectives that may address some of the drawbacks in the current research. This is followed by a presentation of the research design and the data that informs the presented case study. Then, we analyse and discuss the findings and conclude with a discussion of implications for research and management.

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2. Theoretical background

To provide background for a study of the organisational processes that affect supplier status development in buying organisations and how an alternative perspective may add to the current debate on supplier selection and classification, we first have to critically discuss the existing literature. Next, we introduce organisational sensemaking and social status as two complementary perspectives for exploring how suppliers gain strategic status in buying organisations.

2.1. Supplier classification: a critical perspective

The conventional literature on supplier classification can be divided into descriptive and prescriptive approaches (Lienland et al., 2013). The descriptive approach typically studies the criteria used for classifying suppliers by decision makers, such as purchasers see for instance (Kumar Kar and Pani 2014). The prescriptive approach is concerned with developing methods for selecting and weighting the multiple operational and strategic criteria that individuals or teams use to rank and categorise suppliers (De Boer et al., 2001; Chai et al., 2013; Liu and Hai, 2005). Both the descriptive and prescriptive studies lend support to a technical-rational view; that decisions regarding supplier categorisation result from a linear process in which top management periodically selects the overall strategic objectives of a firm, which then in a top-down manner is translated into procurement strategies and operationalised into supplier selection criteria effectuated by purchasing professionals (Nollet et al., 2005).

Critics of the conventional views claim that a technical-rational approach to supplier classification rests, at best, on rationalisation in hindsight (Gadde and Snehota, 2000). We believe that several criticisms can be levelled against the underlying assumptions of the technical-rational perspective, and that we can lend support from these in the existing literature on supplier classification and supply management. First, it is assumed that the buying firm's strategy is fairly stable and that the role of the purchasing department is to operationalise corporate strategic priorities by deploying a supplier classification policy, consistent with overall strategic objectives (Nollet et al., 2005). However, frequently the bases of segmentation appear disconnected from the strategic management of the company (Day et al., 2010; Sausen et al., 2005). This view of strategy is based on a traditional planning perspective (Gadde and Snehota, 2000), and seems quite unaffected by more recent advances in strategy research. In fact, few conceptual linkages have developed between purchasing literature and more recent strategy research (Weele and Raaij, 2014). Strategic decision makers operate in dynamic business contexts, where fundamental changes in competitive conditions appear unexpectedly and where agility in strategic response is called for (Kor and Mesko, 2013; Pisano and Hitt, 2012). Corporate strategy is increasingly seldom detailed and fixed for a prolonged period of time, and the hierarchical relationship of detailed strategic planning is increasingly replaced with more emergent approaches to strategy (Eisenhardt and Piezunka, 2011). Considerable complexity and corresponding strategic ambiguity can interfere with supplier selection criteria. Furthermore, there is not one strategic voice in an organisation that the purchasing department must follow and translate into useful supplier selection criteria. Rather, there are many voices at once, each seeking to influence the strategic direction of the firm (Vaara, 2010; Ciborra, 1996). Second, often the qualities and competences of suppliers (or customers) do not appear in a pre-packaged form, instead they must be discovered and constructed by purchasers (Harrison and Kjellberg, 2010), and they are contingent on both purchaser experience and intent as well as influenced by relevant stakeholders (Reuter et al., 2012; Schneider

and Wallenburg, 2012). For example, a study found that in key decision-making areas handled by purchasing management, such as selecting suppliers, individual purchasing managers developed different interpretive schemes and framed the importance and role of the determinants guiding this selection differently (Kamann and Bakker, 2004). In addition, departments in the buying firm, such as R&D, manufacturing and purchasing units, may differ in the characteristics that they deem important and in the way that they assign specific labels to specific suppliers (Andersen and Drejer, 2009; Argyres, 1999; Hald and Ellegaard, 2011). A third criticism concerns barriers to developing and implementing policies for the preferential treatment of strategic suppliers. Companies have frequently found it difficult to tailor their treatment of suppliers to their underlying segmentation (Dyer et al., 1998). Understanding the significance of the supplier categorisation process and the role of the purchasing department in the negotiated social order and hierarchy within the buying firm is particularly challenging (Goebel et al., 2003; Pardo et al., 2011; Roy, 2003). The influence of purchasing departments varies, and their responsibility for formulating and implementing selection criteria varies correspondingly. Finally, the emphasis on establishing a set of supplier selection criteria seems to rest on the assumption that these are intrinsic to the supplying company. However, as noted by Dubois and Pedersen (2002), the value of a supplier is bound less to intrinsic qualities and more to relational ones: “[supplier] performance will be a function of all its relationships [and will be] relative to each customer” (p. 40). This notion is supported by a study of purchasing portfolios in sustainable sourcing, which demonstrated that firms could apparently gain competitive advantages from treating suppliers of commodity inputs (e.g. potatoes) as if they were strategic suppliers (Pagell et al., 2010).

Following from this discussion, there is good reason to suggest that the classification process is more interpretive, messy and ongoing than implied in the reviewed literature, and it involves several decision-makers other than purchasers (March, 1994; Dempsey, 1978). Exploring these processes may provide a new and useful insight into the organisational processes that inform supplier classifications in buying organisations. All of the literature on sensemaking/sensegiving and on social status development takes departure in an emergent rather than a technical rational-choice approach to decisions. We believe that combining the perspectives provides a consistent framework for exploring the development of a supplier's strategic status in a buyer organisation, including the classification events involved in such a process. Whereas the literature on organisational sensemaking is useful for understanding how organisational decision makers attribute meaning (and value) to suppliers, and the social status perspective provides insights into the valuation and prioritisation mechanisms for ranking suppliers in a social community.

2.2. Sensemaking

By “sensemaking”, we refer to the notion that social reality is actively created by human effort to create order and make retrospective sense of what occurs (Weick, 1995). Rather than seeing supplier efforts and capabilities as objective selection and ranking criteria, the sensemaking perspective questions and explores how the efforts of a supplier come to be recognised and labelled by members of the buying organisation. As noted by Schiele (2012), sensemaking has an individual and a social side. Through interactions, individuals in an organisation “give sense” to certain phenomena, which thus affects how other individuals see and respond to the world. Gioia and Chittipeddi (1991, p. 442) applied the term “sensegiving” to the “process of attempting to influence the sensemaking and meaning construction of others toward a preferred redefinition of organisational reality”. Social influences

on individual sensemaking may be particularly strong, for example, as described in the literature on groupthink (Janis, 1971). Leek and Mason (2010) demonstrated that decision makers' mental representation of suppliers and their relationships with other actors depends on the decision makers' positions in the buying organisation. Since we are interested in the categorisation and evaluation events that shape the social status of a supplier firm in the buying organisation, we are particularly concerned with the organisational processes of sensemaking. When concerned with the social processes of enactment, this process may be better referred to as sensegiving.

Maitlis (2005) identified two principal forms of sensegiving processes in organisations, i.e. controlled and animated, which concern the individual's position in the organisation. The formal organisation, management in particular, has a controlling role in sensegiving, in framing and interpreting specific issues of importance to the organisation's members in order to create shared focus that enables collective action (Daft and Weick, 1984). Communicating strategic direction or, in our case, supply management labelling a supplier as "excellent" or otherwise signalling its strategic importance to the rest of the organisation, exemplifies what Maitlis (2005) described as controlled sensegiving. Controlled sensegiving processes are characterised by being organised rather than ad hoc; this is unfolded through meetings, procedures, committees, and planned events. Animated sensegiving, on the other hand, takes place in employees' everyday interactions. It is informal, ongoing and spontaneous, and happens during unscheduled meetings and via lateral communication involving various organisational members. Such daily exchanges give rise to a stream of data from which individuals select and process particular impressions (Weick, 1995). Animated sensegiving may occur independently of controlled sensegiving. For example, one engineer could be addressing a problem in a project she is involved in, while others happen to mention that one of the firms' certified suppliers may be able to deal with a similar problem.

The controlled and animated processes through which suppliers' activities and efforts affect their status in buying organisations potentially relate to each other in several ways, as both complementary and rival processes. Ideally, the processes of controlled and animated sensegiving reflect, deepen and support each other. However, they may also work against each other, for example, in organisations in which the purchasing department's legitimacy in selecting and managing supplier relationships is contested (Andersen and Drejer, 2009). Furthermore, the processes may be disjointed and independent of each other, as knowledge about suppliers may vary considerably across organisational departments (Pardo et al. 2011).

2.3. Social status

The literature on social status concerns an entity's social position in a social hierarchy, resulting from cumulative acts of deference (Munroe, 2007). It has similarities to the concept of reputation, which has been used in studies on supplier selection (see for instance Norris (1992) and Lienland et al. (2013)), but also differs from it as it encompasses more than reputation by not only making inferences concerning the quality offered, but also considering the legitimacy of the company or individual (Podolny and Phillips, 1996). For instance, Czinkota et al. (2014) saw reputation as an important element in acquiring social status for suppliers. The status concept has been used in the supply management literature, for instance, in relation to concepts such as "preferred supplier status". A substantial research corpus treats status and status effects, suggesting that status improvements bring several benefits (Gould, 2002). In relation to market exchange, status is defined as the inferences that individuals and groups make about

the relative quality of another entity's market offering (Castellucci and Ertug, 2010; Sauder et al., 2012). Existing PSM research on status emphasises the effects of the buying and the supplying organisations' status on the exchange relationship (Benjamin and Podolny, 1999; Castellucci and Ertug, 2010). For instance, Schiele (2012) studied customer status in several best-practice firms and found that having the best suppliers in terms of capabilities and resources was not sufficient to ensure above normal supplier performance. Suppliers also had to assign the customer status as a preferred customer (as opposed to a standard customer). Failing to achieve preferred customer status could have the effect that the supplier would deliberately allocate its key strategic resources to other customers.

Others have applied an organisational perspective in examining the position of the purchasing department in the social status system of the buying organisation (Goebel et al., 2003). Our focus on the role of supplier status differs in perspective from that of most existing research. Rather than studying the effect of status, we are interested in understanding the processes of supplier status creation among members in the buying organisation. We are particularly interested in two mechanisms from social status that impact on evaluations of the perceived importance of suppliers in the buying organisation (Sauder et al., 2012). One mechanism is the signalling aspect of status, as an indicator of both the quality and the legitimacy of the supplier. The other mechanism is the awareness and visibility of a supplier in a buying organisation. We use social status to describe both the subjective comparison and evaluation of social position relative to others, as well as the consequences of social evaluation processes enacted through standards intercommunicated within a social group, such as an organisation or a larger community (Kelley and Thibaut, 1959). Social status offers a powerful concept for grasping the perception and reference processes that unfold inside an organisation, as members distinguish among preferred suppliers. This involves formal classifications, but also informal issues; such as shared experiences, which may influence organisational members' awareness of a supplier's relative status and add or subtract to the formal evaluation. Whereas and to what extent communications about a supplier's competence affect social status depends on how this is received and used by others.

Supplier status is one outcome of sensemaking; but labelling and categorisation also reflect an underlying social order, with specific attributes being ascribed to different suppliers. This is what Kelley and Thibaut (1959) called a status system. It is a set of shared norms reflecting consensus among influential members of the buying organisation with respect to the salience of specific evaluation characteristics. Shared norms are more likely to be socially constructed and reconstructed among members of the organisational community than simply enacted by nominated authorities (Levina and Vaast, 2005). As noted by Roy (2003), just being on the approved list of suppliers in a buying organisation does not automatically translate into orders for the supplier. Some form of intercommunicated standards among members of the organisation is required in order for approved supplier lists to be translated into a status system. Hence, rather than reflecting the assessment of any supplier's individual characteristics and efforts, it reflects a collective understanding of the metrics and criteria that matter. Suppliers' efforts are noted and compared with existing interpretive schemes for comparing suppliers, leading to an ongoing (re)classification of a supplier, with respect to its similarities to and differences from other suppliers. Recognition may not be the only effect from social status processes. Status researchers speak of the so-called Matthew effect, according to which high-status recognition have a cumulative effect, where status recognised for their high-status achievements tend to be given disproportionately more opportunities than their high-quality

reputation alone would garner (Bothner et al., 2011)

Summing up, we will use the theoretical framework presented above to investigate the development of a supplier's strategic status in a buyer's organisation. By studying the controlled and animated sensegiving processes of various organisational actors, we are seeking to gain insight into the critical events that shape supplier status development. And in doing so, we are attempting to shed light on the actions and reactions of different participants in both the buyer and supplier organisation, and ultimately on how their interaction shapes the unfolding supplier status.

3. Research design and data

This study uses a longitudinal single-case study design, which is particularly suitable for in-depth exploration of events unfolding over time (Yin, 2009). Compared to other qualitative approaches, case-based research allows researchers to follow sequences of events and may include and combine multiple sources of evidence through the researchers' active theoretical framing and boundary setting of reality. The versatility of case studies has undoubtedly contributed to making it the methodology of choice for many researchers in and beyond research related to suppliers and buyers (Dubois and Araujo, 2007). Organisational decision-making processes in relation to supplier selection are complex and chaotic phenomena from a researcher's perspective, and the boundaries around the objects studied are fuzzy and changing. Longitudinal case-based studies offer researchers the opportunity to trail events and link actions and interactions to their context. The downside of applying this research methodology is that it leaves researchers with messy data that calls for careful ordering and interpretation (Langley, 1999). However, as Campbell (1975) pointed out: although qualitative data may be messy, they are frequently the most valuable way to reach sufficiently deep insight, when questions are of the "how" and "why" variety (see Yin, 2009 for a similar point). In this sense, we consider a single case process study as a research approach that provides insights not available through other methodological approaches (Van de Ven, 2007).

One way of applying process-based case research for analysing the status-granting process is to follow the unfolding interaction in a specific buyer-supplier relationship. The interaction process is crucial, since the sensegiving activities of purchasers are also influenced by suppliers; they actively seek to influence members of buying organisations (Håkansson et al., 1976). This means that we must simultaneously follow both suppliers' efforts to change their current status in the buying organisation as well as the reaction and the sensegiving processes by members in the buying organisation. Social status characteristics are here defined as cues reflecting supply-related issues that the buying firm deems important, which are used by members of the buying organisation to categorise suppliers. Associated with supplier status are, for instance, beliefs regarding these suppliers' performance capacities and potential roles in developing the buying firm's overall competitive performance. The key aspects of this process are the formal and informal framing and enactment processes through which individual members of the buying firm negotiate an understanding of the (overall) status value of a particular supplier.

We studied the development of Bravo's status as a supplier of the buying company Alpha (both companies in this supplier-buyer dyad have been anonymised). Alpha is a Danish producer and developer of equipment for "mission-critical"¹ purposes. The

company operates in the aerospace industry. With more than 1000 employees, it is a reasonably large company. Bravo is a Danish supplier of electrical cabling and socket solutions. It provides a range of services related to cabling, including blueprinting, storage, assembly and quality control. It has approximately 100 employees. Alpha started negotiating supplier terms with Bravo 17 months before our data collection; the Alpha-Bravo relationship is still developing.

In exploring underlying patterns of supplier status categorisation, the temporal ordering of events and interactions between entities take precedence (Langley, 1999). What constitutes an "event" here obviously varies, and there is no one way to determine this. We have traced both the individual and organisational sensemaking involved in the transition of the status of the supplier company Alpha, in the Alpha-Bravo relationship. This involved, but was not restricted to, the formal processes of changing the supplier categorisation in Alpha. Furthermore, we sought to interpolate several data points in order to decide what events were of key importance in creating Bravo's status in Alpha.

We followed Alpha's collaboration with Bravo, starting from the privileged access we received to the category manager's logbook and calendar. This made it possible to track all significant correspondence and interactions between Alpha and Bravo. We identified and selected interviewees and conducted interviews. These interviews followed a protocol, but more often than not constituted narratives. For our initial round of interviews, we followed an interview protocol, but deviated from it when we asked relevant actors to tell us "what happened" with respect to their involvement with members of the particular supplier/buyer organisation. Similarly, we visited Bravo and interviewed people involved in this buyer-supplier relationship. As we learned more from interviewing actors in Alpha, we followed up on these initial interviews with telephone interviews. We would have also liked to conduct interviews with Alpha's production unit, which previously took care of some of the tasks now left to Bravo. However, since Alpha produces in small volumes, the production unit in Alpha has not been directly involved with Bravo at any time to take over production responsibilities. Furthermore, it was not drawn into processes of evaluating or certifying suppliers, as this formally was the responsibility of the quality management section in Alpha.

Talking to actors to gain their recollections of events (narratives) and to understand their subjective views corresponds to the ontology underlying a social constructivist approach. Narrative interviews emphasise the temporal social and meaning structures perceived by the interviewees. They constitute a linguistic format through which the natural sorting of reality into meaningful categories can be accessed by researchers (Kvale and Brinkman, 2009). Moreover, comparing the actors' individual narratives of events is the key to identifying intersubjective beliefs as well as gaps and inconsistencies in individual recollections. In narrative interviews, the interviewer's role is to pursue the story and to probe into the events or the narrator's thoughts in order to stimulate and access deeper explanations or expose contradictions and paradoxes in the narration. In this sense, narrative interviews include an element of dialogue.

As discussed in the Section 2, we believe that actors' sensemaking varies with their position in the organisation studied (Leek and Mason, 2010). In the dyad studied here, we interviewed managers from several departments in both organisations. Table 1 lists the employees interviewed and the duration of each interview.

All interviews were audio-recorded, transcribed and coded. We treated the interviews as individual accounts, but also combined the individual narratives with other types of company data to construct a thick description with sufficient detail to permit us to trace and elucidate events, which we believe is important for

¹ "Mission critical" is a term commonly used in industry for any process or function that – if it fails – will disrupt an entire operation. It is a term often used to label specific supplies where equipment failure tolerance is very low and where customers therefore thoroughly inspect supplier products as well as processes.

Table 1
Interviews conducted at Alpha and Bravo.

Company	Management position	Duration of interview
Alpha	Vice president of purchasing	200 min (Several interviews and informal talks)
Alpha	Senior purchaser	150 min (Two interviews and informal talks)
Alpha	Quality manager	60 min
Alpha	Development engineer, team 1	60 min
Alpha	Development engineer, team 2	60 min
Bravo	Sales engineer	80 min
Bravo	Technical assistant	30 min
Bravo	CEO	60 min

capturing the supplier status development process. Moreover, in most incidents, we regarded the individuals as spokespeople for the departments or teams of which they were a part of. The material was coded for various events that changed Bravo's status among members of/stakeholders in the Alpha organisation. We understand status formation as the processes through which sensory information is structured and used to confirm or disconfirm existing mental classifications. Perceptions evolve, as humans actively and socially make sense of their environment on an ongoing basis (Weick, 1995). It includes both a selective element, where specific pieces of information are separated from the ongoing information and bracketed for further notice; a compilation element, where information is formed into a meaningful whole; and an interpretation element, where previous experience is used in evaluating information (Weick, 1995). Furthermore, inspired by the notion of matrix displays (Miles and Huberman, 1994), we developed an event structure diagram for capturing and interpreting the unfolding events in the supplier status development, using this to structure our data presentation. We validated this part of our analysis by presenting it at an internal seminar to members of Alpha.

4. Bravo's evolving status in the Alpha organisation

The event structure shown in Fig. 1 provides an overview of the critical events in the process that have influenced Bravo's status among key members of the Alpha organisation. The figure emphasises the actors in Alpha that have influenced the supplier status process: the purchasing team/department at Alpha, representatives from the quality assurance function at Alpha, and a number of Alpha product development engineers. The boxes in the event structure diagram outline critical incidents for each actor. The lines connecting the boxes suggest a sequence and show that these events are interrelated. If a line ends in an arrow, this means that not only are the events interrelated, but that one actor clearly initiated the sequence. If there are two arrows, this means that the sequence is interrelated and actions were carried out jointly by the actors. The sensegiving events that led to a formal or informal (re) assessment of Bravo's status as a supplier are indicated as ovals.

Sometime before the initiation of the current relationship between the firms, Bravo had made a number of unsuccessful attempts to become a supplier for Alpha. One reason for Bravo's lack of success was that, at that time, Alpha had an internal provider of cabling services and saw no benefit to dealing with an external provider. The current relationship between the two companies was initiated when Alpha's top management decided to increase the firm's outsourcing activities. Alpha management chose cabling as an outsourcing option that – if successful – could pave the way for more outsourcing activities. Basic cabling was seen as a service that was both outside the core areas in which Alpha wished to concentrate its resources, and as something that could be purchased rather than manufactured. Alpha had experience of outsourcing the manufacturing of mechanical parts, but this experience was somewhat dated and for several reasons had not led to the integration of mechanical suppliers. One important aspect was that the mechanical designs often only had limited influence on the core value creation in Alpha's products. Hence, at the time, outsourcing cabling by engaging an external supplier in this area was novel for this organisation. Some of the cable production was

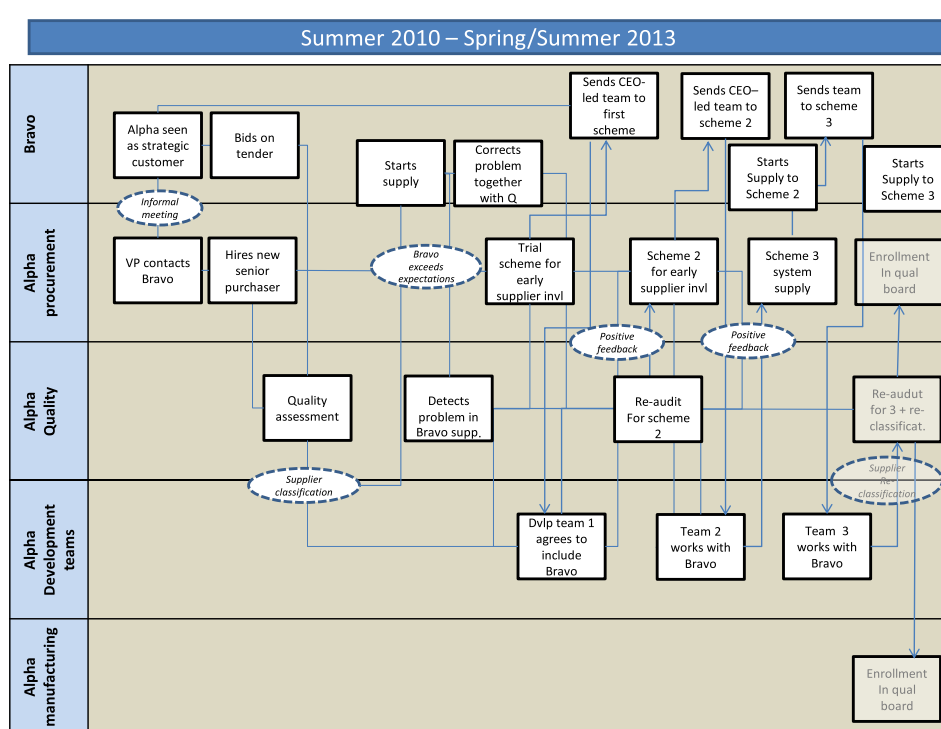


Fig. 1. Event structure diagram of the supplier categorisation process.

already supplied by another firm, but the relationship with this supplier had waned, due to a change in this supplier's ownership and delivery policy. The vice president of purchasing was in charge of finding a new supplier that could not only replace the existing supplier, but also – in due time – take over some of the internal production activities. The VP knew the manager of Bravo from his previous job in another company and was convinced that the firm was both willing and able to advance the development of Alpha's internal processes. Consequently, he paid the company and the CEO a visit.

Their initial meeting went very well. Both actors remember the meeting as an exchange of visions and ideas and as a forum for aligning their ideas. While the VP talked about the outsourcing regime he was about to implement at Alpha and the challenges he foresaw in this process, the Bravo managing director talked about his efforts to extend Bravo's competitive platform and differentiate the company further from the looming price competition from low-cost countries.

It has always bothered me that we did not supply Alpha. First, I knew they would fit our small batch/niche orientation. They also fit our capabilities. When we compare production facilities, it is obvious that we are able to provide them with what they need (CEO, Bravo).

The meeting ended with Bravo being invited to bid on a trial order of a set of cables, an invitation that Bravo accepted. This event presented an initial cue to assessing Bravo's status, as the VP believed he had a trustworthy and suitable supplier candidate to initiate the process of steering Alpha towards outsourcing. Soon after the meeting, the VP hired a new senior purchaser with experience of organising supplier collaboration. The senior purchaser was put in charge of organising such collaboration and was also more formally assigned to the outsourcing committee at Alpha; a cross-departmental board whose task is to identify potential outsourcing candidates and to scrutinize potential outsourcing opportunities and problems.

The next critical actor to become involved in the event structure was Alpha's quality department. Due to the mission-critical nature of Alpha's products, quality control and development are at the core of Alpha's operations. Often, the quality department is directly involved in sales activities negotiating alongside the sales department when major contracts are at stake. As Alpha vouches for quality processes at its suppliers' sites, it is the quality department rather than the purchasing department that qualifies suppliers with respect to their internal quality status. The quality department's importance matches that of the production and development functions. Alpha therefore goes through an extensive accreditation and certification procedure before accepting new suppliers. Alpha's quality department uses a five-tier system to assess the criticality of suppliers with respect to their quality and mission-critical clearance. Since no supplier is allowed into production or product development activities without sufficient clearance, this accreditation system forms the backbone of Alpha's

supplier status assessment. The schema is shown in Fig. 2.

Vulnerable production processes and components that may affect Alpha's ability to maintain its mission-critical status are left to suppliers in categories one to three. These processes and components are inspected repeatedly for each supplier, and supply scopes are outlined for qualified processes and/or deliveries to specific production lines. This means that any increase in deliveries or replacement of one product line with another requires formal re-auditing. All information from these audits is available in Alpha's ERP (Enterprise Resource Planning) system, in which all reports, ongoing activities and other documents related to approved suppliers can be found. This information can be assessed by development engineers and production engineers at Alpha.

In 2010, Bravo acquired the category-three supplier seal of approval to deliver cabling for a specific product line, marking another event that changed the internal social status of Bravo and helped advance the purchasing department's intention to use Bravo for outsourcing activities. The CEO of Bravo remembers this occasion:

We were audited and it was quite a process! They found some issues in our procedures and said: This might be good quality for your other customers, but this is not good enough for us. However, since their demands to suppliers are so extreme, they had to find some problems to address and for us, they were all issues that could be dealt with and that we were willing to deal with (CEO, Bravo).

In the spring of 2011, Bravo started supplying Alpha with cabling for this particular product. Though this was initially a small batch of little commercial importance to Bravo, this led to an incident that strongly affected the relationship, as a quality problem in one of the first deliveries was detected by the quality department. Several interviewees recalled or (if they were not present) knew that this matter of substandard quality was handled directly by the Bravo CEO himself, and that he was very responsive to the criticism. This story indicated Bravo's level of commitment to several employees in the Alpha organisation and convinced the senior purchaser that he could bring a committed supplier to the table when approaching the development team for another product line. From Bravo's perspective, this delivery "hiccup" was unfortunate, but how Bravo dealt with it impressed the quality department team, boosting the perceived quality of the supplier. Hence, the substandard-quality delivery was another incident that affected Bravo's status.

Involving the supplier more closely with the Alpha development teams was part of the job for the newly hired senior purchaser. The senior purchaser was granted leeway in exploring how Bravo could be integrated earlier in Alpha's product development processes. Collaboration with the internal cabling unit was new to the engineers at Alpha, who saw the collaboration as a source of interference. Supply of cabling was not seen as a particularly critical (or prestigious) type of supplier activity. The engineers were approached in the summer of 2011, and they agreed to include

Supplier category	Status characteristics
1	Suppliers of critical and strategically important components – strong dependence
2	Suppliers of critical subassembly processes – medium to weak dependence
3	Suppliers of non-standard processes and products – not directly influencing production activities
4	Standard component suppliers
5	Suppliers of machinery and tools

Alpha policies require quality inspection and supplier approval

Fig. 2. Alpha's supplier categories.

people from Bravo in initial meetings in which the preliminary blueprints were to be finalised and some of the cabling issues were to be discussed:

The engineers here at Alpha... they were quite positive. They were not used to being consulted about involving suppliers and manufacturing in the blueprinting and raw design activities. On the other hand, they found it interesting and this made me contact Bravo – perhaps overselling the mandate I was given a bit. I told them to check the drawings already made and identify any flaws that would affect the cabling and come up with suggestions as to how things might be improved in terms of quality and manufacturing. They took up the challenge (Senior purchaser, Alpha).

It turned out that Bravo gave input on improving the cabling arrangement, keeping in mind the critical issues in designing a mission-critical product that needed to perform in extreme environments. Moreover, the suggested redesign of the cabling reduced its volume, enabling it to fit better into the small space allotted for it, releasing design space for other purposes. Although Bravo's input was in no way high tech, it was both practical and novel to the development engineers in Alpha and complemented their expertise. The CEO of Bravo took part in this initiative and recalls the meeting:

Then they had these drawings for a new product, and they'd already developed a prototype. The cabling was everywhere! My sales engineer and I spent a good deal of time and as it turned out it was quite easy to give them some feedback that would do a lot for their cabling, if they decided to follow our suggestions. We quite humbly formulated it [i.e., the input] as questions rather than pointing out what we saw as design faults. "Have you thought about...?" From what I heard afterwards, this was a very productive meeting and a good process for Alpha. The resulting order for this project did not at all justify the time spent, but we think we made a good impression that served us well and has left the impression that we are the right partner for Alpha (CEO, Bravo).

Based on the results and the positive feedback from the Alpha development team, Bravo's involvement in the early design phase was deemed a success by the purchasing organisation. The senior purchaser discussed this with the senior vice president and they agreed that the senior purchaser should try to involve Bravo in yet another project. This time, however, it was not in a product line to be redesigned, but in a whole new project. Moreover, if equally successful, it was also decided that Bravo should be responsible for parts of the sub-assembly process. Assigning this additional responsibility to Bravo would require that the quality department revise the internal supplier classification scheme. In the summer of 2012, the senior purchaser mediated with the chief development engineer and the Alpha project team leader, following the same template used in the previous project. Moreover, he obviously told the chief development engineer in the new project about the benefits that would accrue by involving Bravo. The team agreed, and this collaboration with Bravo was equally successful. This project ended in October 2012.

5. Analysis

How and to what extent can the theoretical perspective be used to shed light on the supplier status change witnessed in the case? The status of Bravo has changed since it was introduced into the Alpha organisation. Following the sensegiving categories suggested by Maitlis (2005), this change can be attributed to both

controlled and animated sensegiving processes.

To begin with, Alpha's processes of introducing and qualifying Bravo as a category-three supplier were staged by purchasing and legitimised by the formal authority, and as such they constituted a controlled sensegiving process, albeit not a very intense one. This incident, however, dovetailed with the responsibility given to the senior purchaser, who made an effort to introduce Bravo to selected developer teams in Alpha. At the same time, Bravo proved to be very keen to provide resources and exceeded the expectations of the Alpha teams, raising their internal status among key influencers in the Alpha organisation. Rather than being the product of a formal labelling and status-setting process performed by purchasing, sensegiving occurred in informal conversations among Alpha and Bravo employees, with little intervention from formal management. Two key insights concerning the process of supplier status development emerged from this study: One concerned the gradual process by which the buying organisation became involved in the relationship and how this advanced the supplier's status formation. Various actors became involved and were convinced of the qualities of the supplier, enhancing the supplier's status. This process was driven primarily by lateral, animated processes of sensemaking, but was – at least to begin with – facilitated by the senior purchaser, acting as a mediator between supplier representatives and teams of development engineers. The second issue concerned the role of the Matthew effect in the internal status hierarchy. As the perceived status of Bravo increased, so did the opportunities for Bravo to participate in more prestigious projects and/or to take a more influential role in Alpha's value stream. These important findings echo existing research into the effect of status, particularly the notion of the Matthew effect discussed in the Section 2 of this paper (Bothner et al., 2011).

We now turn from this overall picture of the process and zoom in on the incidents and on the controlled and animated sensegiving efforts made by each actor in this process. Critical meetings were held between managers from the buying and supplying firms, in which enactments of Bravo's capabilities and commitment were formed among employees in Alpha and altered with regard to recognising collaborative opportunities and the possible application of Bravo's skills. The micro-processes that generated these changes typically unfolded as proactive "moves". Such moves were initiated when Bravo made suggestions that Alpha's engineers had not thought of for changing the materials used and the cabling design. Bravo's efforts were noticed by the development teams, and especially by the purchasing manager who saw an opportunity in this to "sell" Bravo to other development teams. This unfolded largely as animated sensegiving processes. However, these animated processes are also linked to controlled sensemaking processes. This series of events led to increased recognition of the supplier's capabilities by Alpha's development engineers. This indicates a mobilisation process, in which still more constituents formed positive opinions of Bravo and were willing to communicate their opinions to others, spurring a positive view among Alpha's development engineers of the Bravo collaboration. Maitlis (2005) described these as discursive constructions of reality, or accounts that are socially constructed as individuals talk and share their experience of a phenomenon. These accounts help members of an organisation make sense of events by constructing an ordered understanding of events and by enabling action. In our case, accounts of Bravo and its skills helped both the senior purchasing officer and the engineering teams relate to the supplier. In turn, this produced more accounts, which in this case were positive and helped direct positive attention towards the supplier. This positive attention increased internal recognition in the buying firm, which in turn was important for enrolling more actors. However, although this process may appear to be a virtuous circle, it is important to acknowledge the agency of at least two groups of

protagonists involved in it: First, the internal category manager initiated the meetings between the various development teams at Alpha and the sales engineers at Bravo, raising the issue of collaboration; while the vice president of purchasing provided manoeuvring room for the senior purchaser and supported his actions. Second, Bravo took initiatives to position itself advantageously in this development. We will discuss these protagonists in turn.

5.1. The role of the purchasing department in the status development processes

In the face of the organisational change process involved and the novelty of involving suppliers in the early phase of product development, the roles of the purchasing department in general and the senior purchaser in particular were critical. The senior purchaser was extremely active in promoting the strategic issue of supplier involvement. Two factors that may have worked to his advantage were that he was a new face in the organisation and his lack of internal “mental baggage”. Outsiders, such as consultants, are often more successful change agents than organisational insiders. They are less bound by existing dealings and their perspectives may be more favourably received. In addition, in this case, the senior purchaser was confident in expressing his ideas to development engineers, as he could draw on his experience from his previous position. This helped him not only in approaching engineers when scouting for new collaboration opportunities, but also in mediating between Alpha and Bravo employees, coordinating events and coaching Bravo. It should be noted here that the senior purchaser was mandated specifically to carry out such actions and subsequently received organisational support from the vice president of purchasing. In this case, the animated and controlled sensemaking processes complemented each other. Moreover, it was the vice president who hired the senior purchaser and initially discussed opportunities for him to become involved in the outsourcing process in Alpha. Later on, the role of the purchasing department became less prominent and other departments seemed to have taken over the task of deepening the collaborative relationship with Bravo using their own status accounts.

5.2. Bravo's role in the status development processes

Unlike the usual image of the supplier as a passive actor in the internal selection and categorisation processes of the buying firm, Bravo played an active and co-narrating role in the studied processes. From the beginning, Bravo was aware of the importance of giving signs of credible commitment in situations in which this was necessary: in the initial quality inspection, in following up on supply quality irregularities and in assuming the role of an active and committed supplier searching for cabling solutions. Bravo displayed this awareness in both its committed attitude and by involving the CEO in many critical processes. In this way, Bravo played an active role in creating accounts that could help advance its involvement in the processes.

5.3. Other actors' roles in the status development processes

Two other constituents influenced the process and supported Bravo's status development: the quality department and the teams of development engineers. The first supporting role was that of the quality inspection department whose role, though implicit in the case narrative, was nevertheless perhaps the most crucial one. With the increased focus on outsourcing and Alpha's gradual move from being an internalised “factory” to an outsourcing “hub firm”, Alpha's quality department was facing a period of disruption and increasing complexity, when its role in the value-creating process was being redefined and perhaps even expanded. As an increasing

number of manufacturing activities was expected to be taken over by external suppliers, this department had to increasingly mediate the product and process specifications and, perhaps even more importantly, expectations of customers, internal developers and suppliers. For the quality department, the Bravo case was in many respects trivial and manageable within the existing framework. However, had quality inspection decided that Bravo posed any risk to Alpha's mission-critical status; this probably would have halted the entire project. The second supporting role was that of the engineers in the development teams. Although the distributed nature of Alpha's development activities implies that development engineers do not generally exchange views of their experience with early supplier involvement, the ability to use a successful story (and cite a reference person) from one project when talking to development teams working on the next project helped the senior purchaser to convince them of the potential benefits.

6. Concluding discussion

How can this case study advance our understanding of supplier categorisation and supplier status building in buying firms? What this study can provide in terms of transferrable insight into the conceptualisation of these phenomena in more general matters is that supplier categorisation involves both formal and informal sensegiving processes co-constructed by various actors in the buying organisation. Moreover, the process gives rise to the assessment and reassessment of a supplier's qualities – both formally and informally. These assessments occur from day to day through personal interaction between buyer and supplier staff, but there are also “critical events” – defining moments that contribute to the social construction of supplier status among those involved. Regarding existing theory on supplier assessment, this suggests that the current focus in the purchasing and supply management literature on selection criteria and on the ensuing processes of weighing multiple criteria against each other probably does not reflect what really goes on in buying organisations when suppliers gain and lose status.

What also appeared in the studied process is that intrinsic qualities of suppliers may matter less directly to their status as strategic suppliers than commonly believed in parts of the literature. In the case of Alpha and Bravo, the supplier was selected as a collaboration partner, not because of Alpha's prior dependence on Bravo or because Bravo possessed resources that were particularly valuable, rare or inimitable compared with those of other suppliers, but because it represented a party deemed potentially easier to work with as an outsourcing candidate. In this sense, Bravo entered the product development activities in Alpha “from below the radar”. It complemented the high-tech challenges faced by Alpha in an area enjoying little prior attention in the organisation. Gradually, and even though the general skills of Bravo were and are still not recognised as leading edge or of strategic importance by Alpha, there is awareness that the *input* from Bravo's sales engineers/technicians and the *interaction* between them and Alpha development engineers are of significant value.

We also believe that this study can supplement the literature on organisational sensegiving/social construction. In discussing this potential, we start with Maitlis' (2005) insight into everyday social construction in organisations. Our study confirms her original idea, i.e. that it is important to focus on multiple constituents. In addition, our findings are aligned with what she describes as animated construction processes, in which various constituents join in and contribute to the emergent sensegiving process. However, what is more evident in our study is the processual nature of social construction. The “logic” of the sensegiving event is emergent and the actor “gallery” is by no means

determined from the beginning. In other words, sensegiving is better described as an evolving journey in which twists and turns may involve new and unexpected actors, rather than a game in which the sensegiving “moves” of various constituents unfolded with some predictability. Another potential contribution comes from the fact that our study – although dealing primarily with the sensegiving activities unfolding within Alpha – includes Bravo’s sensegiving moves. In contrast, Maitlis (2005) treated external actors more or less as objects with no direct voice in the sensegiving process. This does not fit well with current organisational realities in manufacturing firms. Ever more industries increasingly rely on their ability to combine internal and external activities and resources. Consequently, production networks that cross organisational boundaries and combine activities in activity networks are becoming increasingly common. What we demonstrate here is that suppliers, such as Bravo, see supplier categorisation processes as an obvious opportunity to develop their marketing efforts.

7. Research and management implications and limitations

Research on the organisational processes that impact on supplier classification will extend our insight into how supplier classification practices are carried out in organisations and into the socio-cognitive mechanisms that lead to changes in a supplier’s status. Supplier status may not only be gained, but also lost; and additional research which follows different paths in the evolution of supplier status under different contingencies is called for. Such contingencies may for instance include the linkage between supplier status and major strategic shifts in the organisation, or important changes in the buying organisation’s task environment, i.e. the introduction of new and critical technologies. Other contingencies, external to the buyer–supplier dyad could be changes in the supplier’s affiliation or ownership: for instance a merger or an acquisition of a supplier. Here, it would be interesting to see if and how such changes impact on members in the buying organisations’ assessment and classification processes. We have demonstrated that the following sensegiving processes represent a viable way forward for structuring research processes on buyer–supplier interaction. This approach can provide insights into the mobilisation of members from different organisational units, and how they interact with each other and with the supplier in relation to supplier classification. We think that a number of supply-related strategic issues have arisen from this study. For instance, how they are reinterpreted in the buying organisation, as well as the extra-organisational factors on which this process is contingent, all deserve further research.

Contributions that have helped us understand the processes of status building in buying organisations are also important for supply management practice. This study suggests that this process is highly diverse and follows informal and less controllable paths than recognised by the prescriptive approach to supplier classification in the literature and in the supplier relationship management curriculum taught. In order to improve management practice, there is a need to move beyond the current perspective research on portfolio models and supplier classification studies found in the current literature and add a wider lens to the issues that trigger supplier classifications. An important learning point relates to providing a perspective of the mechanisms at work, when the status of suppliers develops. Through self-distancing, managers gain critical insights into the organisational processes of which they are part of, which also makes them better able to change them and develop policies that work in tandem with the animated sensemaking mechanisms. By doing so, informal processes of supplier classification can be better recognised and taken into account. We therefore believe that our study also contributes

to supply management by highlighting processes through which suppliers gain status in buying organisations.

Our work has some important limitations as well. One of them was our selective focus. By addressing only sensegiving processes relating to the perceived status of the supplier, we paid little attention to other processes that may have affected actions and interactions between the supplier and buyer. These contextual factors may also have indirectly influenced the process we studied, although we have tried to acknowledge them in the best way possible. Second, although single-case studies offer considerable benefits, they imply trade-offs as well. Single case studies are valid in their own right, but deeper and more nuanced knowledge about the phenomenon can be gained through studying additional and even contrasting cases. For example, finding a case in which efforts for growing their recognition went largely unnoticed or had minimal effects on the supplier’s status, or one in which supplier status decreased rather than increased. In future research, we hope to address at least some of these limitations and build on the findings presented here.

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