MANAGEMENT FOR SUCCESSFUL COLLABORATION BETWEEN HARVESTING SERVICE BUYER AND PROVIDER THAT PROMOTE CONTINUOUS PERFORMANCE IMPROVEMENT – A REVIEW OF SWEDISH EXAMPLES

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The Swedish forest industry works with high demands on productivity enhancement in order to stay competitive on the global market. Productivity improvement and cost reduction have been in major focus when making development efforts for harvesting operations during decades. The strong efforts have meant considerable continuous development of machine systems since the dawn of the mechanization boom in the 1950s (Thor, 2012), and it has also meant varying structures for machinery ownership to ensure strong abilities for system development (Ager, 2012; Lidén, 1989). The effect has been an increasing trend in productivity for a long time. Further, extensive outsourcing of harvesting operations in the 1990s also meant an increase of competitive forces between service providing enterprises that has further been driving productivity development. However, this positive trend with increasing productivity has stagnated and even started to decline during the last decade in Swedish harvesting operations (Eriksson, 2016; Nordfjell et al., 2010).

In Sweden, most of the annual roundwood volume is today harvested by small to medium-sized enterprises due to the outsourcing of the harvesting operation (Ager, 2012; Lidén, 1995). The main relationship structure between harvesting provider and buyer consist of a big forest company that buy harvesting services from many small to medium sized enterprises. It is common that the enterprise only has the forest company as customer (Furness-Lidén, 2008). Forest companies value many different aspects that are expected to be included in harvesting services. In addition to cost-efficiency, there is a complex mixture of anticipated results to achieve regarding work quality, delivery reliability and flexibility, while simultaneously caring about the forest’s environmental and social values (Erlandsson, 2016, Eriksson et al 2015). Even though the forest companies have bought harvesting services during many years from independent enterprises, large variations in performance have been found regarding eg. enterprise profitability, technical efficiency, and various aspects of the service delivered. The forest sector also faces problems in recruiting and retaining competent machine operators due to the combined effect of growing competence demands along with
perceptions of stress and lower salary levels compared to other machine operating sectors (Bergqvist 2009). Therefore, forest companies may benefit the most from trying to improve the enterprises they already have relationships with, rather than relying on finding alternatives in the market (Erikkson, 2016). Harvesting service providers have an important contribution to the Swedish industrial forestry (Lidén, 1995), but generally have limited resources to drive development on their own due to high machine investment costs and often small profit margins (Furness-Lindén, 2008). Harvesting service providers and buyers are dependent on each other and interlinked in a supply chain. It is important to develop and strengthen that interlink to make the whole forest supply chain more competitive on the growing market.

The buyer’s choice of approach to the providers are affecting the ability to stay competitive in the growing global market. To create a more cost effective market in harvesting operations in the long run, it is important to consider how to develop and maintain a successful base of providers (Van Weele, 2014). A careful service provider selection, development of risk balanced relationships and close cooperation between service provider and buyer are aspects that affect the effectiveness in the supply chain (Furness-Lindén 2008). Eriksson et al. (2015) suggested four approaches to align harvesting service provider performance with buyers’ requirements: active contractor selection, incentives alignment, supplier development incentives, and active use of power advantage. Due to diversity in performance and capacity among service providers, the buyer may adapt a unique blend of the four approaches for each service provider enterprise. To create and design managerial strategies, concerning different approaches for harvesting service providers with different roles and business concepts could be a successful tool to improve desired development and performance in a more effective way (Furness-Lindén 2008, Erikksson 2016).

In addition, it may also be important for the buyer to consider the service provider expectations and needs from the service buyer for the ability to perform well in the delivery of such a complex service as mechanized harvesting is. Erlandsson & Fjeld (2017) identified factors provided by the service buyer that highly affects both the profitability and the satisfaction for the harvesting service provider. The harvesting service buyer may gain beneficial value from the business relationship if it succeeds to identify and meet the various needs of specific harvesting service provider. Such factors can be involvement from the buyer by eg. providing help to solve operational problems and also incentives such as providing an even employment level (Erlandsson & Fjeld 2017).

Four aspects of performance were found in the literature review that managers consider in order to affect performance in harvesting operations: capacity, incentives, commitment, and involvement. It was hypothesized that the performance aspects does not only individually affect the service performance, but also that the aspects affect each other. It may be fruitful to consider performance improvement from different aspects in order to gain continuous and high levels of improvement in a supply chain perspective. Most of the value aspects included in the harvesting service have been studied at the performance aspects of capacity and incentives, but less have been studied about commitment and involvement. To also consider these non-tangible aspects of performance, both regarding how the aspects can be improved and how they can affect performance, can be recommended for further research.
References


