To what extent are fact-based price negotiations with existing suppliers used in the Swedish private sector?

Master's thesis in the Supply Chain Management Master's Programme

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Abstract

This qualitative research investigates fact-based price negotiations within the Swedish private sector, conducted in partnership with the Swedish purchasing company Prognos MKA. The research sought to help the company gain knowledge on the applicability of their value offerings and how these can be developed, to better fulfill the needs of customers within the Swedish private construction and production industry.

To answer the overarching research question, *To what extent are fact-based price negotiations with existing suppliers used in the Swedish private sector?,* twelve semi-structured interviews were conducted, analysed, and from them different themes were identified. The thematic analysis and the *five-phase implementation model* enabling fact-based negotiations reveal that companies today advocate long-term relationships, mutual dependence, transparency, and trust. Negotiations are characterised by the supplier and customer's importance for the company, based on the choice of sourcing strategy used and supplier categorisation. The use of data in the context of negotiations is identified as a source of power, improving negotiation outcomes.

Enablers of the fact-based negotiation strategy identified are long-term relationships and proper negotiation preparations, influenced by the negotiation style and sourcing strategy used. Whereas barriers identified are largely connected to a lack of knowledge and understanding of data and indexes, and a lack of time and resources. To overcome the identified hindrances and thus enable the implementation of a fact-based negotiation strategy, one can employ the services of external cost data providers such as Prognos MKA, which offer specialized data reports, knowledge, training, and education on the use of data and indexes. The role Prognos MKA can play in this type of transition is to be an interactive educator and partner who partakes in negotiations, extending their value offerings further to provide, for instance, the service of external cost breakdown analysis for their clients.

The research shows that the extent to which fact-based negotiations as a strategy is implemented in the Swedish private sector differs, meaning that companies to varying extents can benefit from this negotiation strategy. Some companies have the strategy integrated in their operations, while others deem it irrelevant for their business. A company such as Prognos MKA should therefore focus on companies that are in phases 1, 2, and 3 of the *five-phase implementation model* and adapt its offer to the preferences of these clients. That is, companies that have at most a partial implementation of fact-based negotiations.

Keywords: Fact-based negotiations, negotiation strategies, index, information, relationship management.

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1. Introduction

This qualitative research investigates the use of fact-based price negotiations within the Swedish private sector. The research gap this thesis aims to bridge is which companies within the Swedish private sector are leveraging fact-based price negotiations. This thesis is conducted in partnership with, and on behalf of, the Swedish purchasing company Prognos MKA to help them gain knowledge on the applicability of their value offerings and how these can be developed to meet potential customers within the Swedish private sector.

To answer the overarching research question, *To what extent are fact-based price negotiations with existing suppliers used in the Swedish private sector?*, three sub-research questions are formulated. As this study is qualitative research, the chosen interview method is semi-structured interviews (Bell et al., 2019; Busetto et al., 2020**)**. The research consists of 12 interviews with 11 companies, where 10 interviewees are from the buyer side and 2 from the supplier side. The purpose of the interviews is to gather sufficient empirical data to answer the sub-questions. The interviewees provided data and information regarding the three sub-questions, subsequently enabling the answer to the thesis. Analysing the interviewee responses is conducted following the *thematic* analysis method (Braun and Clarke, 2006). The main theme discovered is the *Sources of power and their challenges*, with its related themes*: Relationships and their impact*, *Information and its impact*, *Factors influencing the negotiation outcome,* and *Challenges and barriers.* The research identified three sources of power, namely relationships, information, and factors influencing the negotiation outcome, which are analyzed in the themes identified.

Within each theme, four sub-themes are identified. The theme *Relationships and their impact* describes how a negotiator can utilize the power of relationships in their negotiations. The results from the thematic analysis show that relationships are of great importance; the companies advocate long-term relationships, mutual dependence, transparency, and trust. The theme *Information and Its Impact* identifies how information in different forms can help determine the course of the negotiations. The theme *Factors influencing the negotiation outcome* identifies how negotiation tactics and preparation can strengthen the bargaining power of the negotiator, while also describing the characteristics of both good and bad negotiations. Lastly, the theme of *Challenges and Barriers* presents the challenges and hindrances with the sources of power identified, a negotiator must be aware of and understand to be fully prepared for a negotiation. Subsequently, the *five-phase implementation model,* enabling fact-based negotiations*,* is developed and presented as an outcome of the empirical results, see Figure 13. This model is developed to help answer the thesis, identifying and giving an overview of how each company is positioned in their implementation of a fact-based price negotiation strategy.

With the thematic analysis, the authors identified enablers and barriers of the fact-based negotiation strategy. The enablers are long-term relationships and proper negotiation preparations, which are influenced by the negotiation style and sourcing strategy used. The barriers identified are largely connected to a lack of knowledge and understanding of data and indexes, and a lack of time and resources. To overcome the identified hindrances and thus enable the implementation of a fact-based negotiation strategy, one can employ the services of external cost data providers such as Prognos MKA, which offer specialized data reports, knowledge, training, and education on the use of data and indexes. The role Prognos MKA can play in this type of transition is to be an interactive educator and partner who partakes in negotiations, extending their value offerings further to provide, for instance, the service of external cost breakdown analysis for their clients.

The report is structured in seven chapters and commences with an introduction chapter consisting of a description of the background of the partner company Prognos MKA, the purpose, objectives, and research questions. Further, previous research in the area is presented, followed by a presentation of the theoretical frameworks deemed important and relevant to the research. Subsequently, in the methodology chapter, the research process and methods utilized are described and argued for. Thereafter, the results of the empirical analysis are described with their identified themes and the *five-phase implementation model*, followed by a discussion answering the research questions based on empirical results and the theoretical framework. Thereafter, a conclusion answers the main research question: *To what extent are fact-based price negotiations with existing suppliers used in the Swedish private sector?*. The report concludes with the chapter *Societal concerns and implications*, which discusses the economic, ecological, and ethical implications of the research.

1.1. Background

This thesis, as already mentioned, is conducted on behalf of the Swedish purchasing and cost data model company Prognos MKA. The company, founded in 1983 in Gothenburg, aims to help its customers enable better negotiations and fact-based decision making. This is done by offering tailored cost data models with access to over 8000 indexes on, for instance, raw materials, components, wages, and currencies (Prognos MKA, 2024b). The company offers a tool to help prepare its customers for their supplier negotiations, ensuring a fair regulation of contract prices and enabling cost benchmarking. Today, Prognos MKA has over 40 customers present on both the local and global markets (Prognos MKA, 2024b).

According to Overvest (2024), price negotiations are in practice a discussion between buyers and sellers of the product's cost and value, intending to decide on a price that is satisfactory for both parties. This is a discussion that occurs when procurement professionals purchase materials (Overvest, 2024), where the different perceptions of a product's value are taken into consideration, and a compromise between the two is reached. As the company operates across several industries, Prognos MKA must have a good understanding of how each potential customer market operates in terms of negotiations and, more specifically, whether fact-based negotiations are applicable in those markets. Prognos MKA defines fact-based negotiations as a strategy where detailed data and information are used to support the claims and arguments a company makes in its negotiations (Prognos MKA, 2024a). In their article, Galinsky et al. (2017) write that the driving force for the success of a negotiation is dependent on power, and one of the main sources of power is the use of information at the bargaining table.

However, accessing the right information, the relevant and crucial data needed to tip the power scales in one's favour, is difficult and requires access to data. According to Holmes et al. (2017), parties with access to price information are better equipped in their negotiations. Therefore, it is evident how information is a crucial part of successful negotiations. To continue their growth as a company, Prognos MKA needs to understand how price negotiations are currently handled and what requirements potential customers have. This can help the company understand the extent to which fact-based negotiations would be beneficial for said customers. Providing the company with an analysis highlighting these aspects would help Prognos MKA in its mission to continue developing its value propositions to better accommodate the needs of potential and current customers in the Swedish private sector.

The objective of this research, for the company, is foremost to take part in the discoveries made, as the company has an interest and a need for the results presented in the report. It can provide a more advanced market analysis regarding negotiations and whether fact-based negotiation strategies are utilised or not. The research can hopefully provide further insight into how the value propositions of Prognos MKA can help fill the existing knowledge gaps in the market. In addition, Prognos MKA embraces the association and collaboration with Chalmers University of Technology, which this research brings, as the company wants to be part of and encourages new research regarding fact-based negotiation strategies. The role of Prognos MKA in this study, apart from being the partner company with which the study is conducted, is to provide expertise and insights on fact-based negotiations and their experiences. The hoped-for outcomes for Prognos MKA with this collaboration are to provide proof of value of their products, identify and reach new potential customers, and provide a basis that can help refine their sales strategies, their tools, and value offerings.

1.2. Purpose

The purpose of this study is to map and investigate the extent to which fact-based price negotiations are currently used and implemented during negotiations with existing suppliers in the Swedish private sector. The expected outcome of this study is to gain a structured understanding of whether or not purchasing functions in the Swedish private sector, within the producing and construction industry, are benefiting from using fact-based price negotiations.

1.1. Objectives and research questions

The main research question, as presented, investigates to what extent fact-based price negotiations occur in the market today and to what extent the industry is benefiting from it. Based on the current understanding of the subject, the hypothesis is that fact-based price negotiations have a limited implementation in the Swedish private sector. This hypothesis is formulated because the mention of fact-based price negotiations is limited in existing literature. Thereby, the authors deem this hypothesis a responsible assumption, as the proliferation of this knowledge is likely limited. The following sub-research questions are formulated to further deepen and assist the research in creating a holistic understanding of the market, the price-negotiation process, its underlying causes, and effects.

1. How are price negotiations conducted in the Swedish private sector today, and what advantages and disadvantages can be seen with the identified strategies used?
2. What are the key factors influencing the adoption (or lack thereof) of fact-based price negotiations, and what are the economic and behavioral implications?
3. What strategies and tools can businesses implement to integrate fact-based price negotiations more effectively, and what role can Prognos MKA play in this transition?

In the following three sections, the relevance of the three sub-research questions will be motivated and explained in more detail by presenting their respective aim.

1.3.1. Current price negotiation practices

The underlying aim of investigating this sub-question and how price negotiations are conducted today is to create an understanding of the market where both the buyer's and seller's perspectives are addressed. For example, what is done in case of a price change? What expectations do they have of one another? What are the roles of the participants? What power dynamics can be identified during negotiations among the parties? And of course, if either party uses fact-based price negotiations, how are they used, by whom, and when? This research question intends to be answered by analysing the results obtained from interviewing various stakeholders in the construction and production industry in Sweden. This research will only cover these two industries as a means to limit the research scope. Furthermore, these two industries have a notable need for raw materials, which indicates that the industries require purchasing contracts between buyers and suppliers, which in turn require negotiations. Nevertheless, we believe and hope that the results also will be of relevance of other industries in the private sector.

By answering and investigating the first sub-research question, the key aspects of negotiation processes, how they are conducted today, how negotiations are perceived by their participants, and the benefits and drawbacks of the negotiation strategies can be identified. Finally, the results of the first sub-research question contribute to the understanding of whether the hypothesis of limited use of fact-based negotiations can be confirmed or denied.

1.3.2. Factors influencing the adoption of fact-based negotiations

By investigating the processes that impact the use (or lack thereof) of fact-based negotiations in the Swedish private sector, this research identifies the underlying aspects of current negotiation practices. The analysis will therefore provide reasons why the extent of the implementation of fact-based price negotiations, hypothesized to currently be limited, is at its present level. The second research question will be answered through a qualitative interview study. This sub-research identifies the behavioural aspects and attitude, the level of internal capacities and knowledge, power dynamics, and other aspects that are found relevant based on both previous research and interview results. Furthermore, the study analyses whether or not the companies have access to enough resources and if they would benefit from gaining access to better negotiation support and cost data.

In addition to the underlying processes, the qualitative interview study identifies the consequences of the lack of fact-based price negotiations. How does the choice of negotiation strategy affect the outcome of procurement negotiations and pricing? Understanding the effects will help identify what barriers need to be overcome to successfully implement fact-based price negotiations in the Swedish private sector. Thereby, the answer to this sub-research question can be a foundation for the third, and final, sub-research question of this study.

1.3.3. Strategies to integrate fact-based negotiations

By analyzing which strategies and tools can be utilized by companies to integrate fact-based price negotiations in their operations, this thesis can help determine what requirements are needed for the negotiation strategy to be implemented more effectively. This research question further identifies under which conditions fact-based price negotiations are most and least applicable. This research question will be answered by analysing the results from the interviews, as the research question is based on the experiences of the interviewees. By comparing the answers given, similarities and differences can be identified, and hopefully, result in a common recommendation of strategies and tools to utilize when integrating fact-based price negotiations more effectively. Answering this could benefit companies in the Swedish private sector in their implementations of the negotiation strategy and provide insights regarding how to make this transition.

Furthermore, the question also explores the role Prognos MKA can play and what support they can offer in a company's potential transition towards fact-based price negotiations. These findings can benefit Prognos MKA as they, as a result, could adapt their tools and value offerings to better fit the ideal conditions of the strategy. Thus, they can be more prepared and aware of specific criteria and tools required for a company to benefit from fact-based price negotiations. The results of this research question can potentially provide a foundation for future research in the field, as research on fact-based price negotiations is currently limited. In addition, the results can provide a structured framework of best practices for the strategy and its implementation.

2. Previous research

Previous research provides knowledge and understanding of different concepts within a specific field. The main purpose is to explore the existing research landscape around a specific topic. What will be included in this chapter is research regarding the topic of fact-based negotiations and closely related subjects that have been deemed relevant for this report. Previous research will, in this regard, include information from both academic articles and reports, and informational websites. The purpose is to define the concept of fact-based negotiations with the definition provided by Prognos MKA (2024a), while also introducing subjects that can help in investigating and analysing the three sub-research questions of the report and the overarching research question. This will enhance familiarity with the existing knowledge and research area and complement the information collected via interviews. To better understand what contributions this report can provide, an analysis of the current and already existing research in the field of negotiations is needed. Understanding the subjects covered and discoveries made in previous literature will facilitate the identification of potential gaps existing in the current research. This chapter will present the current research in the fields of negotiations, price negotiations, fact-based negotiations, behavioral and psychological aspects of negotiations, and power dynamics in negotiations.

To better understand the conducted research related to the first research question, relevant research regarding procurement in general, the procurement process, the negotiation process in general, and fact-based negotiations will be discussed. To better comprehend the result and analysis related to the second research question, research regarding power dynamics, behavioural aspects, and psychological aspects in negotiations will be discussed. These areas are believed to influence the negotiation processes and might present an insight into why the current negotiation practices are used. The mentioned research areas will be presented in the following subchapters.

2.1. The procurement process and price negotiations

The subject of procurement and the procurement process is well described by van Weele and Rozemeijer (2022), who describe how procurement encompasses all activities that require a product to be moved from one supplier to a final destination. Van Weele and Rozemeijer (2022) define procurement as the management of a company's external resources where the supply of all goods, services, skills and knowledge necessary to operate, maintain and manage the company's primary and supporting activities are ensured under the most favorable conditions for both the buying side but also the selling side. The procurement process includes the following steps: define specification, select supplier, contract and negotiation, order, expedition, and evaluation, ensuring a proper delivery and satisfaction from both parties (van Weele & Rozemeijer, 2022).

While procurement operates on a strategic level, the website SAP (2024) discusses how purchasing focuses on the operational parts of acquisition. For instance, the transactional component of procurement involves the direct interaction with suppliers and negotiation of prices (SAP, 2024). As this study is investigating the use of fact-based negotiations, the focus is on the contract phase and, more specifically, on the negotiation phase. In the negotiation and contracting phase, activities such as payment terms, delivery terms, and prices are negotiated and finalized (van Weele & Rozemeijer, 2022). This is where any changes are amended and potential disputes are resolved (SAP, 2024). Van Weele and Rozemeijer (2022) emphasize the importance of understanding that all steps in the procurement process do not work independently of each other but affect each other.

The subjects of negotiations and price negotiations are fields that are widely researched. Fisher and Ury (1981) write about negotiations in general and describe how to negotiate an agreement that satisfies both parties by focusing on interests and mutual gains. They write that to succeed in a negotiation, the individual must separate their feelings from the negotiation and instead be objective and rational (Fisher & Ury, 1981). In contrast, Voss and Raz (2016) criticize Fisher and Ury (1981) for suggesting that negotiations are best done void of emotion. Instead, the authors emphasise the irrational and emotional nature of humans and show how a negotiation is best navigated by understanding the emotional state of your opponent and how to influence it to your favour (Voss & Raz, 2016). In the field of price negotiations, some research focuses on identifying different factors influencing the price outcomes. Wieseke et al. (2014) discuss how customer loyalty in retail price negotiations affects the outcome of the negotiations. The authors discovered that loyal customers receive greater discounts as they develop a stronger intention to negotiate, expecting a reward for their loyalty. Furthermore, the salespeople want to retain loyal customers, which is done by granting discounts more willingly to said customers (Wieseke et al., 2014).

In their research, Lawrence et al. (2021) apply the dual agency theory in the sales domain to investigate the dual roles of the salesperson during negotiations. Their work discovered that the most favourable outcomes of negotiations were achieved when the salesperson advocates for both their own goals and needs, but also the customer's needs. This interdependence between the salespeople suggested that two roles can help mitigate the challenges with role conflict in price negotiations (Lawrence et al., 2021). In their article, Holmes et al. (2017) investigate how the interaction and negotiation between customer and salesperson are affected in an era of increased customer empowerment. They discovered that the introduction of more accessible information for customers and the ability to compare price levels easily has given the customer more negotiation power. The authors describe how customer satisfaction and price outcomes depend on the interplay between the customer's persuasiveness and the seller's negotiation strategies (Holmes et al., 2017). Maxwell et al (1999), on the other hand, discuss how a fairness perspective, both for oneself and for the other party, can improve the negotiation outcome. Their research shows that a seller, without sacrificing their profit, can increase the customer's satisfaction and positive attitude towards the seller and increase their cooperativeness, simply by considering the fairness of the exchange for both parties (Maxwell et al., 1999).

2.1.1. Fact-based negotiation process

The research on fact-based negotiations is, to the best of our knowledge, a bit more limited. However, Generis Global Partners (n.d.) describes how conducting fact-based negotiations is an effective cost reduction strategy when sourcing components. In their article, aPriori (2023) writes about fact-based negotiations and their purpose. They mention that the goal of a fact-based negotiation is to generate a fair price for both suppliers and buyers using detailed data and information to support one's arguments. Furthermore, aPriori (2023) identifies how the preparation phase of negotiations is where a company may generate its estimate based on the identified data. Furthermore, the author discusses how each situation is linked to a specific negotiation strategy, and a company must find a strategy that works for each specific situation.

An article by Toikka (2023) discusses the factual base necessary in a well-structured negotiation. The author writes that the usage of historical data, facts and insights, and detailed information is very important to support and ensure a good position in a negotiation with a supplier. The fact-based approach allows for a negotiation process based on figures and concrete facts rather than assumptions.

Moreover, the stronger the factual base, the stronger the position will be maintained. The most important part is the preparation phase (Toikka, 2023). Prognos MKA (2024a) writes about fact-based negotiations as a strategy and what it entails, and discusses how resources are to be aligned with the goals and objectives that subsequently are supported by the data and facts provided. In the preparation phase, facts are identified and collected to support the arguments presented during the actual negotiation. Fact-based negotiation methods can help companies stay prepared when negotiating (Prognos MKA, 2024a).

On the other hand, nlpa (2024) argues that fact-based negotiations should not be used as the only approach. Within the fact-based negotiation strategy, procurement negotiators focus on cost models that eliminate the chances of potential risk-taking by the supplier. A supplier may be prepared to take risks from which the organization can benefit. Others argue that the supplier will often have the upper hand as they know their data best (nlpa, 2024).

2.2. Drivers behind successful negotiations

Regarding the behavioral and psychological aspects of negotiations and how to leverage such aspects to the negotiator's advantage, the current research discusses how the outcome of negotiations and the negotiation participants are affected by different factors. Van Kleef (2008) discusses how displays of emotions, both positive and negative, influence negotiations and their outcomes. The author discovers that emotions can be used as social information and explains how positive emotions promote joint gains, increase preferences for cooperation, and cooperative negotiation tactics. On the other hand, negative emotions tend to result in the use of more competitive strategies, decrease the desire for future interactions, and make one reluctant to make concessions (van Kleef, 2008). The author writes how these emotions not only affect the intrapersonal experiences during negotiations, but also state how emotions can exert interpersonal influence, and thus effectively influence the actions of the negotiation counterpart (van Kleef, 2008).

Ried et al. (2021) describe how behaviours such as honesty and deception can be contagious across buyer-supplier negotiations as negotiators are more likely to show behavior that they have previously been subjected to during negotiations. Brett and Thompson (2016) discuss how a variety of psychological factors, such as biases, cognition, emotions, and trust, combined with social-environmental factors as reputation, gender, power, status, and culture, affect negotiations in terms of outcome, strategies, social interactions, and properties. In contrast, Maxwell et al. (1999) write that a consideration for fairness in negotiations can lead to the same positive results for both negotiating parties, without experiencing the negative effects of negotiations. The authors discuss how priming fairness in negotiations could promote cooperative behaviour between the negotiation parties and increase the incentive to continue with the same counterparty for future negotiations as well. With a consideration for fairness, the authors state how a buyer's satisfaction can increase without the seller compromising their profit (Maxwell et al., 1999).

2.3. The use of power and information in negotiations

One recurring research area discovered is the importance and effects of power in negotiations. Galinsky et al. (2008) discuss the implications of power in negotiations, both the positive and negative aspects its presence can bring. The authors write that participants with more power and influence are more protected against the pressure of the negotiation situation and from its influences. However, they further mention how power can also affect negotiations negatively, as it can create internal conflicts and dissonance. This can therefore cause the negotiators to experience the opposite effect than psychological liberation (Galinsky et al., 2008). In their article, Galinsky et al. (2017, p. 2) define power in negotiations as *"the probability that a negotiator will influence a negotiation outcome in the direction of his or her ideal outcome"*. However, power is dependent on its relative strength in comparison with the power of the counterpart, and so the probability of a favourable outcome depends on the sources of power of both the negotiator and their counterpart (Galinsky et al., 2017).

Power can take different forms and be the result of different sources, but one aspect mentioned by several authors is the importance of information in negotiations. Galinsky et al. (2017) explain how the use of information in negotiations is a source of power, which will be further discussed in Chapter 3.4.2. Adair et al. (2004) analyse how the use of direct information-sharing in negotiations can lead to joint gains for both parties. The authors write that such an exchange at the negotiation table is crucial to understanding the priorities and trade-offs of the participants. This is linked to information regarding different cultural preferences in negotiations, as it can help understand how behavioral reactions and negotiation strategies differ between cultures (Adair et al., 2004). Brett (2000) discusses how to use information in negotiations and how information about the counterparty's power and interests can affect the outcome. Such information can, according to the author, help the negotiator to determine when to walk away from the negotiations, when to demand more, or when to accept the current offer. However, this information is described as difficult to acquire, especially as power is defined as a perception and a psychological representation of the experienced strength of one's negotiation position (Brett, 2000).

To summarize this chapter, the use of information as a tool and its effects in negotiations are a field of research that has previously been investigated from different perspectives. This thesis therefore seeks to identify to what extent information is used in negotiations in the Swedish private sector and whether or not it is considered a strategy. By combining this with the understanding of behavioral and psychological influences in negotiations, as well as factors affecting the price outcome, this thesis will draw upon current literature while also using its empirical data to answer the previously stated research questions: (1) How are price negotiations conducted in the Swedish private sector today, and what advantages and disadvantages can be seen with the identified strategies used?; (2) What are the key factors influencing the adoption (or lack thereof) of fact-based price negotiations, and what are the economic and behavioral implications?; (3) What strategies and tools can businesses implement to integrate fact-based price negotiations more effectively, and what role can Prognos MKA play in this transition?. This will provide further analysis on the field and widen the knowledge regarding fact-based price negotiations.

3. Theoretical framework

This chapter provides more in-depth information about the models and frameworks that are deemed relevant for analyzing this thesis. The theoretical frameworks presented in this chapter will serve as a foundation when analysing the empirical data found. By applying the frameworks and models to the empirical data, the authors believe that a more in-depth and relevant discussion can be held, and more informed conclusions can be drawn. The theoretical frameworks will better equip the researchers with the relevant knowledge to answer the research questions properly. The theoretical frameworks presented in this chapter have been decided upon based on the authors' understanding of the field of negotiations and other relevant fields of research. The frameworks were initially decided upon before the interviews were conducted, but the list has been subject to an iterative decision process based on the topics discussed during the interviews as well.

First, this chapter will present the framework referred to as *the five negotiation styles,* which discusses five ways of handling conflicts and negotiations. Second, the framework *the five sourcing strategies* is presented, discussing the different ways a company can source supplies from its suppliers. To understand how the sourcing strategies used influence the relationships between buyer and suppliers, the *Kraljic portfolio matrix* is presented before moving on to *Power in negotiations and relationships,* where different sources of power are discussed as well as the power dependence in relationships. This is done to emphasize how power in differing forms is and can be used to influence negotiations. Finally, the section on theoretical frameworks will discuss *Relationship management,* where the two frameworks, *Build and maintain supplier relationships* and *Supplier assessment,* are discussed. These two frameworks present the importance of long-term relationships and how to maintain them, as well as how to assess a supplier based on their performance.

3.1. The five negotiation styles

The model describing the five conflict-handling modes was developed by Thomas and Kilmann in their work from 1974 (Thomas, 1992). This framework is deemed both relevant and important for this thesis as it presents some fundamental ways of approaching negotiations. Understanding the differences in behaviour that each negotiation style brings can help ease the identification of the styles utilized by negotiators, simply by knowing the characteristics of their preferred negotiation methodology. This understanding can help determine what specific negotiation style, if any, is used by the interviewees, which in turn can help answer the first research question: (1) How are price negotiations conducted in the Swedish private sector today, and what advantages and disadvantages can be seen with the identified strategies used?. Furthermore, by knowing what negotiation style is used and preferred, and thus understanding how the negotiations are conducted, it can also be determined whether information, data, and indexes are utilized. In turn, this can help the authors conclude whether fact-based price negotiations are utilised or not. In connection with the other presented frameworks, the negotiation styles are influenced by what type of relationship category, as presented in the Kraljic portfolio matrix in chapter 3.2, a negotiation partner falls. Depending on what type of relationship the two negotiators have towards each other, the negotiation will be viewed and conducted differently. Therefore, understanding what different negotiation styles exist and how they are expressed is deemed to be relevant in this thesis.

In their article, Ogilvie and Kidder (2007) write that these conflict-handling modes, or negotiation styles, are learned patterns of behavior that are distinguished from each other. Thomas (1992) describes the model as based on two underlying dimensions, assertiveness and cooperativeness, where the former describes the attempts to satisfy one's concerns and the latter is the attempt to satisfy the other's concerns. The two dimensions describe a person's behavior in a conflict situation (Thomas & Kilmann, 2008), and when put in contrast to each other, the five conflict-handling modes can be defined as *collaboration, competition, compromise, accommodation,* and *avoidance* (Thomas, 1992). According to Ogilvie and Kidder (2007), negotiators can and do utilize multiple different styles when pursuing their concerns in a negotiation. The choice of negotiation style, according to the authors, defines what type of observable behavior is used in the negotiations. The modes used result from personal predispositions and the specific requirements of the negotiation situation (Thomas & Kilmann, 2008). The benefits of understanding, utilizing, and recognizing the different negotiation styles are described well in the following quote:

> *"Identifying consistent patterns of behavior enables one to recognize, manage, and adapt to those patterns. [...] If patterns can be identified, then a negotiator can prepare to capitalize on her/his own strengths and discover the style of a negotiating partner, developing plans in consideration of that style."* - Ogilvie and Kidder (2007, p. 132).

Figure 1 presents the five different conflict-handling modes, or negotiation styles. The figure shows how they relate to each other and the extent to which assertiveness and cooperativeness are prioritised in negotiations.

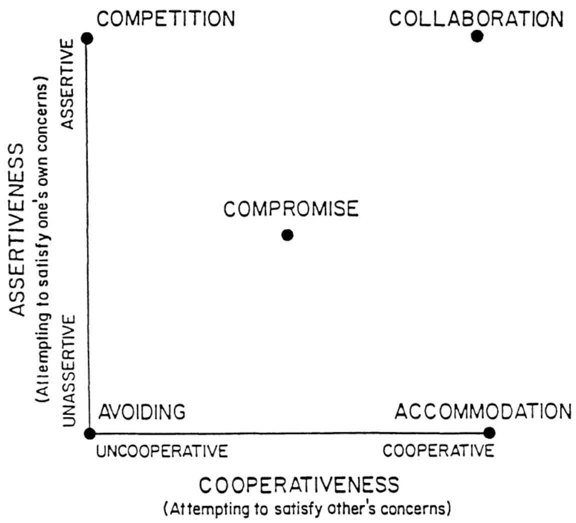

Figure 1: *The five conflict-handling modes in its two-dimensional taxonomy (Thomas, 1992).*

The first handling mode, *collaboration*, describes an individual as both cooperative and assertive in finding a solution that fully satisfies the concerns of both their own and their counterpart in the negotiations (Thomas & Kilmann, 2008). This is done through an active collaboration between the two parties. In his article, Shell (2001) discusses how the collaborator enjoys negotiations as the problems are solved in engaged and interactive ways, and the negotiations are a tool to discover basic interests and perceptions. Thomas and Kilmann (2008) further describe how the collaboration mode is built on sharing information and understanding with the counterpart. Values such as open communication, learning, open-mindedness, creativity, and innovation are of high regard for collaborators (Thomas & Kilmann, 2008). Furthermore, the collaborator aims to find long-term solutions to problems where a win-win situation can be achieved.

Thomas and Kilmann (2008) write that the conflict mode *competition* is assertive and uncooperative. It is described as a power-oriented mode where the individual pursues their own concerns, often at the counterparty's expense (Thomas & Kilmann, 2008). The authors further describe how the mode is useful when quick and decisive action is vital or when unpopular courses of action need implementation. The competitor has a strong belief and a firm stand in their opinions, and uses their influence to their advantage in negotiations. Circumstances with high stakes, limited time, and where bluffing is possible are to be preferred. Furthermore, the author describes how the competitors are well-versed in matters such as leverage, final offers, and ultimatums, which are all traits of traditional and tough bargaining (Shell, 2001). The competition mode, according to Thomas and Kilmann (2008), means defending your position, standing up for your rights, and simultaneously trying to win. As a negative aspect, Shell (2001) discusses how the competitor aims at dominating the bargaining process, which renders their ability to nurture relationships more difficult. Intending to win, the competitor often focuses on issues related to monetary value, which can result in them overlooking non-quantitative issues (Shell, 2001).

Thomas and Kilmann (2008) write that the conflict mode *compromise* is intermediate in both cooperativeness and assertiveness, where the negotiation aims to find a mutually acceptable solution that partially satisfies both parties. The mode can be most useful when two strong, equally powerful opponents are committed to mutually exclusive goals (Thomas & Kilmann, 2008), where no alternative but compromise can lead to a solution. Both Shell (2001) and Thomas and Kilmann (2008) discuss how compromise can lead to finding a solution quickly, which can be advantageous when time pressure is present or when the importance of the negotiation is small. Thomas and Kilmann (2008) write that compromising can entail splitting the difference, exchanging concessions, or seeking a quick middle-ground position. This negotiation style can help achieve a temporary settlement of a complex issue when an expedient solution under time pressure must be found, or as an alternative negotiation mode if collaboration and competition fail (Thomas & Kilmann, 2008).

The fourth conflict mode *accommodation* is, according to Thomas and Kilmann (2008), unassertive yet cooperative, meaning that it is the opposite of competition. As this negotiation style prioritizes the concerns of the counterpart, there is an element of self-sacrifice present. Accommodation is best used when the issue's importance is more prevalent for the counterparty, or when social credits must be built up for later issues that are more important (Thomas & Kilmann, 2008). The accommodator, according to Shell (2001), might place more weight on maintaining the relationship in the negotiations than is necessary. The accommodating individual is often sensitive to the counterparty's verbal signals, body language, and emotional states (Shell, 2001). In their article, Thomas and Kilmann (2008) write that accommodating can be expressed as selfless generosity, yielding to another's point of view, or obeying orders even when in disagreement.

The fifth conflict mode, according to Thomas and Kilmann (2008), is *avoiding,* where the negotiator is both unassertive and uncooperative. The authors write that the negotiator does not address the conflict and instead avoids the issue. This can be expressed as diplomatically sidestepping the issue, withdrawing from the situation, or postponing the negotiations to a later date (Thomas & Kilmann, 2008). In his article, Shell (2001, p. 168) describes the avoiding negotiator as *"adept at deferring and dodging the confrontational aspects of negotiation"*. Furthermore, the author describes how avoidance can be perceived as tact and diplomacy by others (Shell, 2001). Thomas and Kilmann (2008) mention how avoidance is useful when the issue is unimportant, when the chance to satisfy their own needs is limited, when the cost of confrontation outweighs the benefits of the resolution, or simply when the need for a break and a cool down in temper is necessary. A negative aspect of this negotiation style is how the avoiding negotiator can become a bottleneck for the flow of information between parties (Shell, 2001).

3.2. The five sourcing strategies

Companies with different requirements, processes, and relationships can adopt different sourcing strategies. In general, a good supplier relationship is based on careful supplier selection, planning, and understanding of each party's position to one another. A key aspect of the development of sourcing strategies is the issue of influencing the balance of power between the company and its key suppliers (van Weele & Rozemeijer, 2022). According to van Weele and Rozemeijer (2022), the balance of power in a buyer-supplier relationship should ideally be in the buyer's favor. There is a risk of becoming overly dependent on a specific supplier, and a supplier imposing its terms and conditions on the buyer. Cost, quality, flexibility, and resilience in the supply chain are five key considerations that determine the choice of sourcing strategy (van Weele & Rozemeijer, 2022). This chapter presents the five sourcing strategies, *sole sourcing, single sourcing, multiple sourcing, dual sourcing,* and *parallel sourcing,* that purchasing organizations can adopt when managing supplier relationships and procurement processes.

Related to the research questions, the five sourcing strategies can serve as a source of information for both RQ1 (1) How are price negotiations conducted in the Swedish private sector today, and what advantages and disadvantages can be seen with the identified strategies used?; and RQ2 (2) What are the key factors influencing the adoption (or lack thereof) of fact-based price negotiations, and what are the economic and behavioral implications? By defining the sourcing strategies used by the studied companies, the authors can create an understanding of which negotiation strategies are used, why, and how. More specifically, it can help the authors to determine the extent to which fact-based price negotiations are used depending on the sourcing strategy. Concerning RQ2, sourcing strategies can serve as a factor in why certain negotiation strategies are used. Sourcing strategies have a significant impact on how negotiations play out, making them important and relevant to the study. Purchasing strategies and the number of suppliers can determine the power dynamics that exist in the buyer-supplier relationship in a firm. This can be linked to RQ2, where behavioral and economic implications are studied. Here, the study can establish what impact sourcing strategies can have on both behavioral and economic aspects of negotiations.

3.2.1. Sole vs. single sourcing

Sole sourcing refers to when there is solely one supplier that is available and capable of providing the desired resource (van Weele & Rozemeijer, 2022). As explained by Yu et al. (2008), it is a relationship where the buyer has no or few comparable suppliers in the supplier base that can offer the same offerings. Sole sourcing can increase the risk of boundary shifting when a company successively shifts its responsibility and control to its supplier (Lewis et al. 2013). According to Lewis et al. (2013), this can make the buyer strategically dependent on its supplier and ultimately lead to a loss of influence over the relationship and its outcome. A well-functioning and balanced sole sourcing strategy requires that the buyer has critical knowledge, that the relationships are continuously monitored, and finally that the buyer maintains a degree of control over the relationship in order not to risk boundary drifting (Lewis et al. 2013).

Similar to sole sourcing, *single sourcing* refers to a strategy where only one supplier supplies. The difference is that single sourcing involves a buyer choosing to enter a relationship with one specific supplier, while other suppliers are offering the same. It is, according to Yu et al. (2008), a sourcing strategy used to reach a strategic partnership fostering close collaboration and shared benefits. According to van Weele and Rozemeijer (2022), a single sourcing strategy can enable long-term relationships while simplifying the procurement process, simultaneously increasing the risks of quality issues and other disruptions. In contrast, Yu et al. (2008) state that quality increases at a lower total cost for both parties involved due to the higher level of cooperation. Increased commitment due to the higher dependency. Higher commitment, in turn, enables improved communication, stronger relationships, and negotiation power (van Weele & Rozemeijer, 2022). In addition, this strategy eases working with joint process and product innovations. In short, single sourcing is about moving towards a trustworthy and loyal long-term relationship. Both Larson and Kulchisky (1998) and Newman (1989) argue that purchasing resources from a single supplier can result in supplier power, where power can be displayed in the form of a rise in prices or reduction in quality. Further, single sourcing can increase sensitivity for delivery problems, be more affected by volume fluctuations, and increase dependency (van Weele & Rozemeijer, 2022).

3.2.2. Multiple sourcing

van Weele and Rozemeijer (2022) define *multiple sourcing* as a situation in which a company within a certain category sources a product from more than one supplier. This strategy allows the buyer to switch between the suppliers if needed. Buying companies can avoid dependence on a single supplier, which reduces the risks associated with dependence. This approach also provides flexibility and risk spreading in a buyer-supplier relationship, but it poses major challenges in terms of communication, control, and standardization (Lewis et al., 2013). However, companies can achieve consistent quality and efficiency by focusing on increasing their knowledge across partners (Lewis et al., 2013). Van Weele and Rozemeijer (2022) identify the advantages of multiple sourcing as buyers can apply pressure on their suppliers, in terms of price, since they are generally easily replaceable if they do not deliver as expected. The perspective of the buying company having many suppliers results in a broad and spread competence base (van Weele & Rozemeijer, 2022). Challenges with multiple sourcing can, for example, be difficult in getting commitment from suppliers as they are less interested in investing in processes and the relationship (van Weele & Rozemeijer, 2022). This is due to the interchangeability of suppliers and the lack of long-term business. In addition, quality assessment is significantly more complex as it generally requires more resources to follow up.

This study has identified two variants of multiple sourcing, namely dual and parallel sourcing. *Dual sourcing* refers to the strategy in which a buying firm has two suppliers that provide one specific resource, one of which dominates the other in terms of business share, price, and reliability. Dual sourcing is recommended to be used for critical resources to avoid bottlenecks and supply congestion (Schuh et al., 2012). Dual sourcing is preferred as a sourcing strategy in case of high lead-time demand and lead-time uncertainty, as it can reduce the risks of delays (Yu et al., 2008).

On the other hand, *parallel sourcing* is when a buying firm has one sourcing relationship within a product group while having multiple suppliers sourcing across product groups (Bildsten, 2015). It was developed by Richardson (1993) to leverage advantages from both sole and multiple sourcing (Bildsten, 2015). This strategy is used to optimize suppliers for buyers and enables the combination of diversification and cost-effectiveness (Richardson, 1993). Parallel sourcing advocates the importance of combining supplier competition concerning long-term relationships to achieve improved supplier performance. While the supply market knowledge remains, this approach allows the buying company to have buyer power and influence over its suppliers. The competitive environment created among suppliers increases the willingness to perform better in terms of quality, timeliness, responsiveness, and innovativeness (Richardson, 1993).

Depending on what sourcing strategy a company utilizes in its operations, its relationship and dependence on its suppliers will differ. To better understand how to navigate their supplier relationships, regardless of the sourcing strategy used, the company can use the *Kraljic portfolio matrix* as a tool to categorize its suppliers. This model is closely dependent on what sourcing strategy is used, as it is one of the main differing factors between the different categories defined.

3.3. Kraljic portfolio matrix

In his article, Kraljic (1983) first established the model he referred to as *Stages of Purchasing Sophistication*. This model is today commonly referred to as Kraljic's portfolio matrix (Caniëls & Gelderman, 2005). This framework is deemed important for this thesis as it describes how different products and suppliers are valued differently and have differing importance for the company. This difference will ultimately determine how a supplier is viewed and treated in the relationship and, as an extension, in negotiations as well. As defined in the *Kraljic portfolio matrix* by Kraljic (1983), the outcome and methodology of a negotiation are determined depending on the relationship's importance. Furthermore, this also determines whether a renegotiation of price levels, as part of the relationship, is deemed relevant or not. This framework is, as previously mentioned, in close relation to the preferred negotiation style used, as the relationship and its characteristics between the two negotiating parties influence how the negotiations are conducted, which in turn affects the negotiation style utilized. However, the categorization of a supplier is in turn dependent on how the supplier market looks, what sourcing strategies are available, and how many alternative suppliers there are, which was discussed in the previous chapter.

Kraljic (1983) based the model on the assumption that the need for a supply strategy depends on two factors, the *strategic importance of purchasing* and *the complexity of the supply market*. Depending on whether these two criteria were deemed high or low, four different types of supply strategies were identified, depending on the importance of the purchased products. These categories are *Noncritical items*, *bottleneck items, leverage items,* and *strategic items* (Kraljic, 1983).

In their book, van Weele and Rozemeijer (2022) write about Kraljic's portfolio matrix. They describe how the model functions around the fundamental principle that the company has a differing interest in its suppliers, as the suppliers bring different values of varying importance to the company. Thus, differentiated sourcing strategies towards their suppliers and supply markets are needed. The authors present the traditional version of the matrix featuring the product portfolio, as seen in Figure 2, but they also identify suitable sourcing strategies for the different supplier categories based on the supplier portfolio, as seen in Figure 3. In the following subchapters, the four product- and supplier categories will be described in more detail to then identify the suitable sourcing strategy related to each category.

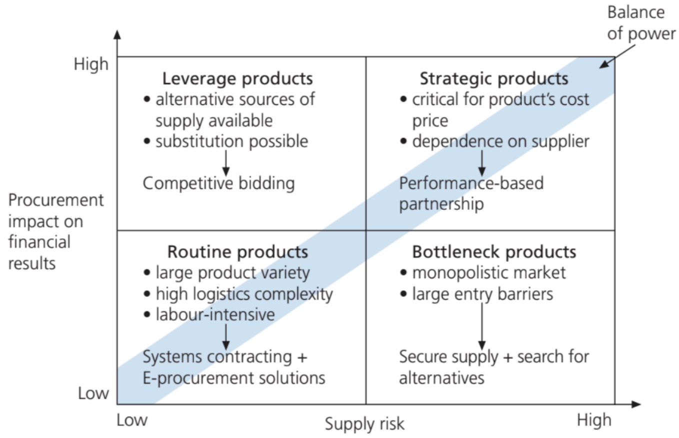

Figure 2: *Kraljic's procurement product portfolio (van Weele & Rozemeijer, 2022).*

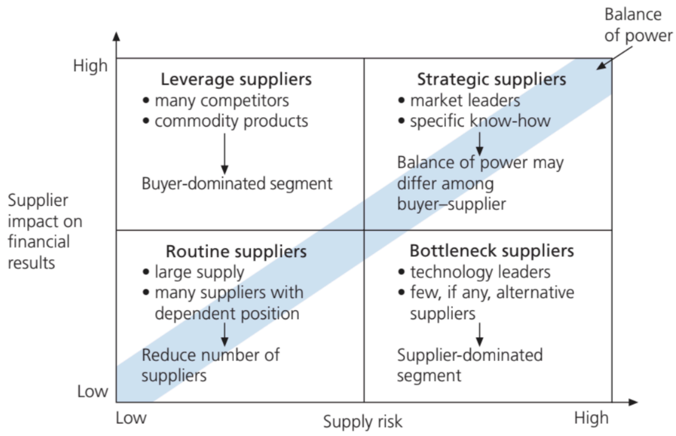

Figure 3: *Kraljic's procurement supplier portfolio (van Weele & Rozemeijer, 2022).*

3.3.1. Strategic products and suppliers

The *strategic product*, sourced from the strategic supplier, is, according to van Weele and Rozemeijer (2022), supplied at customer specification. It represents a high share of the cost price of the company's end product (van Weele & Rozemeijer, 2022). Its key performance criteria are long-term availability on the supply market (Kraljic, 1983). As the item is a scarce supply, only a few or a single supplier of the item is available, which entails that a sudden change of supplier will result in considerable costs for the firm (van Weele & Rozemeijer, 2022). The availability of such few supplier alternatives will, according to Caniëls and Gelderman (2005), cause a significant supply risk, which aligns with the information presented by Kraljic (1983).

In the case of strategic products, the most suited sourcing strategy is a performance-based partnership. It is focused on close cooperation with suppliers as strategic products often represent a large part of the company's turnover (van Weele & Rozemeijer, 2022). Due to the high dependency since the strategic supplier is critical for the company's cost price of the product, supply risks are high, resulting in the company being highly dependent on the supplier. Van Weele and Rozemeijer (2022) argue that depending on the power position of the different parties in the buyer-supplier relationship, the purchasing strategy aims to develop a close cooperation and supportive partnership with the supplier. The collaboration can be shaped by common goals, costs, and operational improvement objectives to achieve cost reductions, quality, processes, and product improvements (van Weele & Rozemeijer, 2022).

Caniëls and Gelderman (2005) write that the supply risk can be reduced to a minimum if such a long-term relationship, a strategic partnership, is defined by mutual trust and commitment. The benefits of this type of partnership are, for instance, product quality improvements, delivery reliability, improved lead times, and information exchange, which all can result in significant cost reductions for both company and supplier (Caniëls & Gelderman, 2005).

3.3.2. Leverage products and suppliers

The second category is the *leverage product*, sourced from the leverage supplier, where the supply and number of suppliers both are abundant (Kraljic, 1983). As seen in Figure 2, this category has a low supply risk and high impact on the company's financial results (van Weele & Rozemeijer, 2022; Kraljic, 1983; Caniëls & Gelderman, 2005). The main task is to exploit the full purchasing power with targeted pricing strategies and negotiations (Kraljic, 1983). According to Caniëls and Gelderman (2005), this exploitation of buying power is done as the company pursues competitive bidding, meaning that the suppliers are pitted against each other for the company to gain the best possible price offer. Kraljic (1983) describes how this category, to be successful, requires access to good and accurate market and vendor data, as well as accurate price and transport rate forecasts. This becomes more relevant as the key performance criteria for this category are cost and price management combined with materials flow management (Kraljic, 1983). Van Weele and Rozemeijer (2022) write that the leverage products can be sourced from multiple suppliers, which results in low supply risk. This justifies a more aggressive approach towards negotiations and the supply market (Caniëls & Gelderman, 2005). The authors further write how suppliers and products are interchangeable, which significantly reduces the need for long-term supply contracts.

3.3.3. Bottleneck products and suppliers

The *bottleneck products* and their suppliers are characterized by high supply risks and relatively low impact on the company's financial results (Kraljic, 1983; Caniëls & Gelderman, 2005; van Weele & Rozemeijer, 2022). In many cases, these bottleneck items can only be obtained from one single supplier (van Weele & Rozemeijer, 2022), where said supplier is the dominant party in the relationship (Caniëls & Gelderman, 2005). The items purchased are mainly specific materials where there is a production-based scarcity, which leads to the main key performance criteria to include cost management and reliable short-term sourcing (Kraljic, 1983). The sourcing strategy most suited for bottleneck products is one where continuity of supply is secured. In this segment, purchasing firms should be focusing on minimizing dependence on suppliers providing the resources through a continuous exploration of alternative products and suppliers (van Weele & Rozemeijer, 2022). Through risk mitigation, buyers can be well prepared and have accurate forecasts in case the identified risks occur. Potential consequences of this product category, as mentioned by van Weele and Rozemeijer (2022), are long delivery times, high prices, bad service, and severe cost consequences, as the buyer is in a high dependence situation towards the supplier.

3.3.4. Routine products and suppliers

The *routine products* have a low supply risk and a low impact on the company's financial result; the category is characterized by many alternative suppliers, and the product has a small value per item (Kraljic, 1983; Caniëls & Gelderman, 2005; van Weele & Rozemeijer, 2022). The problem with the routine products is, however, according to van Weele and Rozemeijer (2022), that the cost of handling is higher than the product's value itself. Therefore, the purchasing strategy must be aimed at reducing the logistic and administrative complexity, and reducing indirect purchasing costs associated with, for instance, ordering and invoicing (Caniëls & Gelderman, 2005). This aligns with the main tasks of the strategy, such as product standardization, inventory optimization, efficient processing, and order volume monitoring and optimization, as discussed by Kraljic (1983). The objective of a purchasing strategy in the routine products segment is to improve operational efficiency, reduce logistical complexity, and the number of suppliers to help reduce unnecessary administrative work (van Weele & Rozemeijer, 2022). The authors even suggest this can be achieved through e-procurement or by outsourcing the routine products to a third party.

3.4. Power in negotiations and relationships

Power within supplier-buyer relationships is closely related to the degree of dependence between the parties (Caniëls & Gelderman, 2007). The author mentions how exploiting power can be advantageous in the short run. However, if a company's position of power changes, that unfair exploitation of power can come back and haunt the company (Kumar, 1996). Furthermore, Kumar (1996) describes how trusting partners generate greater profits. In addition, the author states how the 'victims' of companies who exploit their power, ultimately seek ways to resist.

Power and its dynamics are crucial for negotiations. The one with power has a better chance of gaining their desired outcomes. Sourcing strategies are, as previously mentioned, connected to the power dynamics in a buyer-supplier relationship. This subchapter will discuss two different frameworks, as presented by Pazirandeh and Norman (2014) and Galinsky et al. (2017), which discuss different sources of power in negotiations and relationships, and their uses. Furthermore, the subchapter will present the power regime framework as presented by Cox et al. (2001).

3.4.1. Sources of power in relationships

Power can be viewed differently. According to Emerson (1962), power equals mutual dependence that can balance and unbalance relationships. Pazirandeh and Norman (2014) identify several sources of power within a buyer-supplier relationship. Substitutability of supply and demand is one source of power that relates to the availability of products, the number of suppliers available, entry barriers, market regulations, and the availability of demand substitutes (Pazirandeh & Norman, 2014). For instance, in a situation where a buyer is limited in terms of purchasing options, a supplier can, in turn, demand higher collaboration with the buyer. Another source of power is the interconnection between the parties, affected by: the duration of the relationship, the importance of partners in the exchange decisions, mutual trust, and commitment. According to Pazirandeh and Norman (2014), information sharing can develop mutual trust and commitment long-term. Other sources of power identified by Pazirandeh and Norman (2014) are information asymmetry and demand share. Information asymmetry relates to control over information, knowledge of the supply market, transparency of information, and awareness of the demand. Demand share relates to competition and the number of buyers available (Pazirandeh & Norman, 2014). Another source of power mentioned by Pazirandeh and Norman (2014) is reputation. Reputation is related to indicators such as legitimacy, size, financial status, and technology. But also expertise, resources, and know-how, as well as the logistics situation of the parties (Pazirandeh & Norman, 2014).

3.4.2. Sources of power in negotiations

In their article, Galinsky et al. (2017) present a framework describing four major sources of power in negotiations and the positive aspects of power in negotiations. The four sources of power are *alternatives*, *information*, *status*, and *social capital* (Galinsky et al., 2017).

The first source of power, *alternatives*, is described as the most important one in negotiations as it determines the company's dependence on its counterpart (Galinsky et al., 2017). With alternatives available, the negotiator can put more pressure on the opposing side to better reach their own goals, and if the counterparty disagrees, the alternative to leave the negotiations is valid, as other offers are available. With only one alternative, Galinsky et al. (2017) argue that the negotiator will not be able to leave the bargaining table regardless of whether their needs are met or not. Thereby, the lack of alternatives increases the negotiator's dependence. Furthermore, the authors describe how negotiators *feel* more powerful when having alternatives available, especially as they can expose their different alternatives for competition among each other to gain a better outcome for themselves (Galinsky et al., 2017).

Information, as a source of power, refers to the possession of relevant information regarding the negotiation and the counterparty (Galinsky et al., 2017). Galinsky et al. (2017) describe how this information can include knowledge and understanding of the other party's preferences, priorities, and situation. Having a good understanding of the counterparty's sources of power and alternatives is very valuable in negotiations. In addition, knowledge regarding cultural preferences, market information, and an insight into the counterparty's general expertise and anxieties are useful tools to wield at the bargaining table (Galinsky et al., 2017). The authors describe how these types of information offer clear strategic advantages in negotiations, therefore earning it the classification as a source of power. Information can, according to Galinsky et al. (2017), be gained in three different ways: (1) by doing your homework and finding the information before the negotiation, (2) by asking about the information during the negotiations, or (3) by engaging in perspective talking and trying to make educated guesses about the counterparty.

The third source of power is *status*, referring to the extent to which a negotiator is respected by their counterparty (Galinsky et al., 2017). The authors argue that negotiators with lower status are more likely to defer to higher-status counterparts, meaning that equivalent demands are more likely to be granted to a high-status individual. Galinsky et al. (2017) further argue how status affects perceptions regarding the competence and trustworthiness of the negotiator. Lastly, the authors present *social capital* as a necessary tool for increasing the strength of the other three sources of power (Galinsky et al., 2017). By having a strong social network and by increasing the number of connections, negotiators can improve their chances of having access to more alternatives and relevant information, and increase the probability of being seen as an individual with high status. The social capital is argued to be a facilitator for the other types of power: *alternatives*, *information,* and *status* (Galinsky et al., 2017).

3.4.3. Power regime framework

Depending on power, control can flow differently, and there are different ways in which power can be leveraged. Based on the activities providing dominance, a party can be placed in different quadrants as seen in Figure 4. The figure further illustrates the power regime framework created by Cox et al. (2001). The framework is based on Pfeffer and Sancik's (1978) research on power and inter-organizational power relations, built on Emerson's (1962) *Resource dependency theory* (RDT) on power and resource dependence.

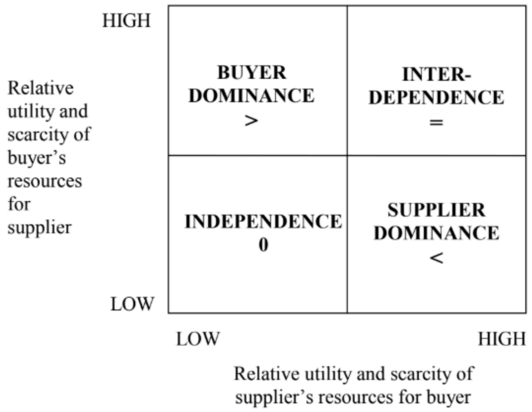

Figure 4: *The power regime framework (Cox et al., 2001).*

The framework revolves around four different power structures that can occur in a buyer-supplier relationship: *buyer dominance, interdependence, independence*, and *supplier dominance.* Cox et al. (2001) argue that power is determined by how dependent one party is on the resources of the other party. The scarcity and utility of resources thus determine the degree of such dependence. This can be identified in the axes of the matrix. Cox et al. (2001) further state that there are key resources that each party in a buyer-supplier relationship brings. For a buyer, it is assumed that the resources brought are the monetary value spent as well as the volume, regularity, predictability, and reputation in the market (Cox et al., 2001). On the other hand, the key resources that a supplier contributes are the knowledge of and the offerings, as well as the organizational processes underlying the product or service they offer.

Cox et al. (2001) explained the four power structures in the following way. Buyer dominance can be experienced once the buyer offers its supplier resources that have high demand and that the suppliers find relatively important. Buyer dominance can also be experienced if the supplier's resources are neither unique nor of importance to the buyer in terms of utility and scarcity. Supplier dominance is experienced once the opposite conditions exist regarding resource scarcity and utility (Cox et al., 2001). A balanced supplier-buyer relationship can be found in the remaining two power exchanges: interdependence and independence. Interdependence can be experienced once the uniqueness and importance of resources offered by both the supplier and the buyer are of high importance to both. Independence in a supplier-buyer relationship occurs when the opposite is true, meaning that resource utility and scarcity are neither unique nor important to either party (Cox et al., 2001). According to Cox et al. (2001), a market ideal is one with many interchangeable buyers and suppliers.

The use of power is not explicit in the interaction between a buyer and a supplier, but the existence of power imbalances influences the behavior of both parties (Cox et al., 2001). The framework is meant to provide a holistic understanding of challenges experienced within a supply network, which in turn enables an understanding of how a company manages its direct and indirect relationships with buyers or suppliers.

3.5. Relationship Management

To maintain and nurture business relationships, mutual trust and relational commitment are two important aspects to consider. Relationship management is important for this thesis and negotiations in general. Every interaction between people, negotiations included, can arguably be seen as a relationship. Therefore, their outcome is dependent on what type of relationship is present and what characterises it. By improving the business relationship between negotiators, better outcomes can be achieved and a more long-term relationship can be reached. Negotiations and how they are conducted are directly correlated with how the relationship is maintained between the negotiators.

According to Morgan and Hunt (1994), trust exists if a company has confidence in a partner's reliability and integrity, meaning that the partner can be associated with qualities such as being competent, consistent, honest, fair, reasonable, benevolent, and helpful. Kumar (1996) defines trust similarly and writes that trust involves dependability, reliability, and a belief that a partner would honor their word. However, Kumar (1996) further writes that trust requires the ability to take a leap of faith and believe that both parties are interested in the other's welfare. Morgan and Hunt (1994) also emphasise the importance of mutual relationship commitment. They describe it as the foundation of relationships and write: *"commitment entails vulnerability, parties will seek only trustworthy partners"* (Morgan & Hunt, 1994, p. 24).

Trust facilitates and reduces, for example, the development of conflicts, resulting in an improved relationship in terms of supplier prices, quality, delivery, and flexibility (Lewis et al. 2013). Kumar (1996) enhances the many benefits of trusting relationships. How can such relationships be maintained? This subchapter will discuss the importance of assessing suppliers to maintain a business relationship, as suggested by van Weele and Rozemeijer (2022), and also describe the core arguments for why building and maintaining business relationships are beneficial according to the findings of McQuiston (2001).

3.5.1. Build and maintain successful relationships

This research investigates the buyer-supplier relationships and the negotiation strategies used at the studied companies. This model presents factors and supportive factors of how to build and maintain a relationship that are considered relevant. It can help identify key factors as to why certain negotiation strategies are used. It can indicate what factors in a relationship are important for companies and, in turn, help Prognos MKA identify what role to play and what offerings to have. Building and maintaining a successful partnership involves several elements. It includes a frequent flow of information, mutual trust, and respect between the parties. It also involves understanding each other's goals and objectives, creating interdependence and commitment (McQuiston, 2001).

McQuiston (2001) developed a conceptual model for building relationships. As presented in Figure 5, six core values were identified by McQuiston (2001), representing the critical factors to a successful relationship. All values are equally important, hence their interlocking. For example, trust and communication are interrelated and contribute equally to the success of the relationship. The core values are inter-organizational, meaning existing collectively within the two organisational entities rather than between individuals (McQuiston, 2001). The four other factors illustrated in the model are supporting factors. In contrast, supporting factors were identified as interpersonal and exist between individuals rather than inter-organisation. A successful relationship is a combination of both inter-organisational and interpersonal relations.

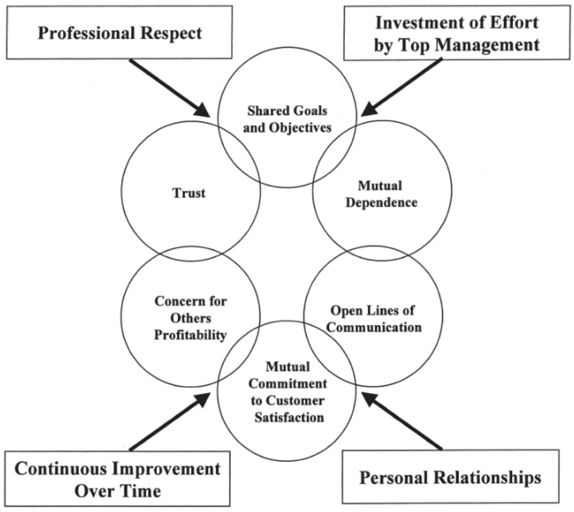

Figure 5: *The conceptual model for building and maintaining successful relationships (McQuiston, 2001).*

The first core value presented in the model is shared goals and objectives. The findings in the research showed that getting together at the beginning of a relationship is of utmost importance for both sides. Here, goals and objectives are determined, communicated to the other party, and made sure that the parties are aligned. This statement is supported by other research, for example, Ouchi (1979) emphasises the importance of considering both parties' requirements and needs and developing common goals. In short, it is all about creating collaboration and new values together (McQuiston, 2001).

The second core value mentioned is mutual dependence and a symmetrical relationship. The power experienced by each party is equivalent to their interdependence in the relationship. With interdependence comes the desire and interest to create more value for one another. To reach this point, McQuiston (2001) states that firms need to emphasize balance, harmony, equity, and mutual support in their relationship. McQuiston's (2001) findings indicate that once both parties are equally as dependent on the other’s expertise, there is a higher willingness to cooperate and towards the set goals.

The third core value presented is open lines of communication. McQuiston (2001) states that parties who have an interest in developing relationships towards a more strategic nature often seek to have frequent communication with their partners, which increases the shared trust and involvement. Open lines of communication are essential when understanding and responding to the other party’s problems. Communication resolves many issues related to maintaining relationships, for instance, misinformation. Information must therefore not only be exchanged frequently, but also be purposeful, open, and honest (McQuiston, 2001). In addition, the findings of McQuiston's (2001) article mention following up on communication when necessary.

The fourth core value is mutual commitment to customer satisfaction. Both parties in a relationship must have active processes that address customer satisfaction. In general, commitment to customer satisfaction is important to building a successful relationship. Considering the final customer’s wants and needs can give the relationship a purpose of why they chose to be in business with each other and how to who together to satisfy the end customer's needs (McQuiston, 2001). The fifth core value presented in the model is concern for the other’s profitability. In other words, it is having mutual profitability and recognising that the other party is entitled to make a fair profit (McQuiston, 2001).

When the parties in a relationship do not receive the expected financial gain, they become less committed to the relationship. Companies must openly discuss financial growth early on to avoid decreased margins, restrictions that are inconsistent with the long-term objectives, or the allocation of business to another supplier (McQuiston, 2001).

The last and most important core value of a successful relationship is trust. McQuiston (2001) argues that trust is based on vulnerability, and the high interdependence within a relationship causes the vulnerability, which leads to trust. Companies that want to develop trust select partners that bring distinctive competencies but similar values (Kumar 1996). Trust can be defined in many ways. Moorman (1992) defines it as the willingness to rely on the exchange partner in whom one has confidence. Building trust requires credibility, honesty, and integrity. All above mentioned core values are factors that can contribute to trust, and without trust, a relationship cannot endure.

The model also incorporates four supportive factors that contribute to a successful relationship. The first supportive factor is *Investment efforts by top management*. It is mentioned that to have committed partnership engagement and support from upper management must be present.. In general, employees are more prone to commit to and understand the importance of a partnership when upper management is working actively to make it successful. The second factor identified by McQuiston (2001) is *Continuous improvement over time*. Improvements are the key to the duration of a relationship. In the article by McQuiston (2001), continuous improvement is manifested in the parties' willingness to gradually improve and move the relationship forward. Trust is presented as one of the core values of a successful relationship, having *Professional respect* for each other is given as a supportive factor. McQuiston's (2001) findings determine that the lack of professionalism and integrity can destroy a partnership very quickly. The fourth and last supportive fact is developing *Personal relationships*. It is recognised that personal relationships have been found to have an impact on economic outcomes in inter-organisational exchanges. According to McQuiston (2001), the most successful relationships were those that included both personal and professional relationships. To simply take the time and effort to get to know a business partner on a personal level can significantly increase the effectiveness of a relationship (McQuiston, 2001).

3.5.2. Supplier assessment

An important part of maintaining supplier relationships is the continuous process of supplier assessment to ensure that the suppliers fulfill all the prerequisites and requirements for the relationship. This is an important aspect of negotiations, as the company can use this type of information as leverage during the negotiations. If a company uses supplier assessments as part of its negotiation preparation, one can determine to what extent facts and information are utilized in negotiations. In turn, this can help determine whether fact-based negotiations are used in the Swedish private sector.

Van Weele and Rozemeijer (2022) discuss how a supplier can be assessed on five different levels, namely the 5Ps of procurement: *price*, *product*, *processes*, *people*, and *purpose,* as can be seen in Figure 6. Assessing a supplier can be done either before going into negotiations or committing to the relationship, or in an already established business relationship. Regardless of the situation, assessing the supplier is a means to ensure a long-term relationship with a beneficial outcome.

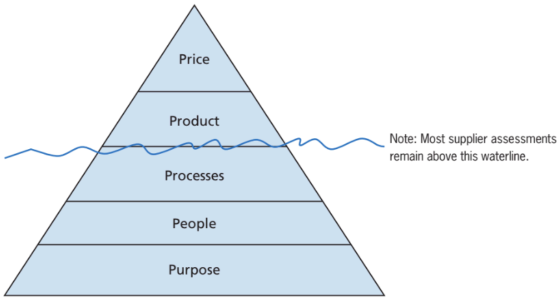

Figure 6: *The 5 Ps of procurement as shown in the work by van Weele and Rozemeijer (2022).*

The framework by van Weele and Rozemeijer (2022) shows how the price level, including cost levels, of the supplier is the highest prioritized level of assessment. What price and cost levels does the supplier have, and are they reasonable compared to competitors? Second, the authors mention the product level, which aims at improving the quality of the supplier's product. These two initial levels are often the extent of the majority of conducted supplier assessments (van Weele & Rozemeijer, 2022).

The third assessment level, the *process level*, targets the quality of the supplier's processes, which are needed to produce and deliver the product (van Weele & Rozemeijer, 2022). The authors describe how this assessment level entails the entirety of the supplier's operations, including production, quality management, logistics, procurement, and supply chain management. The *people level* assesses the people and the organization of the supplier. Which, according to van Weele and Rozemeijer (2022), includes the employees' actual behavior, skills, and expertise, combined with their motivation, sustainability awareness, and innovativeness. Lastly, *the purpose level* discusses the purpose of the supplier and their motivations for the relationship regarding long-term commitment, integrity, shared values and beliefs, and business strategies (van Weele & Rozemeijer, 2022).

Furthermore, the authors present how the assessment of a supplier can either be data-driven or subjective (van Weele & Rozemeijer, 2022). The former evaluates the supplier based on 'soft information' such as personal judgements, experiences, and perceptions that various stakeholders working directly with the supplier have gained from that exchange. The latter is a quantitative approach that quantifies the performance of the supplier in terms of different criteria deemed important by the company (van Weele & Rozemeijer, 2022). These criteria are measured through different Key Performance Indicators (KPIs). Both the subjective and data-driven assessment of a supplier are necessary in maintaining and improving a business relationship with a supplier (van Weele & Roemeijer, 2022).

In conclusion, this chapter builds on several important theoretical frameworks to support the authors' understanding of the area and support the analysis and discussion of the empirical findings. Theoretical frameworks such as Thomas and Kilmann's *five negotiation styles*, *the five sourcing strategies* and *Kraljic's portfolio matrix* provide valuable insights on, for example, how negotiations can be conducted, how companies can source their suppliers and how negotiation behavior and the buyer-supplier relationship can be affected by the sourcing strategy and negotiation style utilized. Furthermore, both the *Five Horsemen of Power* and *The power regimes framework* highlight how different power dynamics affect relationships and negotiation outcomes. Finally, *Building and maintaining successful relationships* by McQuiston (2001) and *Supplier Assessment* by van Weele and Rozemeijer (2022) provide comprehension on the type of buyer-supplier relationship that can be formed and the factors that influence it, which can help Prognos MKA identify what customers consider important and, in turn, customise its offerings accordingly. Together, the section on the theoretical framework serves as a comprehensive basis for the discussion and analysis of the empirical results.

4. Methodology

This research is a qualitative study investigating the extent to which fact-based price negotiations are used in the construction and production branches within the Swedish private sector. The focus area of the study is the negotiation phase of the procurement process and, more specifically, price negotiation. The study will address both the buyer and seller perspectives of negotiations.

4.1. Research strategy

Qualitative research is, according to Moen and Middelthon (2015), a methodology used to explore different experiences, practices, and phenomena in different contexts. Rather than gathering data in the form of numerical data or statistics, qualitative research aims to understand how people experience, perceive, and conduct these processes and practices (Moen & Middelthon, 2015). In their book, Bell et al. (2019) describe qualitative research as inductive, interpretive, and constructivist. The authors write that the focus of the qualitative research strategy is to understand the social world by examining the interpretation of said world by its participants. Furthermore, the authors describe how social properties are outcomes of the interaction between individuals (Bell et al., 2019). Qualitative research analyzes behaviours, relations, and experiences and defines the research methodology as *"a sequence of interpretive techniques that try to describe, decode and translate concepts and phenomena rather than to record the frequency of certain phenomena in society"* (Basias & Pollalis, 2018, p. 94). The authors further write that this research strategy supports in-depth research. In their work, Eisner (2017) writes about the qualitative research's interpretive character.

Bell et al. (2019) discuss some critiques against qualitative research. The authors mention how it can be perceived as too subjective and impressionistic, as the researchers subjectively decide what information derived from the research is deemed as relevant or not. The qualitative data, due to the subjectivity of the researcher, could be influenced by the attitude and culture of a researcher (Basias & Pollalis, 2018), something that might be unavoidable but should be limited. Bell et al. (2019) further mention how the research conducted can be difficult, if not impossible, to replicate due to its relatively unstructured nature. Furthermore, the authors mention how qualitative research can have problems with generalization as the scope of the findings is argued to be restricted. Lastly, the authors mention how qualitative research has a lack of transparency as it might be difficult to establish what was done and how the conclusions were drawn (Bell et al., 2019). These are all fair critiques made against the research strategy. Regardless, the qualitative research strategy has been deemed suitable for this thesis and its purpose, as the report aims to understand the current situation in the Swedish private sector by understanding and analysing the experiences and knowledge of purchasing and sales professionals interviewed.

4.2. Research process

The study was conducted during the spring of 2025. The research process commenced with a pre-study at the focal company, through both secondary research and physical meetings where Prognos MKA described the company and its offerings. The authors and Prognos MKA discussed problem formulation, field of study, and expectations. Here, Prognos MKA described the desired area to investigate, namely, fact-based negotiations within the Swedish private sector. More specifically, within the producing and construction branches. The authors then began brainstorming research questions and processes needed to capture the desired result. The final research questions were presented to and modified by both the authors and Prognos MKA.

The research questions further deepen and assist the research in creating a holistic understanding of the market, the price-negotiation process, and why they were used. In turn, the research questions steered what areas to investigate in the previous research section. Here, secondary research was conducted through various online databases. This helped the authors create an understanding of what research has been done in the area of procurement, negotiation strategies, and fact-based price negotiations. The gap this research aimed to bridge was to what extent companies within the Swedish private sector are leveraging fact-based price negotiations. The next step in the research was developing interview questions. Before selecting interview questions, they were shown and discussed with Prognos MKA, where they had the opportunity to modify and add questions following what they deemed important. Having a close collaboration with the partner company Prognos MKA, of course, introduced a level of bias in the development of the interview questions. As this research is conducted on behalf of Prognos MKA, they influenced steering the research in the direction that they deem relevant and valuable. However, when it comes to collecting, handling, and analyzing the data, this was independently conducted by the researchers to mitigate the risk of becoming too dependent on the company's opinion, affecting the transferability of the research while ensuring academic credibility.

The selection of questions did differ depending on expertise and role of the interviewees, for instance, differing questions for suppliers and buyers. Moreover, the interviews were in the form of a semi-structured interview, meaning that the interview results also differed depending on the answers and additional questions asked, which will be explained more thoroughly later in the chapter. The final selection of questions is presented in Appendix B. The interview questions were divided into four categories (i.e., background, negotiation tactics, fact-based negotiations, and experience). Potential companies to interview were researched online through LinkedIn and company websites. As the research focus is the production and construction branches, the search investigates companies within the two branches. The selection of the two branches to investigate was based on the choice and interest of Prognos MKA. The names of potential companies were compiled into a list and then sent to Prognos MKA. Subsequently, Prognos MKA had the opportunity, before contacting the companies, to accept or reject according to their criteria, i.e., if a relationship exists or due to other grounds. This was done in two iterations, however, only companies from the first list were contacted, as the number of interviews provided sufficient empirical data. The research consists of 12 interviews with 11 companies. The purpose of the interviews was to gather sufficient empirical data to be able to answer RQ1-3:

1. How are price negotiations conducted in the Swedish private sector today, and what advantages and disadvantages can be seen with the identified strategies used?
2. What are the key factors influencing the adoption (or lack thereof) of fact-based price negotiations, and what are the economic and behavioral implications?
3. What strategies and tools can businesses implement to integrate fact-based price negotiations more effectively, and what role can Prognos MKA play in this transition?

In parallel to the interviews, secondary research was conducted. Simultaneously, interviews were transcribed, and relevant theoretical frameworks were developed based on the findings from the comprehensive secondary research. The next phase of the research process is the analysis. The research analysis method chosen for this qualitative research is *thematic analysis* (Braun & Clarke, 2006). Themes were thereafter identified based on their relevance to both the empirical data and the theoretical frameworks. After conducting the analysis, the research questions are answered in the discussion, before a conclusion is drawn and a recommendation to the company is formulated.

In this research, contact with the focal company, Prognos MKA, is of utmost importance. This research is conducted in collaboration with them, and they are therefore entitled to have a frequent and in-depth understanding of the research process. Check-ins have been made through both physical meetings and weekly updated reports. For the research process to be in accordance with academic requirements and regulations, the authors have had contact with a supervisor at Chalmers University of Technology every other week throughout the research period.

4.3. Primary data collection

The primary research method utilised in this qualitative research is a semi-structured interview study, where multiple interviews with different actors and companies within the research scope was conducted. This type of interview structure was chosen due to the possibility of keeping the discussions open and not limited to solely the questions prepared by the authors beforehand. Busetto et al. (2020) write how the semi-structured interviews are characterised by a structure with open-ended questions where the interview utilises predetermined, but not limited to, topics to discuss. This methodology allows for an exploration of the predetermined subjects while simultaneously keeping the interactions free enough for the interviewee to discuss areas they deem important to mention. The semi-structured interviews allow for an understanding of the individual perspective, experiences, and practices of the interviewees, rather than a generalized understanding of a phenomenon (Adeoye-Olatunde & Olenik, 2021). A limitation with the research method is, however, that the information gathered is subjective experiences and perspectives, rather than objective and generally accepted facts. However, by discussing the same questions in several interviews and relating the results to previous research, the answers can be compared to ensure that a proper understanding of the subject is attained. Table 1 shows the number of interviews conducted and the topics discussed in the semi-structured interviews.

This chapter will discuss how the primary data collection through the methodology of semi-structured interviews was conducted. First, the utilised sampling methods will be discussed and described, which shows how the interviewees were selected and found for this thesis. Second, a table of the conducted interviews and interviewees will be presented to show for the conducted qualitative study. Finally, the ethical considerations for the primary data collection will be discussed.

Table 1: Different interviewee categories and related information.

Interviewee categories	**Expected approximate number of participants**	**Initial plan of topics to discuss**
Buyers	10	From the buyer/seller perspectives, respectively: ● Different negotiation strategies and how they are perceived ● Negotiation experiences and insights ● Information usage and sharing ● Experienced power dynamics and behavioural aspects ● Negotiation outcomes and expectations ● Negotiation preparation
Sellers	2	

The table presents the different interviewee categories which the study is divided into. It further shows the number of participants for each category and a description of what topics were discussed during the interviews.

The empirical data utilised in this thesis have been collected from a total of twelve interviews. All interviews have been with Swedish companies within the private sector in either the construction or the production sector. Appendix A shows the twelve conducted interviews, interviewees, their roles they have and what companies they come from. Some interviewees wished for their company or role to be kept anonymous. In those cases, the square is left empty. Of the twelve interviews, two were with individuals working within sales and negotiations, while the remaining ten were with individuals currently working, or with previous experience in, purchasing and negotiations. For instance, interviewee 7 does not currently work within purchasing, however, they have over 30 years of previous experience, which was the focus during the interview. The interviewees were selected based on their respective roles within their companies, as these provided an indication of the individuals' competence and experience within negotiations. A Purchasing Manager or a Sales Manager is responsible for their respective functions at the company, including negotiations, and can thus be assumed to work with negotiations in some form on a relatively regular basis. Therefore, these types of company roles were deemed relevant when selecting potential interviewees for the study. The table in Appendix A is presented to give some context to the anonymous interviewees while also showing their competence area and relevance for this study.

4.3.1. Sampling Methods

According to Berndt (2020), having knowledge of and utilising sampling methods is of utmost importance to create quality research. Therefore, various sampling methods were used and further explained below. As this research is a qualitative study, it is constrained to using non-probability sampling methods, which, as explained by Berndt (2020), are techniques where the selection is mainly based on the subjective judgment of the researchers.

The first method used in the research is the *snowball sampling method*. A sampling method where authors recruit participants who subsequently recruit other participants (Berndt, 2020). This is carried out until the desired participants are reached. This method is often used for groups where recruitment is difficult (Berndt, 2020). This sampling method was chosen to try to reach new potential interviewees, as it was at times difficult to get in contact with companies and with the relevant people there. To reach the individuals working within purchasing or sales, the researchers needed other employees at the company to connect them to these individuals. Both identifying and contacting the relevant individuals were difficult. The researchers only contacted companies that listed individual contact information on their publicly available company websites. This limited the number of companies the researchers were able to contact significantly, as few list individual contact information on public platforms.

In this research, the snowball method was used to expand the sample size and its relevance. Participants were contacted, interviewed, and additionally chose other colleagues whom they deemed suitable to interview. An advantage of the method is that it enables recruitment in groups with specific characteristics that are otherwise hard to identify (Nikolopoulou, 2022a). For instance, with the snowball method, the authors were able to reach participants with specific experience in price negotiations. However, the method facilitates sampling bias due to the researchers not having full control of the sampling process (Nikolopoulou, 2022a). In addition, relying on referrals can create difficulties in reaching the participants as they may not trust the researchers (Nikolopoulou, 2022a). In this research, the contrary was experienced when the question to participate in the research came from a colleague within the organisation, the willingness to participate was higher. To minimise sampling bias as much as possible, a purposive sampling method was also used.

Purposive sampling relies entirely on the researchers' judgment of who is to be sampled (Berndt, 2020). According to Nikolopoulou (2022c), purposive sampling is widely used in qualitative research and can be useful when justifying the selection through analytical, logical, and theoretical grounds. The sample selection was identified based on who will provide the most relevant information in achieving the desired result of the study’s objective and purpose. A disadvantage of the purposive sampling method is the risk of researcher bias, more specifically, if the determined criteria are vaguely described and documented (Berndt, 2020). To minimize researcher bias, participants are selected purposefully regarding certain criteria that are clearly described. The first criterion in this research is that the participant must be working within the Swedish private sector in the construction or industrial sector with roles involving purchasing or sales and price negotiations. The second criterion is that participants must possess a higher level of experience in said areas. The third criterion is that participants must be working in companies with an annual turnover of at least €50 million. These criteria were chosen to ensure that the participants are knowledgeable and the right sample is selected. However, it is important to note that purposive sampling can complicate the justification of the population represented, as it is a non-probability sampling method that involves some extent of subjectivity in the selection process (Berndt, 2020).

The third sampling method used was *convenience sampling*. According to Nikolopoulou (2022b), participants are selected based on, for instance, geographical proximity, availability, and willingness to participate in the study. The participants were sampled as they were the easiest to recruit (Nikolopoulou, 2022b). However, as it is not a random selection, the sample is not representative of the population that is studied, which can further limit the ability to generalise the results from the sample. Moreover, this can affect the data collected and increase the risk of various forms of bias (Nikolopoulou, 2022b). In this report, participants were selected based on geographical proximity (i.e., the Swedish private sector), availability (i.e, the given list by Prognos MKA), and willingness (i.e., the participants who responded were interviewed).

The three presented sampling methods are all relevant methodologies that were utilised in this thesis, as they, in different ways, ensured the identification of applicable prospective interviewees to participate in the research. As the authors themselves had a limited number of suitable contacts for the research, the need to increase the number of prospective candidates was of the utmost relevance. As the three sampling methods identify potential interviewees through methods other than simply utilizing the existing, known contacts of the researchers, they were deemed useful and relevant for the thesis.

4.3.2. Ethical consideration of the participants

It is important to consider the ethical aspect of participants (Bell et al., 2019). Ethical concerns are taken into account throughout the collection of empirical data. Ensuring that the research is reliable, credible, and respectful. For instance, the initial contact with potential interviewees was through an email with in-depth information about the authors, the partner company Prognos MKA, and the research as a whole. Contact information of the authors was provided to create an opportunity for the interviewee to choose preferred communication. They were also provided with an interview guide before the interview date. This was done again to ensure that they are in line with what is asked, and they have the opportunity to prepare and ask questions if needed, but also to ensure that they are provided with all information needed before partaking in the interview (Bell et al., 2019).

Another way in which ethical aspects were considered was when conducting the interviews. Participants were again informed about the purpose of the interview, the research, and the partner company before participating in the study. To ensure informed consent, all participants were initially asked the same set of three questions regarding whether the company was to be anonymised in the report, if the interview could be recorded, and if information given by the participant in the interview could be used in the research (Pollard, 2006). Throughout the interview process, it was evident that the initial questions were deemed important to ask. For instance, several participants wanted to complete the interview first and give their consent to use the information in the research at the end of the interview. In addition, as the interviews were recorded, they were also transcribed. The transcription plays a pivotal role in the processing and analysis of primary data concerning the chosen analysis method. Furthermore, some participants requested to read the parts of the finalized report that are based on their interviews. This opportunity was also given to the participants. In this way, we have taken into account their concerns and ensured that they are again informed and in line with what was to be mentioned about them. This research has, in many ways, ensured that all parties are comfortable and content throughout the process, giving them the opportunity to, at any time, withdraw consent (Pollard, 2006).

> *"As a part of the consent procedure, each subject must have it carefully explained that they have a complete right to withdraw consent at any time, to refuse to participate, to anonymity and to confidentiality."* - (Pollard, 2006, p. 657).

4.4. Data analysis

In their work, Bell et al. (2019) write how the qualitative study, with interview transcripts or notes, can rapidly generate quite a large and complex dataset. They further mention the difficulty of finding an analytic pathway through such a dataset. In the worst case, the authors argue how such a dataset can render the researcher unable to interpret the data's broader significance if becoming overly captivated by the richness of the data (Bell et al., 2019). In their article, Braun and Clarke (2006) advocate for *thematic analysis* as both a flexible and useful data analysis method to utilize in qualitative research. The following quote shows the popularity, suitability, and relevance for the thematic analysis methodology.

> *"While thematic analysis lacks clearly specified procedures, it is the flexibility of this analytical strategy - the fact that it can be used to analyse a wide variety of types of qualitative data and*

> *as part of a narrative, grounded theory or critical discourse analytic approach - that accounts for its popularity."* - Bell et al. (2019, p. 520).

For this thesis, thematic analysis was deemed a relevant method to use as it can help navigate the large and unstructured data corpus, as defined by Braun and Clarke (2006) as the entirety of the collected data in this research. From there it can find the more structured, smaller, and analytically relevant datasets that can help bring a theoretical relevance to the field of fact-based negotiations. This chapter will present the thematic analysis method as a concept and its advantages and disadvantages, before describing how the thematic analysis has been utilized in the research conducted for this thesis.

4.4.1. Thematic analysis method

In their article, Braun and Clarke (2006) define thematic analysis as a method for identifying, analysing and reporting patterns within data, but can also be utilized to interpret various aspects of the research topic. Ryan and Bernard (2003) describe the act of discovering themes as qualitative analysis. Bell et al. (2019) describe the analysis method as one of the most common approaches to qualitative data analysis. Braun and Clarke (2006, p. 81) write how thematic analysis either *"reports experiences, meanings and the reality of participants"* or examines how they *"are the effects of a range of discourses operating within society"*. The authors further write that a theme must capture something important regarding the data concerning the research topic, while also representing some level of patterned response or meaning in the collected data set.

Bell et al. (2019) define four criteria that need to be fulfilled for a theme to be a theme. These are:

> *"A theme: is a category identified by the analyst through his/her data; relates to the analyst's research focus (and quite possibly the research questions); builds on codes identified in transcripts and/or field notes; provides the researcher with the basis for a theoretical understanding of his or her data that can make a theoretical contribution to the literature relating to the research focus."* - Bell et al. (2019, p. 519).

In their article, Ryan and Bernard (2003) describe that themes are abstract constructs and the conceptual linking of expressions, which are induced from empirical data. However, they note that there is not one way, but many, in which expressions can be linked to abstract constructs (Ryan & Bernard, 2003).

According to Ryan and Bernard (2003), it is important to clearly define and make explicit the techniques used to discover the themes as this is the basis of much social science research. The thematic categories enable researchers to describe, compare and explain phenomena, which otherwise would not be possible (Ryan & Bernard, 2003). The themes can be identified either in an inductive or deductive way (Braun & Clarke, 2006). According to Ryan and Bernard (2003), the inductive approach means that the themes come from the data, whereas the deductive approach, or as they call it an a priori approach, means that the themes are derived from the investigators previous theoretical understanding of the research topic. The deductive themes are described to come from predetermined definitions found in literature reviews or from the characteristics of the phenomenon studied, and from the researcher's own experiences, theoretical orientations and personal values (Ryan & Bernard, 2003).

The way to conduct thematic analysis can, according to Braun and Clarke (2006) be summarized in six steps. First, the researcher must f*amiliarize themselves with their data*, through transcribing, reading and rereading the data. Ryan and Bernard (2003) write similarly that the process of identifying themes begins with transcribing the interviews held. Second, *initial codes must be generated* in a symmetric fashion across the entire data set. Then *themes must be searched for* by gathering all data relevant for each potential theme (Braun & Clarke, 2006). The next step is then to *review the themes* to understand if the themes work concerning both the coded extracts and the entire data set. The last step before *producing the report,* is for the researcher to *define and name the themes* which is an ongoing analysis to refine the theme and its specifics (Braun & Clarke, 2006).

In the process of identifying a theme, repetitions are deemed as one of the most prevalent criteria for establishing that a pattern across the data warrants being considered a theme (Bell et al., 2019). According to Ryan and Bernard (2003), repetition is the easiest way to identify a theme, those topics that occur and reoccur.

Repetition can either be the recurrence across data sources, for example across several interviews, or the recurrence within one data source (Bell et al., 2019). However, the authors highlight that just because something is largely recurring in the data set, it does not necessarily mean it should be considered a theme, since it must simultaneously be relevant for the research topic as well (Bell et al., 2019).

4.4.2. The thematic analysis process

The thematic analysis conducted in this research somewhat followed the steps presented by Braun and Clarke (2006). First, the interviews were transcribed as a measure of familiarizing the researchers with the data. The transcribed interviews went through an iterative process of summarizing the results. The information deemed relevant from the transcripts was highlighted and categorized by adding a descriptive heading to the section. This process was then repeated on the first iteration of the summarized transcripts. This resulted in the information later used in the *Empirical analysis* being limited to approximately one-third of the data corpus. The categorized data sets were then compiled in an Excel file where similar headings were presented in the same column. This Excel file lists all the interviewees and their respective information for the different categories identified. This is how codes were generated.

Next, potential themes were defined and classified through a mind mapping process. Identification of patterns and connections in the data defined the final selection of themes. The authors named, classified, and selected the following themes: *Sources of power and their challenges,* with the sub-themes: *Relationships and their impact, Information and its impact, Factors influencing the negotiation outcome,* and *Challenges and barriers*.

As a result of the Empirical analysis, its themes, and the empirical data presented there, the authors of the thesis were able to create a model representing the five stages of implementation of a fact-based negotiation strategy called *the five-phase implementation model*. The model, when presented in the Empirical Analysis, shows where each of the interviewed companies falls in their individual implementation journey, see Figure 13. The model, shown in Figure 7, presents the five phases as follows: *No Implementation, Emerging Implementation, Partial Implementation, Established Implementation,* and *Evident Implementation.*

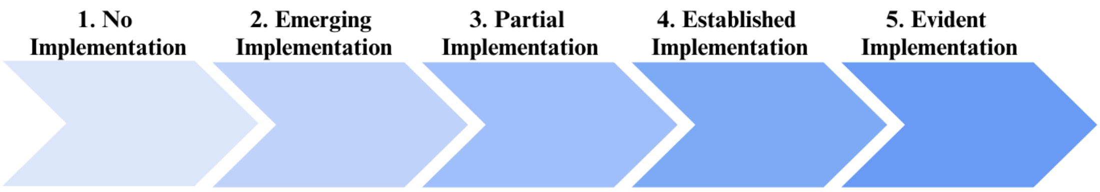

Figure 7: *The five phases of implementing a fact-based negotiations strategy.*

4.5. Quality criteria

Generally reliability and validity is used to assess research. However, according to Bell et al. (2019) the characteristics of both are related and applicable for quantitative research. Bell et al (2019) present Guba's (1981) quality criteria for qualitative research trustworthiness containing four quality criterias (i.e. credibility, transferability, dependability and confirmability).

Credibility referring to internal validity and how believable the findings are. Ahmed (2024) presents ways in which the level of credibility of qualitative research can be enhanced. Credibility of research can be strengthened through creating an understanding and analysing participants' perspective and experiences and triangulation (Ahmed, 2024). Ahmed (2024) emphasises the importance of building trust with participants to enhance credibility. Through trust researchers can gain insights on experience, behaviours and beliefs. Researchers capture in-depth data that is not captured otherwise (Ahmed, 2024). In the study, building trust has enhanced credibility of the research. For instance, the researchers have dedicated extensive time for researcher-participant interaction (i.e. pre-interview, during and post-interview) ensuring the participants' experiences are prioritised.

Transferability refers to external validity and the applicability of the research in other contexts (Bell et al. 2019). According to Ahmed (2024), a transferable research contains detailed contextual descriptions of the study's environment, participants, and processes. This research describes, for example, its research process (4.2) in great detail, including sampling methods and selection criteria applied (4.3.1). In qualitative research, generating representative samples through relevant sampling methods is crucial to increase the transferability of the research (Bell et al., 2019). The context is important to ensuring transferable research hence, the context of the area of study, branches, and Prognos MKA are thoroughly explained in chapter 1.1.

The *Dependability* of qualitative research represents the reliability of quantitative research, concerns whether or not the results are applicable and replicable (Bell et al., 2019). But also whether or not any researchers' influence have affected the study (Bell et al., 2019). This research contains extensive and detailed descriptions of the research process, enhancing the study's dependability and giving the opportunity for any other researcher to replicate this study.

Confirmability refers to the objectiveness and independence of a research, to what extent is it affected by biases or preferences by the researchers (Ahmed., 2024). Confirmability can be enhanced through peer-debriefing and member checking. In this study, regular meetings with supervisors at Chalmers and Prognos MKA but also through close collaboration and discussions among the researchers. This can help authenticate interpretations and prevent bias. In this study, participants that have requested, have been given the opportunity to review the parts written based on their specific interview and confirm that they are correctly presented and interpreted.

5. Empirical analysis

This chapter, the *Empirical analysis*, will disclose the information gathered through the 12 semi-structured interviews on which this thesis is based. The interviewees work within either purchasing or sales, but all have experience with negotiations. The companies interviewed were all within either the Swedish construction industry or the Swedish producing industry. Through the thematic analysis that followed, several interesting themes and sub-themes were discovered. Negotiations are the core of this thesis, and throughout the whole project, power has been a recurring theme, either directly mentioned or implied. To succeed in negotiations, one must improve their relative strength and power compared to their opponent. This can be achieved through different means, but in the end it is a crucial element when the negotiator must convince the counterparty, not only that their arguments are sound, but also that they are worth agreeing to.

At the heart of the discoveries made, are therefore *Sources of power and their challenges*. This core theme, and thus the empirical data as a whole, investigates how the negotiator in different ways can attain different advantages, and additional bargaining power, which will allow them to achieve better negotiation outcomes. As presented in *Theoretical framework* (3.4), there are several researchers who previously have investigated different sources of power in both relationships and negotiations. This thesis will add to this research area by presenting a new model for sources of power. Throughout the analysis made, three overall themes, three sources of power, were identified which help enable negotiations. The first, *Relationships and their impact*, describes how a negotiator can utilize the power of strong, strategic and long-term supplier relationships in their negotiations. *Information and its impact* identifies how information in different forms can help determine the course of the negotiations. The third source of power identified, *Factors influencing the negotiation outcome* describes how negotiation tactics and preparation can strengthen the bargaining power of the negotiator, while also describing the characteristics of both good and bad negotiations.

However, as with everything, there are some challenges and barriers that will prevent the identified sources of power from being utilized to their full extent. For the negotiator to be fully prepared, they must know and understand what challenges there are with both relationships, information, and negotiation tactics. Therefore a fourth overall theme was identified to influence the sources of power, namely *Challenges and barriers.* In Figure 8 a representation of the identified themes and how they correspond to the core theme *Sources of power and their challenges*. The empirical analysis will consist of these four identified themes which will be discussed in further detail in each subchapter. Each theme has a number of sub-themes which together can present a representative picture of the information gained from the interviews.

In the last subchapter of the Empirical analysis, *the five-phase implementation model enabling fact-based negotiations* will be introduced, presenting the five identified phases of implementation of a fact-based negotiation strategy. This subchapter will also include the progression of the interviewed companies in the model to indicate the extent to which fact-based negotiations are implemented and utilised in the Swedish private sector within the construction and producing industry.

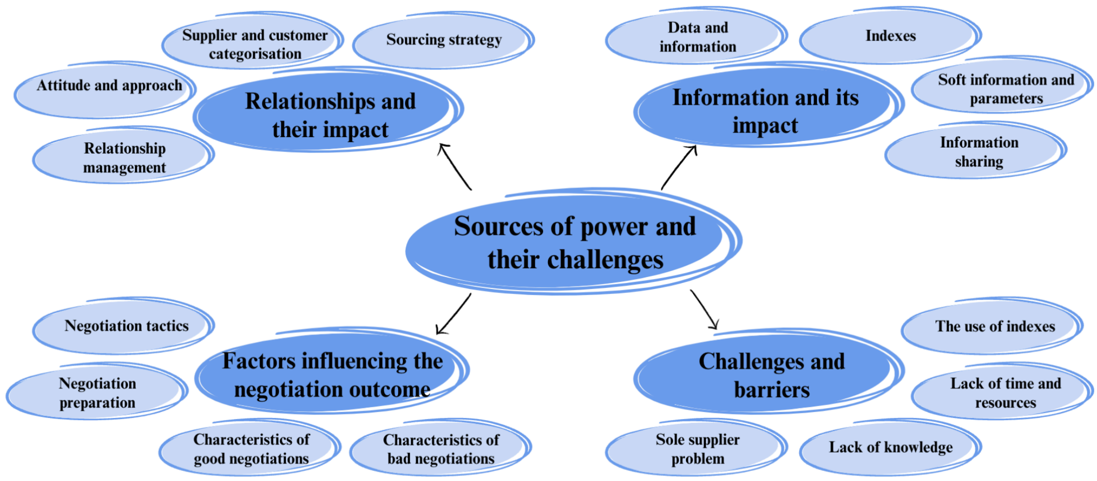

Figure 8: *The core theme Sources of power and their challenges, the four belonging themes, and their corresponding sub-themes identified.*

5.1. Relationships and their impact

The first source of power identified is *Relationships and their impact*. This theme in turn consists of and identifies four sub-themes which are deemed relevant for attaining advantages resulting in better negotiation outcomes. The first sub-theme, *Relationship management*, discusses how to maintain a strategic and prosperous relationship, where honesty, trust, transparency and the win-win outcome is highlighted. The second sub-theme, *Attitude and approach*, highlights how trust, long-term thinking and openness are three important approaches to have in both negotiations and relationships in general.

Supplier and customer categorisation argues how different suppliers and customers should be divided into various categories, which determines their importance and relevance for the company, and thus also how said supplier/customer should be approached. Lastly, the sub-theme *Sourcing strategy* discusses the relevance of having multiple alternative suppliers available, to increase the company's bargaining power, and the implications if only one supplier is available. Figure 9 shows how the four identified sub-themes relate to *Relationships and their impact*.

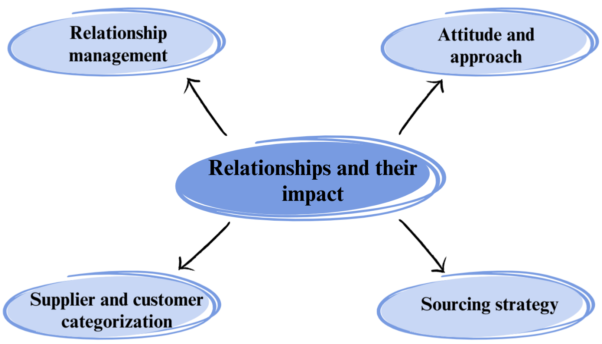

Figure 9: *The theme Relationships and their impact, and the belonging sub-themes identified.*

5.1.1. Relationship management

The first sub-theme identified is *Relationship management*. When conducting the interviews it is evident that fostering long-term relationships is of utmost importance for both the buyer and seller to have a good outcome in a negotiation. As mentioned in *Theoretical framework* (3.5), the type of relationship which exists between buyer and seller, affects how a negotiation is approached, what tactics are used and how the participants behave towards each other. For example, Interviewee 2, a Purchasing Manager, emphasises the importance of having a relationship advocating trust, partnership, and transparency. Similarly, Interviewee 1, who works within purchasing, states, *"I win the trust of my counterparts because I am honest. Honesty wins trust and with trust a good relationship"*.

According to interviewee 8, who is a Section Manager, Supply Chain Management, the parameters that come into play in a negotiation are market power, dependence, and responsibility towards the supplier. A buying company can be in two different positions: dominant in one market and a smaller player in another. Here, it is important to recognise which position you have in the market and act accordingly, i.e., responsibly in the dominant market and exemplarily in the other market. Interviewee 8 expresses difficulties in not overusing one's power when in a dominant position. This is where relationships have an impact. As a smaller player, you can improve your position in the market by having long-term relationships with suppliers working on product development.

> *"You have to think on both sides that you act responsibly in the big deal, but also act in a good way when we are small [...] It is difficult not to overuse the fact that you are big. That's where the difficulty lies. But there we worked a lot with big partners for many years who were important suppliers where we also worked on product development together."* -Interviewee 8, Section Manager Supply Chain Management.

Interviewee 6, a Contracting Manager, argues that relationships give financial results. Pushing down prices as much as possible will solely lead to a project in which the supplier will not be able to deliver. Similarly, Interviewee 7, a Purchasing Manager, states that lowering prices as much as possible is not financially profitable either. A better total cost of a project can be achieved through collaboration with suppliers.

The majority of the Interviewees mention using a win-win negotiation outcome. For instance, Interviewee 9, a Portfolio Manager within purchasing, refers to win-win as maintaining openness, transparent dialogue, and mutual gains. Other advantages of the win-win concepts identified by Interviewee 7 are higher involvement, higher collaboration and better total cost.

> *"We believe in long-term relationships and having a good dialogue, and that we should involve all our partners and be able to collaborate with our suppliers to get the best end result. Then we believe that we get a better total cost for a project if we do it together instead of pushing down the price of small products."* -Interviewee 7, Purchasing Manager.

Interviewee 5 classifies a good negotiation as a classic win-win.

> *"A good negotiation is the classic win-win. Both parties are satisfied and remain satisfied. We have received a good agreement and have obtained a good and long-term partner where we talk a lot about partnership together."* -Interviewee 5, Group Sustainability Analyst and Project Manager.

Similarly, Interviewee 10, a Business Manager within purchasing describes the use of win-win as working with a partner long-term to reach mutual deals and preferably a compromise. Further the use of the win-win concept is explaining another phenomenon namely, the PIE concept which describes that a deal cannot be made without two parties' involvement (Baker, 2018). The most influential party in a negotiation is dependent on the other party for a deal to be made. In other words the results and profits you can achieve together are much larger compared to if you only care about your own gains. This is further shown in Interviewee 7's statement mentioned in the previous paragraph regarding reaching a enhanced total cost when collaborating with suppliers.

> *"What is the result if you don't create a deal? Without making a deal, you end up gaining less compared to if you collaborate and make a deal where you compromise. The choice is obvious, give and take so both are happy."* -Interviewee 10, Sustainable Business Manager.

When questioned about why long-term relationships have such importance in negotiations. Several interviewees mention that working together long-term with the supplier pays off in the long-run. For instance, Interviewee 8 mentions that it leads to suppliers being more reliable in terms of on time deliveries, higher focus and are more willing to help when problems occur. A disadvantage with long-term relationships is paying over price. As trust is established in the relationship negotiating becomes secondary, suppliers can in turn use this to their advantage and maximise their prices. Therefore it is essential to expose your supplier to competition. Interviewee 3, a Purchasing Manager describes how it is important to leave room for negotiation even in long-term relationships. Similarly, Interviewee 6 also emphasises the importance of constantly competing suppliers against each other. According to Interviewee 1 competition can be conducted through comparing prices of one supplier against other competitors in the market.

Interviewee 2 mentions sustainable negotiations and long-term relationships, which refers to having an understanding and knowledge of the other party's intentions and expectations if long-term relationships are desired.

> *"To have sustainable negotiation is about having an understanding of their world if you are going to work together long-term. You must have understanding and knowledge of both parties and how each operates. Everyone should make money, but it should be reasonable."* -Interviewee 2, Purchasing Manager.

Having long-term relations are not all about advantages, Interview 5 states that relationships in fact differ and with longer relationships comes higher demands. Lower total cost base is ensured through not putting all eggs in one basket and having a balance between large and small suppliers. In contrast, the seller side values reputation in relationships. Interviewee 11, working within market and sales, states that building a relationship and having trust is essential; however from the supplier's perspective reputation also plays a role in enhancing the above mentioned factors. The ideal would be to have trust and good reputation and experience.

5.1.2. Attitude and approach

The second sub-theme identified within *Relationships and their impact* is *Attitude and approach* within relationships and negotiations. This subchapter will discuss how the companies interviewed approach a negotiation and what attitudes they have during negotiations. As previously mentioned, this is influenced by the existing relationships between negotiating parties, and is thus deemed an interesting sub-theme to discuss. In general, the interviewees have three factors in common, namely long-term thinking, openness and trust. While competitiveness and self-confidence are significant to interviewees, they emphasize the significance of mutual respect and empathy.

Interviewee 1, working within purchasing, highlights that one should be professional, businesslike, and interested in getting the right price for their product. However, it is equally important to communicate with suppliers and be correct in the way they are treated. Similarly, Interviewee 2, Purchasing Manager, advocates being a competitive person who is professional, kind, pleasant and sociable, reinforcing that being as transparent and clear as possible is important.

> *"The most important thing is that you always try to be professional, kind, pleasant and social. But tough on the tough questions. When it comes to the hard numbers, I am quite clear, straightforward and have comparative figures. A strength you must have as a buyer is that you can't please everyone, but it is our agenda that matters."* -Interviewee 2, Purchasing Manager.

Interviewee 6, a Contracting Manager, refers to the company's code of conduct, where the focus is feeling good as a company and as individuals. The same applies to all relationships, including with suppliers. Interviewee 10, a Sustainable Business Manager, underlines that it is a matter of remembering that you represent a company and must act accordingly.

An aspect raised by many interviewees was balancing toughness and long-term thinking. It is about having open negotiations, although profitability goals are important, aggressive negotiations can only damage the relationship long-term. The interpersonal dynamics among the parties was pointed out as a factor affecting negotiations. For example, interviewee 5, a Group Sustainability Analyst and Project Manager, notes that it is important to be able to read the room and adapt to what you encounter. Negotiations are described as a power game and argue that a position of power is an important factor in negotiations. Interviewee 12, Sales Manager recognises that one cannot achieve all goals but it is about finding a common ground. This is achieved through listening which is raised by several interviewees from both the buyer and suppliers side. For example, interviewee 10 explains three types of listening with a strong emphasis on the third: listening to respond, hearing and understanding. Similarly, Interviewee 7, a Purchasing Manager recognises the importance of listening in negotiations.

> *"What should we do to get there if we see a long-term perspective? What do we need to push for, listen to, to get there? It's very much about listening in all negotiations, it's more important to listen than to talk. To listen to the arguments and the discussion, and then respond to them. Instead of always being the one who pushes. I think that's winning."* -Interviewee 7, Purchasing Manager.

Concerning listening, communication is a parameter deemed important for the building of trust and transparency in a relationship. From the supplier's perspective, this is demonstrated through competence, the ability to deliver, and reputation. Within the purchasing side open and continuous communication is explained as an important ingredient in relationships. The level of communication can however differ depending on what level of relationship is desired. Interviewee 8, a Section Manager within Supply Chain Management, describes having continuous contact with major partners, while contact with other suppliers is conducted when necessary. Continuous contact with strategic partners increases the level of trust and transparency but also to get to know what the counterparts are capable of for future projects.

As explained, all interviewees value having a flexible approach. Several interviewees point out the possibility of postponing or re-evaluating negotiations and not forcing a deal. For example, interviewee 12 emphasizes the importance of having time and being able to revisit the conversation on another occasion in the future. However, this may not be possible in all situations. Therefore, the approach one has must be flexible, otherwise it can affect the trust in a relationship massively. In a moment of disagreement and trust is challenged, Interviewee 4, a Purchasing Manager, raises the importance of finding common ground and not pushing the other party beyond its limit. Business is not done under such pressure.

In contrast to the other interviewees, interviewee 5 highlights the aspect of having internal and external communication when building relationships. Purchasing must have ownership of every decision made regarding which supplier to build relationships with. The company must understand how important procurement is to the business. Many companies are technology-driven and don't understand why certain decisions don't work. Hence, the importance of procurement owning these decisions.

> *"A lot is about dialogue internally and externally. Relationship building is not only with suppliers, but also within the company. It's to understand why purchasing is important for the business. Some companies are incredibly technology-driven and do not understand why certain solutions do not work. Purchasing must own the decision about which suppliers are selected. The important decision should lie with purchasing."* - Interviewee 5, Group Sustainability Analyst and Project Manager.

5.1.3. Supplier and customer categorisation

Supplier and customer categorisation is a theme identified concerning relationships. Categorisation can be conducted, for instance, before entering a relationship. According to *Theoretical framework* (3.3) previously presented, different suppliers will be of differing importance to the company depending on the value they bring (Kraljic, 1983). The suppliers can therefore be categorized based on their importance and necessity for the company, as a means to better show how much time, effort, and resources should be spent on a certain supplier. A categorization of suppliers and customers, if utilized by the company, has, throughout the interviews conducted, been shown to affect not only the relationship between the company and supplier or customer, but also how negotiations are conducted.

All interviewed companies have a way in which they categorise suppliers before selection. For example, Interviewee 10, a Sustainable Business Manager, describes that before selecting suppliers are categorised based on several criteria such as performance and strategic fit for the company. The criteria are subsequently measured, and the suitable suppliers are chosen. Categorization is also performed with the existing supplier. Several interviewees from the buyer side, in line with the theory, have an approach to categorizing their suppliers. Interviewee 4, a Purchasing Manager, has a category-driven system based on the supplier categorisation model, Kraljic's Matrix, developed by Kraljic (1983).

> *"We look closely at what negotiation strategies we set up concerning what category. We have a category-driven system, the Kraljic matrix. It depends on what strategy we have for the respective category. It also has to do with what type of negotiation we end up in."* - Interviewee 4, Purchasing Manager.

Interviewee 2, Purchasing Manager, divides their suppliers into strategic suppliers and non-strategic suppliers. Strategic suppliers are a small number of suppliers that are difficult to replace, essential to the company's operations, and where dependency is higher. Strategic suppliers are handled in a special way. Non-strategic suppliers refer to suppliers with whom the opposite is experienced.

> *"I divide my suppliers and have something that I call strategic suppliers. I have selected several suppliers that are important to our operations, where I have had difficulty finding*

> *alternative suppliers. Where it is not possible to simply replace a supplier. I do a risk analysis that says that a supplier is strategically important and must be handled specially. If something were to happen to their supply chains, then we must have a plan for that. We are a little more dependent on them, at the same time that they are a priority to constantly try to find solutions with. [...] With non-strategic, you can have more competition. You don't have to be very good at negotiating, but the most important thing is to always make sure that the buyer has alternatives."* - Interviewee 2, Purchasing Manager.

Interviewee 9, Portfolio Manager Purchasing, describes that they categorize their suppliers based on sourcing strategy by product and services. Sourcing strategies such as single sourcing and multiple sourcing, but also the supplier's location. Similarly, Interviewee 7, Purchasing Manager, categorises their suppliers based on product.

Interviewee 10 explains that the company has a department in which supplier categorisation is conducted. Categorisation is based on impact, core suppliers, big volume providers, and prioritised. The company has strategic relationships with prioritised and core suppliers, they are the ones performing well and following the company's expectations. Critical suppliers are suppliers that have dropped in performance, provide big volumes, and are a high risk for the company. Suppliers classified as critical have the opportunity to improve their performance and take accountability, enabling the company to preserve important relationships. According to several interviewees, the negotiation tactics differ depending on what category they belong to. As previously mentioned, Interviewee 4 categorizes its suppliers in line with the Kraljic Portfolio Matrix (Kraljic, 1983). Within the strategic category, negotiations are performed through having close collaboration when solving problems, open dialogue regarding costs, and trust. Suppliers in the routine and leverage category face strict frameworks, tough negotiations, and competition.

From the seller's side, classifications of suppliers are not mentioned. However, Interviewee 12, Sales Manager, describes having A and B customers. *"It is differentiated, we have our A customers and B customers. With A customers, we have slightly sharper prices and a larger commitment."*. In general, both Interviewee 11 and 12, from the supplier side, emphasise the importance of being resourceful, trustworthy, and having expertise in the area to complement the customer.

5.1.4. Sourcing strategy

A theme closely connected with supplier categorisation is *sourcing strategies* , which are mentioned by the interviewees having significant importance on how buyer-seller relationships evolve. All interviewees emphasize the importance of not being completely dependent on one supplier or customer and having a balance between large and small suppliers in case current suppliers cannot deliver. However, in some cases alternative suppliers are not an option. Both the construction and producing industries experience to some extent difficulty in having alternative suppliers. For instance, both Interviewee 1 and 5 working within purchasing, express the difficulty in negotiating price when many of their products are specialised and can only be provided by one supplier in the market. Interviewee 5 states that "*Unlike the construction industry, where standard materials are purchased, in the manufacturing industry it is more difficult to change suppliers as much is specialized".*They focus on other value-adding activities such as quality and safety parameters which the supplier can provide rather than lowering prices. Interviewee 4, Purchasing Manager, adds that in reality if suppliers are few it is not easy to apply pressure however if they are interchangeable then negotiating is an essential process. Interviewee 8, Section Manager within Supply Chain Management, explains that in dual and multiple sourcing, the buyer sends an inquiry and receives an offer. The suppliers tend to maximize their chances of making money on each request. This is where relationships are important. If trust is established, one can rely on the supplier to have reasonable prices to match.

> *"Dual sourcing or multiple suppliers, or case by case, then you can only go out with an inquiry and get quotes. In those cases, suppliers may be trying to take a chance and make extra money. If you have a relationship where you can trust each other, you can rely on the supplier to have reasonable prices that match."* - Interviewee 8, Section Manager, Supply Chain Management.

5.2. Information and its impact

The second theme identified to influence the negotiation power of an individual is *Information and its impact*. This chapter will discuss how power in differing forms can influence a negotiation. The three forms of information identified as having an impact, and therefore comprise three of the sub-themes, are *Data and information*, *Indexes*, and *Soft information and parameters*. The first discusses what information a company in general deems important for a negotiation, while the second presents the specific importance of indexes. The third identifies soft information, separate from facts, that can be wielded by the negotiator to improve their negotiation outcomes. The fourth sub-theme identified discusses the effects of information sharing and whether this is something to do at the bargaining table. Figure 10 presents how the *Information and its impact* relate to the four identified sub-themes.

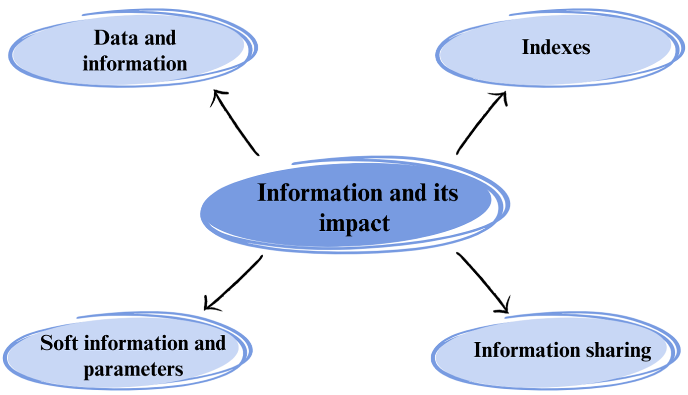

Figure 10: *The theme Information and its impact, and the belonging sub-themes identified.*

5.2.1. Data and information

The first sub-theme to present is *Data and information,* as many different types of information can be utilised in a negotiation, and as there are many areas in which information is useful. This chapter will investigate what type of general data is used in negotiations by the interviewees and why.

Interviewee 1, working within Purchasing, gives a good argument to why information is useful in negotiations when expressing that information can expose the suppliers to competition and also serve as an argument to why certain actions are relevant and just. Interviewee 7, Purchasing Manager, argues that the use of information can impact the negotiation outcome. The use of information, in some cases, improves the outcome significantly, while at other times, the result is the same. The important part, however, is how the use of information gives the negotiator a better understanding of the situation and thus can better argue for it. With information, the interviewee describes how one can better understand what the counterparty is actually arguing about, why they argue as they do, and in turn better respond to that argumentation in a beneficial way. This is well described in the following quote:

> *"We can understand why they are arguing the way they do. Then you can also better respond to that argumentation in a good way and use it. It is not always that it gives anything to know the most, but you can be confident in being able to answer."* - Interviewee 7, Purchasing Manager.

Information is vital when getting to know the suppliers and when evaluating their performance. Interviewee 7 argues that the experiences from the worksites are crucial and mentions criteria such as delivery performance, transportation and level of service, and sustainability reporting. This type of information, knowing how the supplier works, and if the work is satisfactory or not, can be used as a leverage tool at the bargaining table to the company's advantage. However, lacking this information about the supplier performance could result in significant losses for the company if the supplier performance is unsatisfactory. Similarly, Interviewee 5, a Group Sustainability Analyst and Project Manager, highlights how a company must know their suppliers and that several requirements must be in place to ensure a certain performance level of the supplier. The interviewee mentions how areas such as quality and delivery performance, deviations from delivery precision, and supplier flexibility are evaluated and later used during negotiations as a means to evaluate the supplier.

Another type of information mentioned as important is the historical purchasing data from previous projects. Interviewee 3, an Acting Purchasing Manager and Category Responsible Buyer Industry, describes how it can give the company a good understanding of what has previously happened in projects and use this as a foundation when predicting what might happen in the future. This is described to be done together with the market side of the company to better understand where the market in general is heading. Interviewee 8, Section Manager Supply Chain Management, mentions how their historical purchasing data linked to volume is used during negotiations to get an understanding of what price levels are sound. The volume quantities, if the company has purchased more than previously agreed upon, can help the company introduce a quantity discount. Similarly, Interviewee 6 describes how they look at old projects and old invoices to gain information on cost and price levels, with the following quote:

> *"It is a lot that you take the previous projects and evaluate them, to bring some key values from there."* - Interviewee 6, Contracting Manager.

Interviewee 10, Sustainable Business Manager, describes how the company's internal competencies and know-how are an important tool during negotiations, especially as the company is a global actor using a large variety of materials in their products. The use of their internal understanding of the market and the benchmarks enables the company to dynamically determine if the requests regarding price increases are reasonable or not. Interviewee 9, who has a role as Portfolio Manager Purchasing, also describes how internal sources of information are used in the form of knowledge and expertise from other colleagues. Interviewee 10 further mentions how the company requires an open book business with their suppliers, where both parties are transparent with the cost of the product from the beginning. Working with cost breakdowns, both the company and its suppliers, is a given and a requirement, as it enables the company to understand what exactly every single product component costs. This method is argued to enable transparency between both parties, and it enables the companies to use facts in their negotiations.

In contrast, Interviewee 12, a Sales Manager, describes how their negotiations are guided by external factors, inflation, and KPIs. This information might not have an impact on the negotiation at the moment, but it will have an impact in the future. Information such as interest rates, new construction frequency and trends, procurements, order backlogs, forecasts, and raw material prices such as steel, gold, diesel, aluminium, as well as transportation costs, is described to be relevant. This type of information is taken in by the purchasing department of the company and then utilised in their perspective to try to determine what the future might look like. Interviewee 11, working within market and sales, describes how their price levels are based on calculations combined with the cost development of machines and vehicles. The calculations are, similarly to Interviewee 12, based on interest costs, price levels on fuel, wages, services, spare parts, and electricity costs. All such components that can affect the price picture must be utilised and properly understood, for the company to be safe in its pricing.

For information to be useful in negotiations, it must be reliable and trustworthy. Depending on where the information is sourced from and who has provided the information, its reliability will vary. Interviewee 3 describes how their company is a supplier to their suppliers by selling scrap metal, which is refined to various steel components and then sold back to the company. This business setup enables the company to gain valuable and reliable information on scrap metal sales and how the raw material price moves. The company also buys this type of data and information from external institutes and companies, which can provide the company with daily information on how raw material prices shift. It is not only important to gain the right information, but to gain the right information at the right time, as described in the following quote:

> *"Facts are good, and the right facts at the right time"* - Interviewee 3, Acting Purchasing Manager and Category Responsible Buyer Industry.

In contrast, Interviewee 9 describes how they experience difficulty gaining insight into the cost drivers and manufacturing processes of their suppliers. This information is therefore successively gained over a longer period by asking the supplier questions during the relationship. Once gained, this knowledge bank and the understanding of the product are how the company ensures that the price indexes are representative. However, the interviewee further mentions that the company, at times, is also provided with information from their suppliers. This only occurs when the companies have a framework agreement stating that a certain index will regulate the price adjustments, and the responsibility falls to the supplier to provide that information. It is, however, preferable for the company itself to have access to the index information and thus limit its dependence on the supplier, as this will improve its negotiation position and strength. Interviewee 4 also mentions how the suppliers, at times, provide the price indexes and information as they are the ones with that access.

Interviewee 7 describes how their company uses a combination of information sources. They utilize external sources, both closed and open ones, where the data software developed by Prognos MKA is one of them. In addition, the company also has an internal analysis department, which provides data and information of all kinds, where an analyst provides the purchasing department with monthly reports containing different indexes and market reports on varying materials, combined with various EU directives that might affect the price picture. In some instances, information is provided from the suppliers, but similarly to Interviewee 9, this only occurs if in agreement that the price should be regulated against a certain index. Lastly, Interviewee 11 argues that they, in general, produce the data and information they require in negotiations, which is sufficient for their negotiations. They, however, utilize indexes as well, which are provided by external organisations.

5.2.2. Indexes

The second sub-theme identified is *Indexes* and the information they can provide in negotiations. In comparison to general data and information used in negotiations, indexes provide insight into how price and cost levels develop over time. This chapter will present how indexes are used in negotiations and their effects.

The study identifies several different indexes that are used to varying extents by the interviewees and their companies. The indexes are either raw material indexes, covering the price development for a specific material, or they are industry indexes that intend to cover the price development of the entire industry. Interviewee 9, working as a Portfolio Manager Purchasing, mentions how indexes such as MEPS, CRU, plastic index, and steel index are used in their organisation. Interviewee 2, a Purchasing Manager, presents the Euro exchange rate, currencies, the London Commodity Exchange (LCE), and indexes for both aluminium, fiberglass, and various chemicals as relevant. Whereas Interviewee 5, Group Sustainability Analyst and Project Manager, mentions the London Metal Exchange Index (LMEX), and Interviewee 10, a Sustainable Business Manager, uses the Bloomberg index. Interviewee 3, an Acting Purchasing Manager, presents how both commodity prices and commodity index are important, but that the currency is most crucial for the company's operations. Interviewee 11, working within Market and Sales, mentioned indexes such as the truck index, long-distance transport, or machine indexes. There are a multitude of different indexes that are used by the interviewed companies, but the interesting aspect is how they are used and why.

Interviewee 4, a Purchasing Manager, argues that indexes are crucial to use as they provide a certain level of safety. However, it is important to only use indexes that are from a real and preferably listed trading venue, as this will increase the credibility of the index. The industry indexes are not to be used to determine price levels as they capture a story rather than actual costs. Meaning, the industry indexes are determined by the industries themselves to boost their prices, so the development of the index is described as always increasing, but never decreasing.

> *"Preferably to have listed indexes for input costs. Not industry indexes that reflect a history, that is something else. We want indexes that are from an outside, real, and preferably listed trading venue."* - Interviewee 4, Purchasing Manager.

Interviewee 9 argues that indexes and other open information are useful to understand both product and price developments. However, these are not the only parameters to be used when determining a price level. Instead, indexes should be used as a source of information to gain an understanding of the market and general situation. Interviewee 3 states that the price index is used as a basis and to power their arguments during a negotiation. However, a too index-regulated negotiation easily becomes quite boring, as there is nothing to negotiate over. The index makes the price levels transparent towards the customers, which is positive, however, the number of business opportunities to make reduces with an index-regulated negotiation, as there will be fewer areas in the agreement open for discussion. With too many predetermined indexes, the joy of negotiation, bargaining, and the possibility of making a good deal is reduced.

> *"My job will be boring if it becomes index-regulated. But at the same time, very transparent towards the customer. There will be fewer business opportunities."* - Interviewee 3, Acting Purchasing Manager and Category Responsible Buyer Industry.

Similarly, Interviewee 7, a Purchasing Manager, discusses how the use of indexes reduces the ability to negotiate and push down the price levels. From this perspective, the price level only, the use of indexes might be less successful in comparison to using other negotiation tactics. However, this would entail the company losing the prominent aspects of the win-win concept and long-term relationship with the supplier. Interviewee 8, working as a Section Manager, Supply Chain Management, describes how the use of indexes gives an indication of what the price level should be and thus creates a level of certainty during negotiations with the supplier. Similarly, Interviewee 11 mentions how indexes create credibility and describes why a certain cost development is relevant. Additionally, indexes are described to create security for the suppliers the company works with.

Interviewee 2 argues that knowledge about price developments is crucial, as well as the amount of supply available on the market, to understand what the company actually pays for. However, trusting the indexes is solely dependent on who produced the index and where they come from. Regarding trustworthiness, Interviewee 7 argues that most indexes are relevant for the purpose with which they were constructed, but to use an index, one must first understand the index and its underlying components. If used in a context, or for a purpose, outside the purposes the index was intended, they might be wrongly used and present a misrepresentative picture instead of being helpful. Furthermore, it is crucial to use and understand as many underlying indexes as possible, and not only rely on the index that regulates the price level. Using adjacent or nearby indexes can help the company determine whether the index regulating the price level is relevant or not.

Interviewee 1, who works within purchasing, describes how indexes are used in their projects as a means to adjust prices to ensure they align with the market prices. However, they do not renegotiate prices during a project, instead, the prices are automatically regulated against an agreed-upon index if there are significant increases or decreases in the market prices. This presents how indexes can be used outside of negotiations. Interviewee 6, a Contracting Manager, mentions how the use of indexes is not relevant in their business as they do not represent the entire price picture. Certain factors influencing the price levels are difficult to measure with an index. Instead, both Interviewee 1 and Interviewee 6 compare the prices presented in the tender offers, received by potential suppliers, and use that type of information in their negotiations.

5.2.3. Soft information and parameters

As presented in the two previous chapters, information and indexes are both useful and relevant during negotiations. However, there are multiple other factors, unrelated to data and facts, which are crucial when arguing at the bargaining table, namely, *Soft information and parameters*.

Interviewee 9, a Portfolio Manager Purchasing, mentions how some soft parameters to consider are reputation, mutual goals, and standards. A supplier might actively strive to work with value-driven companies that are leading in their climate and environmental work and who prioritize safety. If said values are not shared, the company might not even receive an invitation to negotiate. Interviewee 4, Purchasing Manager, argues that the service around the delivery itself and the production flow is important as it creates additional value for the company. Including as many parameters that create additional value for the company or the supplier will influence both the negotiation and its outcome. Interviewee 7, Purchasing Manager, mentions how the perception of an individual can influence the negotiations, and adds, for instance, how having a more influential job title can help improve the outcome. However, this is mentioned to be more prominent in newer business relationships, as long-term relationships are more influenced by how the parties work together and how well they know each other.

> *"Emotions play a clear role, and in some negotiations title plays a big role. Can go better in a negotiation just because you have a title, strangely enough."* - Interviewee 7, Purchasing Manager.

Interviewee 7 further emphasises how emotions, feelings, and behaviour are parameters that heavily influence negotiations. These can be used to promote the company's own goals. Being tough and direct in your approach versus responsive and accommodating will influence the supplier's perception of the negotiator and the company. Even a factor such as the choice of clothes comes into play and affects the negotiations. Soft parameters are important regardless of the negotiation technique used, because they can help ensure a good negotiation and discussion regardless of what input values the negotiator brings to the table. Interviewee 8 mentions how personal feelings towards an individual can influence the negotiations and the relationship. If the individual is liked and pleasant in the collaboration, this becomes another basis for doing business. Interviewee 12, Sales Manager, also argues the importance of personal chemistry, and if this does not align, it is hard to remain objective. However, this is crucial to move the deal forward.

Interviewee 7 describes the importance of listening as a soft parameter. Similarly, Interviewee 12 describes the importance of understanding the things hiding behind what is being said. It is important to distinguish what is not mentioned, which requires the individual to read the opponent and their body language, while also being transparent. Furthermore, it is crucial to conduct negotiations in a manner that still allows the negotiator to look their opponent in the eye afterwards. Similarly, Interviewee 10, Sustainable Business Manager, mentions how the company has a policy to only negotiate in such a manner that the company will always be welcomed back for future negotiations. This entails that the company must be seen and act both humble, professional, and fair towards their suppliers. Power is also described to be important in negotiations, and the company must be aware not to misuse its power while simultaneously ensuring that power is not misused against them.

5.2.4. Information sharing

The three previous sub-themes all describe how various types of information are valuable in negotiations. However, an interesting subject mentioned during the interviews is whether said information should be shared between the negotiation parties or not. The interviews showed a varied view regarding information sharing at the bargaining table due to different reasons. The fourth sub-theme identified is therefore *Information sharing,* and will discuss why or why not information should be shared between negotiation parties.

Interviewee 7 mentions how their company often possesses more information during a negotiation than the counterparty, with the motivation that a supplier often possesses great amounts of detailed knowledge about their specific field, whereas a purchasing company must possess knowledge and information about multiple fields. However, the gathered information, or index values, is refrained from being shared with their suppliers unless necessary to verify a claim or underscore an argument. Interviewee 5, a Group Sustainability Analyst and Project Manager, similarly argues that one should never present indexes to the supplier, as it is their responsibility to produce their information and understanding of the market. The negotiating parties can discuss information, but should never show their cards. This will enable the parties to engage in a discussion and have a proper negotiation. If the information is shared, and the playing field becomes too transparent, this is claimed to worsen the negotiation outcome.

Similarly, Interviewee 8, a Section Manager, Supply Chain Management, mentions how sharing information with a regular supplier is a risk as it will reveal your cards and facts in the negotiation and risk failure. However, it is argued that with close, long-term, and strategic partners, it should be encouraged to openly share and talk about the information gathered. This will enable a problem-solving environment beneficial for both parties. Interviewee 3, an Acting Purchasing Manager, also argues for transparency in their business relationships and enforces this by publicly publishing their price changes on their website. They highlight how their market in general is transparent, and thus it will add value and be a positive factor for their customers, thus promoting their relationships.

In contrast, Interviewee 9 discusses the implications if the supplier possesses certain information that the company is denied access to. If the company lacks insight into cost parameters and how they affect the price, the company loses bargaining power to the supplier. This is depicted in the following quote:

> *"What has been learned over the years is that information and knowledge create negotiation power."* - Interviewee 9, Portfolio Manager Purchasing.

This is an advantage the supplier would be hesitant to give up, and instead, the company must consider information sharing as an improvement area for future negotiations. Similarly, Interviewee 11 describes situations when their customers possess more knowledge than they do. However, the importance of gaining a mutual understanding of the processes and products is highlighted because it is only through collaboration that they together can create something that is valuable for both parties.

5.3. Factors influencing the negotiation outcome

The third theme identified is, as mentioned, *Factors influencing the negotiation outcome*. This source of power covers four sub-themes, which all help describe how a negotiation tactic can bring additional bargaining power to the negotiator. This chapter will discuss these four sub-themes in more detail. The first sub-theme, *Negotiation tactics*, describes different tactics identified during the interviews. *Negotiation preparation* discusses the importance of being properly prepared for a negotiation. Depending on the preparations made, a different negotiation tactic might be enabled. To visualize the impact a well-versed negotiation tactic can have on the outcome, the last two sub-themes presented are *Characteristics of good negotiations* and *Characteristics of bad negotiations*. These two chapters can together visualize the differences experienced if a tactic is utilized or not. Figure 11 presents how *Factors influencing the negotiation outcome* comprise its four sub-themes.

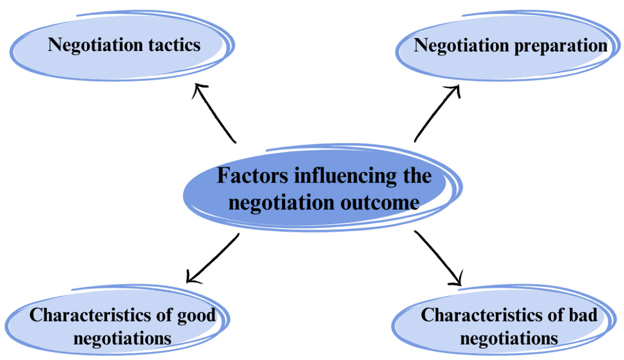

Figure 11: *The factors influencing the negotiation outcome as a theme and the belonging sub-themes identified.*

5.3.1. Negotiation tactics

A sub-theme identified is *Negotiation tactics* related to how the interviewed companies act and work with price negotiations. As previously mentioned, sourcing strategies affect how the buyer-supplier relationship is developed. Subsequently, it also affects the negotiation tactic used. In the case of Interviewee 1 and 2, working within purchasing and as a Purchasing Manager respectively, who have specialised products with one supplier from whom they purchase, negotiations become less about prices and more about value-adding activities and relationship management. However, in situations where suppliers are interchangeable, companies tend to lean more towards having a competitive approach towards their suppliers. This chapter will describe how negotiations are conducted according to the information gathered from the interviews.

The negotiation tactic used differs depending on the supplier's importance and impact on the company's business. In the case of an important supplier, the tactic of Interviewee 2 is to become an important customer. Interviewee 2 explains becoming an important customer: "*Collect as much as possible from as few suppliers as possible so that I become a large and important customer in their eyes.*". Both Interviewee 3, a Purchasing Manager, and Interviewee 9, a Portfolio Manager Purchasing, stress the importance of long-term focus, mutual dependence, and transparent dialogue. Having long-term framework agreements and finding parameters that are important for the buyer's side but not so significant for the seller's side, and vice versa. Similarly, interviewee 5, Group Sustainability Analyst and Project Manager, links negotiation tactics to Kraljic's Matrix (Kraljic, 1983). For example, the strategic segment is approached with great openness and trust, whereas in the leverage category, a framework, terms, and conditions are set by the buying company, indicating a higher level of control. Interviewee 7, Purchasing Manager, highlights the ability to adapt one's negotiation tactics depending on the situation at hand. They further explain that they have found it difficult to be 'too nice', cooperative, and have a win-win focus, which has led to situations where more profit could have been made if the approach had been different.

> *"We are quite nice and other companies have a culture where you are more tough [...] we are too collaborative and have a win-win attitude. We could probably have benefited from being a little tougher towards our suppliers."* - Interviewee 7, Purchasing Manager.

The majority of interviewees use facts in negotiations on different levels. Facts such as indexes, historical data, and other information about the counterpart are listed by the interviewees. Interviewee 11, working within market and sales, describes it as a strong tool for forecasting and risk mitigation. Facts enable honesty, transparency, and fair discussions. For instance, Interviewee 4, Purchasing Manager, states that fact-based negotiations take development forward, build long-term relationships, and are necessary for a successful negotiation, especially at the strategic level. With information comes power, and through using credible sources, it is difficult for the other party to argue against.

> *"You gain power by getting information, and it is difficult to break through the information. I show and have evidence of what strengthens our case in the negotiation, building up the evidence with facts."* - Interviewee 9, Portfolio Manager Purchasing.

For other interviewees, the results show that information is the only way to negotiate. It ensures a win-win and fair outcome for both parties. Moreover, it is explained as an objective tactic, easy to document, and a good indication of price levels, delivery times, and precision. It is easier to work with continuous improvements in the process as it generates higher quality. In contrast, Interviewee 6, who is a Contracting Manager, explains that when negotiating projects, facts as an index are a minor detail since the projects are procured as a subcontractor purchasing materials and providing labor. Therefore, in situations where this type of project is negotiated, a fact-based approach is not always the most suitable one.

5.3.2. Negotiation preparation

To succeed in negotiations, it is crucial to be prepared, otherwise, the outcome of the negotiations will suffer. How do the interviewed companies prepare for a negotiation? Is it deemed an important part of negotiations? This chapter will discuss the second sub-theme identified, namely *Negotiation preparation,* and describe the importance of preparations and how they are conducted. Interviewee 11, within market and sales, discusses the importance of being prepared for a negotiation by describing how the company can create trust simply by showing that they possess necessary knowledge and are prepared in different ways.

> *"There we try to show that we have the knowledge in different ways [...] that we come back with trust. They must feel safe with us as a subcontractor to the company. They must feel that we know what it is about and that we understand what challenges and opportunities there are, that we have the ability to handle this."* - Interviewee 11, within Market and Sales.

This can help the counterpart to feel safe and comfortable with the company as a partner, as they can show an understanding of the challenges and opportunities that exist. The amount of preparation done beforehand is described as varying depending on the size of the project. The company will use external competence to gain, for instance, legal assistance if the project is of great importance. Interviewee 2, Purchasing Manager, argues the necessity of establishing other possible alternatives before the negotiation with a supplier as a means of securing the company's bargaining power. If no alternative suppliers are available, however, the interviewees mention how the importance of using and understanding indexes increases as a preparation tool.

Several interviewees discuss how their main preparations before negotiations consist of gathering, analysing, and understanding the different types of information, data, and indexes that they deem relevant for the discussion. These preparations allow the companies to mentally prepare for the negotiation, provide a better understanding of the partner company and their needs, performances, and requirements, which in turn can help the companies to predict possible outcomes and adjust their negotiation strategy accordingly. In addition to this type of preparation, Interviewee 8, Section Manager within Supply Chain Management, mentions to keep an eye on the supplier market in general, which Interviewee 1, who works within purchasing, also does by comparing the different tender offers they receive for a project. Interviewee 10, Sustainable Business Manager, mentions how their preparations, except for gathering relevant data and information, consist of establishing who and what roles each negotiator present shall have to cover all the different necessary positions. They further mention how establishing a negotiation tactic and securing a mandate from the company are two other preparational steps important to cover.

5.3.3. Characteristics of good negotiations

The third sub-theme identified is *Characteristics of good negotiations* and describes the interviewees' perception of what a good negotiation entails. This can help a company in determining how to conduct its negotiations and what preparations are needed. The interviewees present several factors that define a good negotiation. The three common characteristics of a good negotiation mentioned by the interviewees are mutual satisfaction, preparation, and openness. A good negotiation is, according to Interviewee 1, working within purchasing, when both parties are equally interested in the negotiation, ensuring a high-quality project. There should be a joint exchange of information where data, such as indexes, is used. All interviewees relate having long-term relationships to good negotiations. Interviewee 3, Purchasing Manager, argues that other than sharing information, mutual trust forms and maintains a good negotiation. Similarly, Interviewee 5, Group Sustainability Analyst and Project Manager, states negotiations should be a win-win to obtain a long-term partnership and vice versa.

> *"There's always a relationship to consider when it comes to a negotiation, regardless of the type of negotiation."* - Interviewee 4, Purchasing Manager.

Emotions are expressed as a factor affecting a good negotiation. According to Interviewees 1 and 11, a negotiation must be well-tempered and have a good tone. Simultaneously, both Interviewee 4 and 6, Purchasing Manager and Contracting Manager, respectively, express that friction in an interview can be beneficial. If no resistance is encountered, then there is something wrong. An interesting psychological view raised by Interviewee 7, Purchasing Manager, is that both parties should feel satisfied, but in reality, you have gained slightly more satisfaction.

> *"It is best when everyone is happy, but I am most satisfied."* - Interviewee 7, Purchasing Manager.

Many interviewees emphasise the importance of preparing for negotiations. As previously mentioned, Interviewee 3 highlights the exchange of data as a significant parameter for a good negotiation. Without preparation, sharing information is not possible. According to Interviewee 10, Sustainable Business Manager, a good negotiation is a moment when a tradeoff gives full benefit. In addition, a factor identified solely by them is that a good negotiation consists of people who have a mandate to make a deal.

> *"Cooperation with suppliers through short-term and long-term actions, competence development is important to build trust and have common goals"* - Interviewee 10, Sustainable Business Manager.

Qualities affecting openness within a good negotiation are transparency and trust. The type of transparency mentioned is in terms of cost, expectations, and abilities. From the supplier's perspective, Interviewee 11, working within market and sales, values transparency of risks to know and manage risks fair,ly through, for instance, compromising. Cooperation with suppliers or customers results in openness through common goals and mutual trust. Finally, it is mentioned by several interviewees, including Interviewees 4 and 9, that time is key. Time enables thorough negotiations with frequent breaks. A good negotiation takes time, and negotiators are therefore in need of breaks.

> *"The most important tool for everyone in a negotiation is to take a break. It is super important, as well as when you feel that you are going down some ditch in the relationship or in the discussion [...] It is the most well-invested time you can imagine. Calm down if you're feeling overwhelmed."* - Interviewee 4, Purchasing Manager.

5.3.4. Characteristics of bad negotiations

In contrast to the previous chapter, this one will discuss the sub-theme *Characteristics of bad negotiations* and describe more in depth what to avoid during a negotiation. In general, the common characteristics identified by the interviewees are poor communication, preparation, and a lack of mutual benefits.

> *"The starting position is wrong, there is no identified common denominator where we can take it forward. If there is no desire to make a joint deal, it will not be good. You have to see a picture of us moving forward."* - Interviewee 12, Sales Manager.

The supplier's side values having common goals. Interviewee 11, working within market and sales, agrees and argues that bad negotiations occur when agreements are based on customer requirements. An ineffective negotiation is described by Interviewee 7, a Purchasing Manager, as one where the outcome is not satisfactory to all parties involved, leading to disappointment and tense relationships due to unfulfilled expectations.

Preparation is also mentioned by many Interviewees as a characteristic of a weak negotiation. Both Interviewee 8, a Section Manager within Supply Chain Management, and Interviewee 9, a Portfolio Manager, explicitly mention that a negotiation where both buyers and sellers are badly prepared and lack understanding of what is negotiated about leads to unsuccessful and ineffective negotiations. This is explained as a situation where negotiators lack expertise in the field and throw percentages around without understanding where they come from. Poor preparation can lead to emotionally negative negotiations. Interviewee 7 agrees that bad negotiation is where frustration and negative emotions are experienced in combination with bad communication.

For example, bad communication is described by Interviewee 5, Group Sustainability Analyst and Project Manager, as a factor for unsuccessful negotiations, explaining that once expectations are not met in terms of delivery precision and communication. It is also noted that in relationships where there is no option, people are forced to agree to terms that they would not normally agree to. Similar to Interviewee 5, several Interviewees highlight power imbalances as a factor. For example, Interviewee 12, Sales Manager, mentions differences in strength between the parties: *"A bad negotiation is a one-sided agreement that is based on one party's situation with a difference in strength between the parties."*.

In contrast to the other interviewees, interviewee 10, a Sustainable Business Manager, provides a different perspective on a bad negotiation, stating that disregarding company culture and values during negotiations can lead to unsuccessful negotiation. This can be experienced through bullying of suppliers, not asking tough questions, and not finding common ground, affecting the level of trust built during the relationship.

5.4. Challenges and barriers

The fourth, and last, theme identified from the empirical data and the analysis conducted is *Challenges and barriers*. This theme will discuss different ways the three sources of power are identified and how their effects might be mitigated in negotiations. These barriers and challenges have been identified to belong to four sub-themes. *The use of indexes* discusses when and how the normally positive effects experienced using indexes are mitigated. The second sub-theme is *Lack of time and resources,* which discusses the implications for companies when time is limited or when resources are lacking. The third identified sub-theme, lack of *Knowledge*, presents the consequences experienced during a negotiation when there is a knowledge gap between buyer and supplier, either from not possessing the information or by not sharing information. Lastly, the *Single supplier problem* identifies the particular problem experienced when only one supplier is available, and the company thus experiences a high dependency on this supplier. This chapter will discuss in more detail the four sub-themes. In Figure 12, the four sub-themes belonging to Challenges and barriers are visualized.

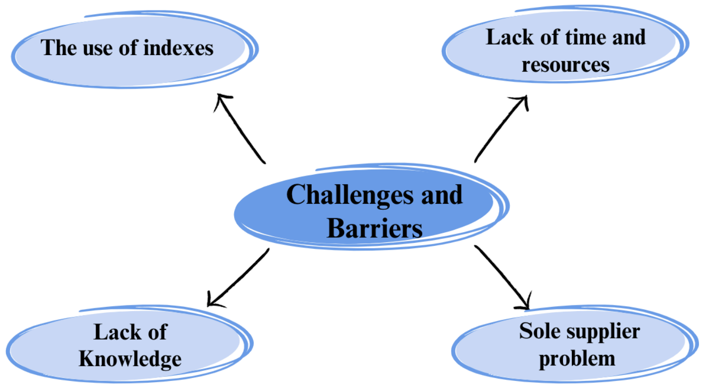

Figure 12: *The theme of Challenges and barriers, and the belonging sub-themes identified.*

5.4.1. The use of indexes

The first, and most prominent, theme to mention concerning barriers is the challenges the interviewees identify in connection with indexes and their utilization. The extent to which the interviewees and their respective companies use indexes in their negotiations varies; some see it as a vital and natural requirement, whereas others deem it less necessary. Regardless, there are several challenges identified with *the use of indexes,* which will be discussed in this chapter.

Both Interviewees 4, a Purchasing Manager, and 9, a Portfolio Manager Purchasing, discuss how the availability of indexes is crucial, and something that can always be improved. You not only have to find information, but you need to find the right information, something described as challenging at times.

> *"You have to find the right information and ask the right people"* - Interviewee 9, Portfolio Manager Purchasing.

Furthermore, the indexes must be updated to the current market situation. If the indexes are outdated at the time of price renegotiations, Interviewee 8, who is a Section Manager, Supply Chain Management, discusses how this can result in a wrongly adjusted price level in their contracts. Interviewee 11, working in market and sales, presents how the use of indexes and calculations in negotiations makes it difficult for the negotiator to be creative at the bargaining table. Using this type of information levels the playing field among competitors, which makes it harder for the company to create additional value offerings for their counterparty during negotiations. As a sales professional, the ability to create added value for the customer is deemed crucial, which is mitigated by the utilization of indexes.

> *"Challenge to be as creative in a negotiation as possible. To be able to create added value for a customer. Calculations end up at similar levels as competitors [...] it's about creating added value for the customer."* - Interviewee 11, Market and Sales.

Another challenge mentioned is the reliability of the indexes used by the purchasing professionals. Interviewee 5, Group Sustainability Analyst and Project Manager, mentions how indexes can be a bit sly, as it is an indexation that can move up or down. Similarly, Interviewee 9 argues that indexes do not always reflect the price reality on the market. In such cases, the supplier must justify and argue for the reliability of the index and then, together, try to break down and determine what drives the cost. The indexes are not the cause of the price changes, they show a representation of the price development, which may vary in reliability. Indexes are not the only truth and should be seen as guidance, an indication of the price development over time.

Interviewee 4 discusses how some indexes are so-called industry indexes, where the industries themselves try to set a foundation for what their pricing should look like. Meaning, these industry indexes might not show a fair representation of the actual pricing situation of the market, resulting in the index being less reliable. Interviewee 11 describes how a large market price increase has, in some instances, not resulted in the corresponding rise in the related index. In combination, Interviewee 4 further mentions how the data can be interpreted in different ways. Even if they and the supplier have access to the identical data, thus having an informed basis for their negotiations, there is a challenge with how the data can be used and viewed differently.

Concerning the reliability of indexes, Interviewee 6, who is a Contract Manager, mentions how indexes do not show the whole picture of their purchases made. They describe how the indexes only reflect a fraction of the overall price landscape, therefore making it difficult for the company to rely on them in their purchases and negotiations.

> *"It does not provide the whole price picture, therefore we do not use it."* - Interviewee 6, Contract Manager.

Similarly, Interviewee 7, a Purchasing Manager, mentions how there might not exist an index that supports the precise item discussed in a specific negotiation. Instead, supporting data and indexes must be used to support their arguments. Lastly, Interviewee 4 discusses the challenge of giving certain requirements in negotiations a representative monetary value. Areas such as environmental footprint and climate strain, social sustainability, and ethical considerations regarding work environment and rights are all areas that are difficult to evaluate monetarily. Therefore, indexes in certain areas are an inadequate tool to be utilized in price negotiations, as the requirements discussed can not be given a fair price representation.

5.4.2. Lack of time and resources

The second sub-theme identified is the *Lack of time and resources* regarding utilizing information, data, and indexes in negotiations. Several interviewees mention the challenge of finding, analyzing, and understanding the information to use during negotiations. Interviewee 7, a Purchasing Manager, mentions how their company utilizes the services from external cost data companies, which provide them with index reports. This benefits the company in their price negotiations as their arguments can be supported by indexes and facts. However, it takes both time and resources to compile the information received, understand the data as a whole, and then extract the necessary pieces for the specific negotiation. This process of knowing which data and which indexes to use is challenging and requires both time and competence.

Interviewee 7 jokingly says that it is because of the cost of data companies and their services that it takes time to prepare for the negotiations, as they get access to large amounts of data and indexes to use, which must be analyzed. However, the time it takes to gather the right information without the help of external companies is even greater. Interviewee 9, Portfolio Manager Purchasing, mentions how time consumption is one of the more prominent challenges with utilizing indexes and data in negotiations. This is further discussed by Interviewees 8 and 11, where the latter mentions both time and money as restricting factors to consider.

5.4.3. Lack of knowledge

The following theme identified regarding barriers is the *Lack of knowledge* and its implications. Both Interviewee 3 and 7 discuss the challenge when the constructors on the construction sites have to purchase and negotiate prices. The constructors are said to lack both time, resources, and knowledge to properly argue prices, and therefore, the use of indexes can help reduce the time spent when making a deal. Interviewee 7, on the other hand, discusses how the constructors present a risk for the profitability of the company as they lack the understanding of the indexes and what they are composed of. They argue that the use of indexes in general is a good tool in price negotiations, but it all depends on who negotiates and their knowledge.

Another challenge, presented by Interviewee 9, is the knowledge gap experienced between the company and the supplier during negotiations. The supplier is described as knowing more about their products than the buyer, which puts the buyer at a disadvantageous position. This gap in itself is a challenge, and it is best overcome by gathering the necessary information needed for the negotiation. However, this reintroduces the lack of time and resources as a challenge for the company. Similarly, Interviewee 4, Purchasing Manager, discusses how the lack of understanding of indexes and their underlying components is a challenge. They describe an instance where a contract stated that 10% of an index consisted of the price levels of chemicals, without specifying what chemicals were included. By not knowing or checking what the components of the index were, they were surprised and unprepared when the supplier required a price increase regarding said index.

The lack of knowledge, as presented, constitutes certain challenges for the companies. However, possessing too much knowledge and utilizing too much information during negotiations presents some disadvantages as well.

> *"There is a risk of becoming superior. That is, you end up in a situation where you are too well-read and have too many arguments, so the other party, the other person, ends up at a disadvantage. [...] It is important not to do it in a way that upsets the balance of power in the relationship for too long."* - Interviewee 2, Purchasing Manager.

Interviewee 2, Purchasing Manager, describes how too much knowledge can render the negotiator feeling superior and becoming arrogant in their interactions with their suppliers. In turn, this can shift the power balance in the relationship in a way that can put the counterparty not only in a professional disadvantage but also in a personal disadvantage. Overwhelming the other party with too much information during negotiations will negatively affect how you as an individual are perceived. The importance of remaining humble and approachable, even when in possession of information during negotiations, is highlighted, as this can help promote a good relationship between buyer and supplier.

5.4.4. Sole supplier problem

The fourth theme identified is the challenge when only a single supplier of a product exists, when the company must choose the sole sourcing strategy with a supplier. As previously mentioned, Interviewee 1, who works within purchasing, describes how, especially within the producing industry, many components are specially designed for the company's products, so that only one supplier exists who can fulfill the company's needs. This presents the company with a risk-filled situation as they become heavily dependent on the supplier, which in turn affects their relationship, the negotiations, and how business is conducted between the two parties. This situation is often unwanted, and searching for alternative suppliers is the way to mitigate the problem and the risk. However, the interviewee further argues that searching for other suppliers often means taking the risk of switching from the current, well-performing supplier to someone less appropriate and less adequate. Therefore, the company might still decide to remain in the high dependency relationship and not risk a potential loss in performance and profitability by switching suppliers.

5.5. The five-phase implementation model enabling fact-based negotiations

This subchapter aims to summarize the findings presented in the Empirical analysis by introducing Figure 13. This figure shows the five identified phases of the implementation of fact-based negotiations as a strategy in a company's operations. The scale differentiates between the interviewees' described uses of indexes, information, and facts during a negotiation. The aim is to identify the phases of implementation and the differences between each phase. All criteria must be fulfilled for a company to move forward on the scale. For example, a company in the fourth phase must meet all the criteria of phases 1, 2, and 3. There is no distinct boundary between the different phases; companies are dynamic and can thus in some areas fulfill all criteria, whereas in others not. This analysis, where each interviewed company falls on the scale, aims to be the foundation for answering this thesis' main question: *To what extent are fact-based price negotiations with existing suppliers used in the Swedish private sector?* However, it is important to note that this breakdown is based on the 12 interviewees, representing 11 companies. The results of this report thus indicate where companies may stand in relation to each other and the criteria in the implementation of fact-based negotiations. Each number in the figure correlates with the interviewees' number.

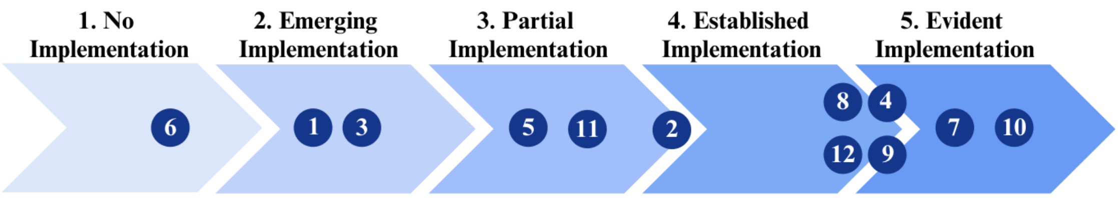

Figure 13: *The five phases of implementing a fact-based negotiations strategy and where each interviewed company falls on that scale based on the Empirical analysis.*

The Empirical analysis presents how the interviewed companies, to varying extents, use indexes and information in their negotiations. Some do not use it at all, while others do. The five-grade scale can more clearly depict the extent of the implementation of fact-based negotiations in the Swedish private sector. As seen in Figure 13, there are five identified phases to the implementation of fact-based negotiations. The first phase is called *No Implementation*. Companies within this phase have no implementation of fact-based negotiations in their operations due to different reasons. Either the companies deem the usage of indexes not to apply to their business, or they do not know the positive effects that can be achieved if successfully implemented. Among the interviewees, Interviewee 6, a Contracting Manager, is positioned in the *No Implementation* phase. Interviewee 6 describes that the implementation of fact-based is not applicable in their business and that they do not look at indexes themselves.

> *"No, not in our business. It's because it's such a small detail in a larger project, so for example, an index doesn't give us the right picture regarding the price and whether the price is reasonable.* [...] *It's not something we go in and check ourselves, now we're going to buy steel, and we're going to go and look at the steel index. But we assume that the suppliers follow these indexes.* [...] *In our industry and with the companies we work with, we work a lot with relationships. Therefore, you already have trust in the people you do business with. Because we have so many partners that we work with so closely, we've come to a point where we don't poke around in such things, because no one else does."* - Interviewee 6, Contracting Manager.

The second phase, *Emerging Implementation*, is where the company has some usage of indexes and data in their operations. The company could, for instance, subscribe to external forums providing different price and cost information, or these are publicly provided. The data could, however, also be provided by the suppliers, which leaves the company in a dependency situation. The data in this phase are used as a means to check the reasonability of the price levels presented by the suppliers, but are not used by the company's negotiators to support their arguments during the negotiation. Within the second phase, both Purchasing Managers Interviewee 1 and 3 are placed. Both rely solely on data sourced from public providers. Interviewee 1 uses SCB (Statistik Myndigheten) when extracting data.

> *"We always use indexes in all our projects. Usually, indexes such as the construction index, consulting index, and steel index. The company obtains them from the website Statistiska Myndigheten SCB."* - Interviewee 1, within purchasing.

While Interviewee 3 utilises LME (London Metal Exchange). Interviewee 3 is positioned a bit further than Interviewee 1, as the number of indexes used is higher. Their strategy is not developed enough to be placed in the third phase.

> *"We use commodity indexes and price indexes. On the raw materials side, there is something called LME that publishes the value of metals daily. Which controls a lot of the metal side and what we work with. There, we have a globally known index that we can use to regulate our prices. Currency index is also extremely important to us."* - Interviewee 3, Acting Purchasing Manager and Category Responsible Buyer Industry.

The third phase, *Partial Implementation*, describes a scenario where the company actively uses data and indexes in its contracts to regulate different price levels. However, instead of the data being used in an open and dynamic discussion regulating price levels, the negotiators agree upon a certain index that will automatically regulate the price levels over time. In this phase of implementation, the value of indexes is recognized, as the price levels are dependent on the agreed-upon index, but there is no data used as underlying argumentation during negotiations. Depending on what indexes are used for regulating the price levels, a company will be placed further along the line of phase 3. If the company does not properly understand the difference between good and bad indexes, and instead of doing their due research when deciding upon an index, chooses to use an industry index, then the company will be placed at the beginning of phase 3. If the company, however, knows how to choose indexes that accurately represent the price developments, and properly understands the indexes, then they will be placed further along in phase 3, if not even at the beginning of phase 4. Within the third phase, Interviewees 2, 5, and 11 are located. Interviewee 2 demonstrates and uses indexes to an extent in negotiations.

> *"When it comes to the hard numbers, I am quite clear, straightforward, and have comparative figures. [...] I do that via various indexes and with that I can demonstrate that prices have gone down."* - Interviewee 2, Purchasing Manager.

Interviewee 5 utilised both public index providers and an external party that developed specialised reports presenting tariffs and other indexes such as Plastic, oil, electricity, their drivers and trends.

> *"Global data is usually better than what I have myself. That's pretty good to have as a base. Index is a tool, it's not a decision. Prices fluctuate, and it's nothing we or the supplier can influence. With index we can find an anchor point in reality."* - Interviewee 5, Group Sustainability Analyst and Project Manager.

Thirdly, Interviewee 11, representing the seller side, expresses that data and indexes create credibility for them as a supplier. In addition, they have index-regulated negotiations.

> *"It creates credibility and describes why you need to have a cost increase or decrease. We want to create security for those with suppliers who are tied to us. We try to find a price picture for the customer. [...] We also have index-regulated prices, where we work with indexes that indicate that we should do this if they rise by 2 or 3%. Then we regulate a certain order against an index."* - Interviewee 11, Market and Sales.

The companies in the fourth and fifth phases of the model (i.e., *Established Implementation and Evident Implementation*) have a clear level of implementation of fact-based negotiation as a strategy in terms of the use of data and information to support the claims and arguments made in negotiations. There is, however, a difference in the amount of underlying understanding the companies have for the data and the indexes between phases 4 and 5, which separates the phases distinctively. The fourth phase of implementation is where the company realizes the importance of data and indexes and therefore wants to utilize them during negotiations, however, the company might not have the full understanding of indexes and their underlying components, which are expected at phase 5. The company might therefore employ the services of an external party at phase 4, a cost data company, for instance, that provides a specialized report of the specific data and indexes relevant for the company's business. This information is then implemented and used in the negotiations as support for the arguments made. At the fourth phase, it is still the external data cost company that has the main understanding of the data and its use cases. Within the fourth phase, Interviewees 8, 12, 4, and 9 (i.e., Section Manager Supply Chain Management, Sales Manager, Purchasing Manager, and Portfolio Manager Purchasing) are found. Interviewee 8 describes arguing in negotiations with facts.

> *"I need to be clearer in my argumentation, bring the facts, and show that this is what it looks like in detail, and ask what their motives are? Is it a higher price or other parts of the negotiation?"* - Interviewee 8, Section Manager, Supply Chain Management.

Similarly, Interviewee 12, a Sales Manager, describes the importance of utilising facts in negotiations.

> *"We need to have facts with us in our negotiations. We need to be able to lean on something that we are confident in when we go into this. The hope is that the other party sees the same things. [...] It is very*

important that we have a solid negotiating platform by having facts on the table. In order for us to get such a good picture of what our needs are going forward, we need to have facts on the table."
- Interviewee 12, Sales Manager.

Both Interviewees 4 and 9 operate within the same company. Interviewee 9 expresses utilising data in negotiations based on a knowledge bank that is gathered throughout the relationship with their supplier. This implies the use of own resources to develop data before negotiation, which is also exploited when gathering market information, as mentioned by Interviewee 4.

> *"For example, you have limited insight into cost drivers and manufacturing processes at the supplier. It's about having time and asking questions to the supplier during the relationship to build up the knowledge bank to be able to be stronger in a negotiation. It is a type of data that we work with in the long term, a type of cost reduction."* - Interviewee 9, Portfolio Manager Purchasing.

> *"Information linked to indexes and open information available on the market is used to understand products and price developments. But also internal sources of information, such as other employees working on this who have a breadth of expertise."* - Interviewee 4, Purchasing Manager.

At the fifth phase, *Evident Implementation*, even though the data can be provided by external cost data companies, the companies themselves have extensive knowledge of relevant data and indexes. The company has a clear understanding of what the data is composed of, its significance, and how to effectively use the information during negotiations. At the *Evident Implementation* phase, each negotiation will use specific data relevant to the discussions held. The company will take a more active role in how the data and information are obtained and ensure its understanding of the data used. At the fifth phase, the effects of using fact-based negotiations will also result in relevant and correct price adjustments when there is a fluctuation in the indexes. If the price levels move up, and it is shown in the index, then the supplier will be compensated accordingly. Important to note, however, is that the same must be applied for the company to be accurately compensated if the index shows a clear price decrease. Lastly, within the fifth phase, Interviewees 7 and 10 are placed. It is evident that Purchasing Manager interviewee 7's company possesses knowledge and expertise in the use of fact-based negotiations. The sources used by the company come from both internal sources, such as the analytics department, which handles large volumes of data, and external parties, including Prognos MKA.

> *"Among others, Prognos MKA. Then we have an analysis department at the company that provides us with lots of data, such as interest rates. In Sweden, we have someone who works with analysis and reports to us, and we get that once a month, even if we're not going to negotiate. So we have indexes and market reports on how different types of material vary. We also get data on, for example, various EU directives that will affect the price in a year or two. There are various inputs from which we get different indexes and other data."* - Interviewee 7, Purchasing Manager.

Similarly, Interviewee 10, who is a Sustainable Business Manager, provides insights stating that internal resources are widely used, demonstrating that they have internal knowledge and competencies on relevant data. For example, they have a development department that provides them with portfolios and reports containing data and indexes. In addition, the company is a global company with over 2000 global suppliers, thus, they can use their internal know-how and understanding of the market when negotiating. Simultaneously, cost breakdowns are conducted, demonstrating a clear understanding of what the tasks consist of, which distinguishes interviewee 10 from interviewee 7.

"In addition, we work with a cost breakdown. We know exactly what we pay for. The supplier is also required to conduct one. The important part here is that it is transparent and that we can use facts. By using indexes, you can decide on how to increase and decrease the price levels." - Interviewee 10, Sustainable Business Manager.

6. Discussion

This chapter incorporates a discussion of the findings concerning the theoretical frameworks presented in the report. In general, this chapter discusses and answers the three research questions: (1) How are price negotiations conducted in the Swedish private sector today, and what advantages and disadvantages can be seen with the identified strategies used?; (2) What are the key factors influencing the adoption (or lack thereof) of fact-based price negotiations, and what are the economic and behavioral implications?; (3) What strategies and tools can businesses implement to integrate fact-based price negotiations more effectively, and what role can Prognos MKA play in this transition?. These discussions are made to enable the authors to answer the main research question of the thesis investigated in this report: *To what extent are fact-based price negotiations with existing suppliers used in the Swedish private sector?*

In the first subchapter, *Current price negotiation practices*, the elements of negotiations are identified and discussed concerning relevant theoretical frameworks such as the Kraljic matrix (Kraljic, 1983), sourcing strategies (van Weele & Rozemeijer, 2022), negotiation styles (Thomas, 1992; Ogilvie & Kidder, 2007; Thomas & Kilmann, 2008), and sources of power (Galinsky et al., 2017). Secondly, the subchapter *Factors influencing the adoption of fact-based negotiations* encompasses the identification of enablers and barriers hindering the adoption of fact-based negotiations. The third subchapter, *Strategies to integrate fact-based price negotiations more effectively*, aims to discuss strategies and tools to be utilised by the companies to overcome barriers mentioned in Chapter 6.2. In addition, the subchapter will also concretize the role Prognos MKA can have in overcoming these hindrances. For example, the discussion mentions acting as a consultant and intermediary in negotiations rather than solely as cost data providers. The last subchapter, *Implications of the five-phase implementation model,* will discuss the implications and effects of the *five-phase implementation model* of fact-based negotiations presented in Figure 13 in the *Empirical analysis*, Chapter 5.5.

Important to note for the discussion is the definition of fact-based negotiations, made by Prognos MKA (2024a), stating that fact-based negotiations are a strategy where data and information are used to support the arguments and claims a company makes in their negotiations. This definition implies that the information used in a negotiation must be used to argue the company's case. Other types of information can be used during a negotiation and be used to persuade the opponent, but unless information is used to support an argument, the company is not implementing fact-based negotiations as a strategy.

This chapter is structured around the *five-phase implementation model* presented in the Empirical analysis.

6.1. Current price negotiation practices

In line with Ogilvie and Kidder (2007), the results show that negotiators can use different negotiation styles when negotiating, presenting a flexible approach. In general, negotiations within the Swedish private sector are conducted based on the supplier's or customer's importance to and impact on the company's business. Based on the results from the interviews, it is evident that the negotiation process is strongly related to the buyer-supplier relationship. The overall results imply that the interviewed companies advocate long-term relationships, mutual dependence, transparency, and trust. Mirroring McQuiston (2001), a model for building and maintaining successful relationships fostering open lines of communication, shared goals, mutual dependence, and trust.

6.1.1. Elements of negotiations in the Swedish private sector

The first identified aspect affecting the negotiation process and outcome is supplier and customer categorisation. The empirical analysis describes two strategies in which suppliers and customers are categorised. For example, a Group Sustainability Analyst and Project Manager, Interviewee 5, links their negotiation tactics to the supplier categorisation model called the Kraljic matrix (Kraljic, 1983). They describe that within each segment of supplier in the matrix (i.e., strategic, routine, bottleneck, and leverage suppliers), a different negotiation tactic is used, and subsequently, what buyer-supplier relationships are to be had. For instance, Interviewee 4, a Purchasing Manager, explains that within the strategic segment of the Kraljic matrix, negotiations are conducted through having close collaboration when solving problems and open dialogue (Kraljic, 1983). Whereas suppliers in the routine and leverage category face strict frameworks, tough negotiations, and competition. Similarly, van Weele and Rozemeijer (2022) state that the strategic segment in the Kraljic matrix is focused on close cooperation with suppliers, as strategic products often represent a large part of the company's turnover. While suppliers within the leverage and routine category, where products can be sourced from multiple suppliers, with low supply risk, a more aggressive approach in negotiations can be justified (van Weele & Rozemeijer, 2022). An advantage with this strategy is a company's ability to adapt negotiation strategies with for instance its business priorities. Although managing different negotiation styles increases complexity, a flexible approach enables customised solutions and negotiation outcomes, ultimately handling situations effectively. In addition, long-term partnerships can protect companies from being negatively affected by market uncertainties.

The second categorisation strategy used is based on sourcing strategies, which is utilised by, for example, Interviewees 7 and 9 (Portfolio Manager Purchasing and Purchasing Manager), who divide their suppliers based on sourcing strategy. Within the category of multiple and single sourcing, one can apply more pressure on its suppliers as they are interchangeable. Whereas with sole sourcing, where no other option is available, close collaborative relationships and trust become even more important to foster. Negotiations within the Swedish private sector are thus heavily influenced by supplier criticality and sourcing flexibility.

When comparing the analysed results to the framework, discussed by Thomas and Kilmann (2008), Thomas (1992), and Ogilvie and Kidder (2007), identifying five negotiation styles**,** one can determine that companies within the Swedish private sector can be linked to the *collaboration* segment with traits of *accommodation and compromise*. The results show that both the buyer and seller sides seek long-term collaboration with their suppliers. For example, both Purchasing Managers Interviewees 3 and 9 stress long-term focus, mutual dependence, and transparent dialogue. Which are traits of the collaborative negotiation style where the collaborator aims to find long-term solutions to problems, where a win-win situation can be achieved. In contrast, Interviewee 7, who is a Purchasing Manager, highlights having difficulty being cooperative and 'too nice' accepting decisions which would normally not be accepted. While they are collaborative, this argument can be linked to *accommodation* as the statement aligns with Shell (2001), who describes that the accommodator seeks to keep the relationship, is selfless, generous, and can yield to the counterpart's view, risking the company's interests. In addition, Sustainable Business Manager Interviewee 10 argued that one has to collaborate to create a deal, and it is through compromising that deals are established. The argument presented is one of many advocating for compromise to an extent where both parties are satisfied. As previously mentioned, mutual dependence is based on the results, an important parameter for negotiations. Based on the results, *compromise* is explained as an alternative solution to *collaboration*, which is in line with Thomas and Kilmann's (2008) statement on using *compromise* as an alternative. Thomas and Kilmann (2008) write that *compromise* is a middle ground of both *cooperativeness* and *assertiveness,* where the goal of the negotiation is to find a mutually acceptable solution that partially satisfies both parties. This means that if one cannot follow the *collaboration* style of negotiation, the next best solution is to follow the compromise style of negotiation. Simultaneously, regardless of what segment a supplier belongs to (i.e., strategic, leverage, routine, or bottleneck), suppliers experience pressure through competition. For instance, Interviewee 1, working within purchasing, compares the prices of competitors to compare and justify the prices agreed upon with the supplier.

Regarding the question of whether or not fact-based strategy is used in the Swedish private sector, after the interview data were analysed, it is evident that one can argue that it is indeed implemented on different levels, even in cases where the definition of fact-based negotiation is unknown to the interviewees. Prognos MKA's definition of fact-based negotiation strategy indicates that there is a difference between information used for supporting arguments and other information (Prognos MKA, 2024a). Meaning that for a company to claim the use of a fact-based negotiation strategy, it must use information and data supporting its arguments in negotiations. This draws a clear distinction between companies within phases 1-3 (i.e., *No Implementation, Emerging Implementation, and Partial Implementation*) as opposed to companies in the fourth and fifth (i.e., *Established Implementation and Evident Implementation*). The empirical analysis mentions data such as price indexes used in the context of negotiations. For example, through subscriptions to external forums that provide data. Here, data is used solely to justify the reasonableness of the prices presented by one's supplier. This reflects the criteria of *Emerging Implementation,* which is the second phase of the *five-phase implementation model* (Figure 13). As presented in the model, companies within the fourth and fifth phases of the model deemed it a necessity to utilize information during negotiations in line with Prognos MKA's description (Prognos MKA, 2024a). For example, both Interviewee 4 and 9 (Purchasing Manager and Portfolio Purchasing Manager) state the necessity of concrete data and information to support one's arguments. Claiming that with information comes power, as it is difficult to break through evidence and facts. Aligning with Toikka's (2023) statement: The stronger the factual base, the stronger the position is maintained. Hence, the importance of the preparation phase when conducting negotiations.

Negotiation preparation is a determinant of what negotiation style is to be used. Ogilvie and Kidder (2007) claim that the advantage of preparation is that it enables negotiators to customize their material following the negotiation style of the counterpart, gaining bargaining power. In negotiation preparation, all sorts of information is gathered, making information both a source of power and a crucial element for how negotiations are conducted. Galinsky et al. (2017) claim information as a source of power both in and outside negotiations. It is described as the possession of *relevant* information regarding the negotiation and the counterparty. Information such as counterparty's general expertise and anxieties, knowledge regarding cultural preferences, and market information is a useful tool to possess at the bargaining table. As identified in the empirical analysis, information is considered a source of power. For instance, Interviewee 9, who is a Portfolio Manager Purchasing, states, *"What has been learned over the years is that information and knowledge create negotiating power"*. This showcases a higher understanding of the importance of data and information in negotiations and relates to the criteria of the *established implementation* phase of the *five-phase implementation model* (Figure 13). According to Interviewee 12, a Sales Manager, by simply being prepared before entering a negotiation, one can gain trust. Further, in line with Pazirandeh and Norman (2014), the interviewees advocate that knowledge and information gained should be shared to an extent, where transparency and trust can be maintained without losing competitive advantage. In case of poor availability of information, Portfolio Purchasing Manager Interviewee 9 describes how they experience difficulty gaining insight into the cost drivers and manufacturing processes of their suppliers. By fostering long-term partnerships, information and bargaining power can be gained over time. A disadvantage of relying too much on information is that information asymmetry is experienced, affecting power balances between the parties in negotiations, implying an advantage to one's counterpart in the negotiation.

In summary, negotiations are conducted based on key aspects such as supplier and customer categorisation and purchasing strategy. In turn, this defines the negotiation strategy to be used, the preparation needed, the information and data required, and what power dynamics are expected.

6.2. Factors influencing the adoption of fact-based negotiations

This chapter aims to discuss and connect the empirical analysis and the theoretical frameworks presented to try and answer the second research question: (2) What are the key factors influencing the adoption (or lack thereof) of fact-based price negotiations, and what are the economic and behavioural implications?. The chapter will discuss potential enablers to a fact-based negotiation strategy before discussing potential barriers hindering the adoption. Throughout the discussion, the mentioned enablers or barriers will be connected to potential economic or behavioural implications identified. These implications are discussed since they not only bring additional depth to the discussion, but they also show the effects of certain actions and decisions during negotiations that are not strictly related to the negotiation outcome. Instead, the behavioural and economic implications mentioned shed light on other consequences, which otherwise might go unnoticed.

6.2.1. Factors enabling the adoption of fact-based negotiations

Several factors enable the adoption of fact-based price negotiations for Swedish companies within the construction and production industry. The most important one is the availability and utilization of information. However, as previously argued by Prognos MKA (2024a), it must be the type of information that can support the argumentation during negotiations that must be available and used for it to enable a fact-based negotiation tactic. As Interviewee 3 so adequately said, the right facts at the right time.

Then, one must discuss what factors enable the use and availability of the information, which in turn enables a fact-based negotiation. One such enabler is negotiation preparations, as discussed in the empirical analysis. With adequate preparations before a negotiation, the company can gather, understand, and analyze data, information, and indexes necessary to make their arguments. Therefore, preparations become a crucial enabler, since the lack of preparation reduces the ability for the negotiator to utilize relevant information significantly. To connect back to the *five-phase implementation model*, the amounts of preparations made before a negotiation, regarding the understanding of data and indexes, increase the further along the phases a company is situated. Since the amounts of data and indexes used during a negotiation are thought to increase with the progression of phases. As presented in the *Theoretical framework* (3.5.2), a supplier assessment, as part of negotiation preparations, can provide useful information regarding price and cost levels, product quality, and supplier performance (van Weele & Rozemeijer, 2022), which can support claims and arguments during a negotiation.

Another aspect that influences the adoption of fact-based price negotiations is the desire for a company to maintain strong, prosperous, and long-term relationships with its suppliers and customers. As presented in the *Theoretical framework* (3.5.1), McQuiston (2001) states that it is in the interest of business partners to have open lines of communication, to trust each other, and to have a concern for the other's profitability, if a long-term relationship is desired. The relationship must be characterized by integrity, honesty, and credibility, as this is what trust requires (McQuiston, 2001). This aligns well with Interviewee 1, who works with purchasing, when stating how one must be businesslike and professional in their approach during negotiations and how one must be mindful to treat the supplier correctly. Maybe the most prominent way to achieve this type of relationship is to use facts and information during negotiations, as it can ensure credibility, trust, and professionalism in the interaction. With the presence of trustworthy information in negotiations, it is easier to ensure fair play and just agreements, something enhanced by Interviewee 11, within market and sales, when stating how facts enable honesty, transparency, and fair discussions. Throughout this research, it has been clear that the majority of, if not all, interviewees value long-term, strong, and reliable business relationships, regardless of where they were situated on the *five-phase implementation model*. Therefore, *Relationships and their impact* are prominent regardless of whether the company utilises fact-based negotiations or not.

McQuiston (2001) further argues that successful relationships require frequent communication to increase the shared trust and involvement in the relationship, because without trust, the relationship cannot endure, and both parties must recognize the other's right to fair profit. In the empirical analysis, Interviewee 9, who is a Portfolio Manager within purchasing, presents how the concept of win-win in negotiations, a tactic which allows for both parties to achieve fair profit, requires the participants to maintain openness, transparent dialogue, and mutual gains. As presented in the *five-phase implementation model*, phase 5 requires relevant and correct price adjustments when there is a fluctuation in indexes. This enables the negotiation outcome to support mutual gains and openness, since the index will fluctuate both up and down regardless of who it benefits. The aim to maintain professional, strategic and long-term relationships, which are characterized by values like trust, honesty, credibility and integrity, enables fact-based negotiations and results in a clear behavioural approach which enhances these values. The behavioural implications will be more objective negotiations based on facts to enable a fair exchange of value between the parties involved. An economic implication of this is that fairer price levels can be reached, benefiting both buyer and supplier.

With the assumption, as previously argued, that the need for strong relationships enables the use of fact-based negotiations, one can argue that the type of negotiation style, or conflict-handling mode as presented by Thomas (1992), can also be an enabler for fact-based negotiations. This argument can be made since the chosen negotiation style is affected by the relationship in place between the parties. The negotiation style collaboration, as presented by Thomas and Kilmann (2008), is built on values such as information sharing, open communication, and mutual understanding. These values present it as a necessity, a requirement, for information and facts to be present during a negotiation.

However, one could argue that the negotiation style competition, where the individual pursues their concerns above the ones of their counterparty (Thomas & Kilmann, 2008), and where issues related to monetary value are of interest (Shell, 2001), is an even greater enabler of fact-based negotiations than collaboration. This is emphasised by Interviewee 6, a Contracting Manager, when stating how it is beneficial to constantly compare suppliers. Comparing price levels between different suppliers, as suggested by Interviewee 1, and utilising this comparative information during negotiations, relates to the *Emerging implementation* phase in the *five-phase implementation model*. Even though this type of price comparison enables a company to choose the best offer among its potential suppliers, this approach does not ensure that the price level agreed upon is objectively fair, only that it is comparatively fair given the available price comparison made by the company. This approach correlates with the behaviour seen in a higher phase in the model, but since the company cannot ensure that the price level decided upon is objectively fair, this approach is deemed part of the second phase.

As described in the empirical analysis, fact-based negotiations are seen as an objective tactic that gives a good indication of price levels, which is of utmost relevance when using the competing negotiation style, as presented by Thomas and Kilmann (2008). With the ability to expose the suppliers to competition through a fact-based negotiation, an economic implication would be, as presented by Interviewee 5, a lower total cost base, where prices are optimized for the company. The economic implications here would therefore, perhaps, be more beneficial to the company compared to when a strategic relationship approach is used, as the concerns of the other party are pursued as well. The behavioural implications are perhaps a tougher approach to negotiations, less accommodating to the other's needs, while still fact-based. However, if the negotiator possesses too much knowledge and overwhelms the counterparty with it, Interviewee 2, a Purchasing Manager, argues that this can result in a behavioural approach of superiority and arrogance. This is described as less desirable, and the interviewee highlights the importance of instead striving for a humble and approachable behaviour.

Important to note, however, is how a certain negotiation style is enabled only by certain sourcing strategies. In turn, this entails that the available supplier market that exists, which determines the type of sourcing strategy a company can utilise, becomes either an enabler or a barrier for fact-based negotiations. Multiple sourcing, according to van Weele and Rozemeijer (2022), means that a company sources a product from multiple suppliers, which enables the company to switch between suppliers to avoid unnecessary dependencies. This sourcing strategy is required if the company wants to use a competitive negotiation style. Whereas single sourcing, where the company chooses to source their products from only one supplier, even though other alternatives exist (van Weele & Rozemeijer, 2022), lays the foundation for the collaborative negotiation style as it fosters close collaboration and long-term relationships.

6.2.2. Factors hindering the adoption of fact-based negotiations

To fully discuss the factors influencing the adoption of fact-based negotiations, it is essential to also present the factors that hinder the adoption, the barriers. This subchapter will lay the necessary foundation needed to identify hindering factors for the adoption of fact-based negotiations, to properly answer Research Question 3 in the following chapter.

In the previous subchapter, long-term relationships were described as an enabler for fact-based negotiations. However, there are instances where the long-term relationship becomes a disadvantage. As presented in the *Theoretical framework* (3.5) by Morgan and Hunt (1994), trust entails a confidence in a partner's reliability, integrity, honesty, and fairness. Interviewee 8, Section Manager of Supply Chain Management, describes the risk of negotiations becoming secondary when trust is established in the relationship, as the supplier can use the trust to their advantage. Instead of honoring the trust given and continuing to have fair price levels, there is a risk that the long-term supplier could increase their prices over time to maximize their profits at the expense of the company. The company would not know, which is clearly shown by Interviewee 6 when describing how they assume that suppliers follow the indexes, and therefore do not check twice if the price levels are correct or not. If this happens in a relationship, one party becomes too trusting and oblivious to the partner's intentions, and the ability to negotiate with said partner becomes much harder since the "blinding" trust might hinder the company from reaching fair agreements. This will negatively affect the company economically as less favourable agreements might become a result of this barrier.

In the previous chapter, the multiple and single sourcing strategies were deemed to be enablers for fact-based negotiations. In contrast, the sole sourcing strategy, where solely one supplier can source the products a company needs (van Weele & Rozemeijer, 2022), is a hindrance to the use of fact-based negotiations. This is further emphasised in the Empirical analysis when Interviewee 1 describes how this situation puts the company at risk of becoming heavily dependent on said supplier, which affects the relationship, how business is conducted, and, of course, negotiations. As stated by Lewis et al. (2013), the sole sourcing strategy can result in a loss of influence over the relationship, which in turn aligns with the arguments made by Cox et al. (2001) regarding the Power regime framework and supplier dominance, where the supplier is described to be in a power position compared to the company. With the sole sourcing problem, the company is at risk of losing all their bargaining power and influence since the supplier can, and likely will, utilize their position to bulldoze their way through negotiations. In such a situation, the use of data, information, and facts by the company might be rendered ineffective. From a behavioural perspective, this could result in the company becoming more accommodating in their negotiation style, as presented by Thomas and Kilmann (2008), where a self-sacrificing element could be present to keep the relationship in place. Economically, this barrier could potentially result in significant costs for the company as the supplier could be overpricing their products.

The Empirical analysis further presents several barriers that hinder the utilization of a fact-based negotiation strategy. First, there is the lack of credibility and trustworthiness of the indexes and information used during negotiations. Interviewee 9 mentions how indexes do not always reflect reality, and Interviewee 6 argues that indexes might not present the full picture of a price landscape. The utilization of indexes or information that is not fully reliable or fully correct will undermine the negotiator in their attempts to use a fact-based negotiation strategy, as their arguments might be dismissed. This, however, requires the counterparty to successfully identify that the information presented is wrong and instead present their correct information, which is no easy task. This requires the counterparty to have the same knowledge, understanding, and access to the same information as the first negotiator.

This leads to a second barrier discussed in the Empirical analysis, the existence of a knowledge gap between the parties present at the bargaining table, or the lack of knowledge in general. If a lack of knowledge is present during a negotiation, meaning that there is a lack of information available, or as presented by Interviewee 4 that there is a lack of understanding of the available information and indexes, the attempts to a fact-based negotiation will be undermined as no arguments can be made without properly understanding of, or access to, information. A third barrier mentioned in the Empirical analysis by both Interviewees 7 and 9, which was described as a prominent challenge with the utilization of indexes and data in negotiations, was the lack of time and resources to properly analyze, understand, and gather the data to be used. Many interviewees describe how this lack of time hinders them from properly adopting a fact-based negotiation tactic, as it is a restricting factor that must be considered. The lack of time reduces the ability to process and analyse the gathered data and information, which reduces the negotiator's understanding of the information and its value for the negotiation, which in turn also limits their ability to properly implement a fact-based negotiation strategy.

6.3. Strategies to integrate fact-based price negotiations

This chapter will answer the third and final Research Question: (3) What strategies and tools can businesses implement to integrate fact-based price negotiations more effectively, and what role can Prognos MKA play in this transition?. This will be done with the foundation laid in the previous chapter, where hindering factors for adopting a fact-based negotiation strategy were discussed. Answering RQ3 through the following discussion aims at identifying strategies a buying company can adopt to overcome the barriers and identify how Prognos MKA can help in doing so. Ideally, if done successfully, a hindering factor for the adoption of fact-based negotiations can be mitigated, overcome, and instead be turned into an enabler for the adoption of fact-based negotiations.

6.3.1. Negotiations becoming secondary in the presence of trust

The first barrier discussed in the previous chapter was how negotiations are at risk of becoming a secondary priority in long-term business relationships characterised by trust. This risk brings negative consequences for the company in terms of less favourable agreements and even misplaced trust in a long-term business partner. There are, however, ways to mitigate and overcome this risk. One way is for the company to encourage frequent re-negotiations in long-term contracts with its long-term suppliers. To have negotiations as a natural and well-integrated part of their long-term relationships. If the company, in combination, regardless of the relationship, utilised data and indexes during negotiations, in contrast to the approach of Interviewee 6 as mentioned in the previous chapter, this barrier can be mitigated. Simply by double-checking if the price levels are reasonable. In the *five-phase implementation model*, any attempts to check the relevance of the data result in the company being classified as having some level of fact-based negotiations implemented in their operations. Meaning that they are placed in the second phase, *Emerging Implementation*, or higher.

Furthermore, as presented in the *Theoretical framework* (3.5.2) by van Weele and Rozemeijer (2022), conducting supplier assessments is an effective tool to gain a better understanding of a business partner. By assessing the price and cost levels of the supplier and their general performance, which are three of the performance levels in the 5 Ps framework presented (van Weele & Rozemeijer, 2022), the company can better understand if their agreements are just and reasonable. The 5 Ps model is beneficial as it evaluates the supplier in several different areas, which provides the company with an extensive understanding of the supplier and their performance. If done frequently, on both existing suppliers and on competitors to said suppliers, the company could regularly gain a thorough analysis of the supplier market. This market analysis could help the company determine what a reasonable price level should be. This aligns well with the insights given by Interviewee 10 in the Empirical analysis when describing how their company requires their suppliers to conduct total cost breakdowns to clearly show where all costs for a product come from. The company could further use this market information to expose their existing suppliers to healthy competition as well, something several interviewees, for instance Interviewees 1, 3, and 6, have mentioned to be of importance in the Empirical analysis. What Prognos MKA could do to mitigate the barrier is, for instance, to extend their value proposition to also include the service of providing external cost breakdown analysis of their customers' suppliers. In so doing, Prognos MKA could become a more integrated actor in their customers' purchasing operations and negotiations, and thus help ensure the customers' improved understanding of their supplier markets.

6.3.2. Trustworthiness of indexes and lack of knowledge

The two barriers mentioned, *the trustworthiness of indexes* and *the lack of knowledge,* are two hindering factors in the adoption of fact-based negotiations, which both can be solved similarly since they originate from a lack of understanding of indexes and how to utilize them properly in negotiations. To avoid situations as presented by Interviewee 9, a Portfolio Manager of Purchasing, where indexes that do not properly reflect the price reality are used, or where there is a distinct knowledge gap between buyer and supplier, the company must learn more about the use and benefits of data and indexes. According to Moorman (1992), building trust in business relationships requires integrity, credibility, and honesty. If a company is caught lacking in these values due to using unreliable information or not being well-read on the subject, its negotiations and business relationships will suffer.

The companies must gain more experience of how to work with indexes, get a deeper understanding of the indexes and what they are composed of, understand the different types of indexes there are and how they differ, and also be able to recognize the difference between good and trustworthy indexes contra bad and misleading ones. This is no easy task. It requires an investment in both time and resources to educate employees and executive officers at the companies, which, as mentioned by Interviewee 7, a Purchasing Manager, are two things that are in short supply. In the *five-phase implementation model*, the initial phases are populated with companies that, for different reasons, have not yet mitigated and overcome these two mentioned challenges. For a company to be placed in phase 4 or 5, the company must possess a high level of general understanding and knowledge regarding how to utilize cost data and indexes to their advantage during a negotiation.

Overcoming these challenges can be achieved either by the companies themselves, who internally try to gain the necessary knowledge, or they can use external sources like cost data companies such as Prognos MKA. These companies already possess the expertise and understanding required to effectively navigate the landscape of indexes. There are several things that Prognos MKA can do to help potential customer companies overcome the two mentioned challenges. For instance, they can provide companies with good and reliable data and indexes through their services, which can mitigate the first-mentioned challenge. In the *five-phase implementation model*, it is described how phase 4 is where companies, to gain access to good and trustworthy data, are encouraged to utilise an external cost data company, and in so doing also increase their knowledge levels.

Since Prognos MKA has a deep understanding of how indexes work and how they are composed, and since they also share this knowledge with their customers through different forms of educational services, the customers of Prognos MKA can more easily overcome these barriers. When the company, for instance, includes index courses in their customer portfolio where they, together with the customer company, discuss different relevant indexes and their underlying components, as well as their development over time, the customers become better equipped to mitigate the challenges. Prognos MKA has, due to their educational offerings, an interactive role and relationship with their customers, which helps them develop more long-term relationships. For the customer companies, this type of service means that both the barrier regarding the trustworthiness of indexes and the lack of knowledge can be sufficiently overcome.

6.3.3. Lack of time and resources

A barrier that was expressed by several interviewees is the lack of time and resources. Both parameters are significantly important when negotiating and the development of a good negotiation outcome. Several interviewees state the challenges of finding, analyzing, and understanding the information to use during negotiations. A strategy is to hire an analyst who does the work in-house. If such investments are not feasible, one can acquire knowledge of indexes, for example, their structure, how to analyse them, and how they are to be applied more effectively in different negotiations. In line with Galinsky's (2017) statement that information is a source of power, many interviewees are aware of the fact that knowledge and information create negotiation power, referring to the possession of *relevant* data in negotiation. To earn a strategic advantage in negotiations and have such knowledge, one can adopt the use of external cost data providers such as Porgnos MKA. Concerning the *five-phase implementation model*, companies within all phases express having limited time or resources during the preparation and execution of negotiations. For example, both Interviewees 4 and 9, positioned in the *Established Implementation* phase, who have internal and external cost data sources and have knowledge and competence within the fact-based strategy, recognize this challenge.

Similarly, Interviewee 7, a Purchasing Manager, positioned in the *Evident Implementation* phase using external cost data providers such as Prognos MKA, lacks not only time and resources but also the competence to execute and understand information and data effectively. Prognos MKA's role in counteracting this challenge can be to again train and educate companies on how to handle and analyse the data provided. To minimize the quantity of data provided, Prognos MKA can, after providing the full report to its customer, further act as a consultant, extracting specific data for each upcoming negotiation. This can be classified as a value-adding activity that Prognos MKA provides for its customers. The quantity of data in the preparation and execution phase of negotiations is thus decreased, and companies can save time and resources while gaining valuable knowledge. In addition, external cost data providers such as Prognos MKA should review the content, structure, and quantity of their reports to better align with the specific needs and capabilities of their clients.

6.3.4. Sole sourcing problem

The last barrier for the adoption of fact-based negotiations presented in chapter 6.2.2 is the sole sourcing problem. With a strategy where the buyer-supplier relationship is unbalanced where the buying company gradually loses its bargaining power and becomes overly dependent on the suppliers. Companies losing their bargaining power imply that negotiations become secondary. As Lewis et al. (2013) explain, a balanced sole sourcing relationship requires a buying company with critical knowledge, constantly monitoring the relationship, and the buyer possessing a degree of control over the relationship. In an unbalanced sole sourcing relationship, negotiations become secondary. The power dynamics in the relationship are thus linked to the *Supplier Dominance* quadrant of Cox et al's (2001) *power regime* framework, where resource scarcity and utility are of great importance to the buyer but not to the supplier.

Concerning the *five-phase implementation model*, companies within the *Emerging Implementation* phase, such as Interviewee 1, who is a Purchasing Manager and has access to public data, but is constrained in terms of bargaining power due to the choice of sourcing strategy. Similarly, in the scenario of sole sourcing within the *Partial Implementation* phase index index-regulated prices can be in favour of the supplier. For a company to reach *Established Implementation* and *Evident Implementation*, control over the relationship must be regained. This means that companies should be positioned in the quadrants of *Interdependence*, where both are equally invested and have equal power over the relationship, or *Buyer Dependence*, where the buyer has more power over the relationship and thus the ability to monitor the relationship (Cox et al., 2001).

Further, this requires companies to strengthen their buyer attractiveness and become a significant customer for the supplier. This can be done through entering a collaborative relationship to try to gain back bargaining power. The uniqueness and importance of the resource must become highly important for both (Cox et al., 2001). One can also, as described by Interviewee 1, a Purchasing Manager, focus on other value-adding activities, such as safety and quality of products, that can increase the negotiation position. Simultaneously, one must actively search for alternative suppliers. Prognos MKA's role can be to assist companies in negotiations and act as a mediator to avoid getting a position of competitive disadvantage. In addition to training in analyzing and understanding data, Prognos MKA can also support the preparation phase and train negotiators in how to handle dependency situations through, for example, negotiation training and a market analysis that gives the company an understanding of the supplier market.

6.4. Implications of the five-phase implementation model

This subchapter aims to discuss the *five-phase implementation model*, presented in the Empirical analysis in Chapter 5.5, and its implications. With this discussion, combined with what has previously been analyzed in the chapter, the conclusions drawn aim to answer the main thesis question of this report. The model shows where each of the interviewed companies, based on the authors' understanding of their implied implementation of fact-based negotiations in their operations, falls on that scale. As can be seen in Figure 13, there is a wide variety among the companies and their level of implementing fact-based negotiations. Some companies are placed in the initial phases of the model, others are at the more 'developed' phases of implementation, while the rest are placed somewhere in between. One could perhaps assume that the Swedish private sector is characterized by a similar proliferation regarding the extent to which fact-based negotiations are utilized.

Interesting to note with the model is the connection between company size and their placement on the scale. The larger companies, with a larger revenue, are all placed further along the model, while the somewhat smaller companies are placed in their initial phases. This shows how companies with enough resources have the capacity and opportunity to more actively implement a fact-based negotiation strategy as part of their operations, while smaller companies with more limited resources do not have the same opportunity. What becomes evident with the *five-phase implementation model* of fact-based negotiations is the many positive effects that can be achieved when employing the services of an external cost data company, like Prognos MKA. Their services can help companies turn many of their experienced barriers and challenges into enablers instead, as discussed in Chapter 6.3. If a company, placed in the initial phases of the model, wants to progress its implementation of fact-based negotiations, many steps must be overcome. They need accurate knowledge and understanding of how to use and collect the necessary data, they need to educate their employees and executive officers in how to utilize data during negotiations, and they must have access to continuously updated price and cost information. This implementation requires the company to invest time, resources, and money, regardless of whether done internally or with the help of an external party. However, if using an external cost data company like Prognos MKA, the implementation process and the movement further along the model might be done faster. A company like Prognos MKA should thus focus on companies within the phases 1, 2, and 3 of the model, and adapt its offering to those clients' preferences.

7. Conclusion and recommendation

This thesis has been conducted to identify the extent to which fact-based negotiations as a strategy are utilized and implemented by companies in the Swedish private sector. Three sub-research questions were identified, investigated, and answered in this report, which in combination with the *five-phase implementation model* presented in Figure 13, enabled the authors of this thesis to adequately answer the thesis question: *To what extent are fact-based price negotiations with existing suppliers used in the Swedish private sector?*.

To answer this overarching question, one must create an understanding of how negotiations are currently conducted and what their advantages and disadvantages are. Based on the findings, the companies advocate long-term relationships, mutual dependence, transparency, and trust. Negotiations are characterised by the supplier and customer importance and impact on the business, based on the choice of sourcing strategy used and supplier categorisation. One advantage of this approach is that it allows companies to adapt their negotiation strategies to their business priorities. The use of data in the context of negotiations is identified as a source of power, improving negotiation outcomes. While these strategies provide flexibility and customization, they also involve complexity and risks, through, for instance, the dependency factor in the buyer-supplier relationship.

The enablers identified, to support the implementation of a fact-based negotiation strategy, are proper negotiation preparations, as they can provide the company with the necessary data, and the company's desire to maintain long-term and prosperous business relationships, as this motivates the company to act fairly and promote values such as credibility. The second enabler depends on the negotiation style utilized at the bargaining table and the sourcing strategy implemented with the suppliers, as these two factors determine what type of buyer-supplier relationship is achieved. Simultaneously, the research has identified several barriers hindering the adoption of a fact-based negotiation strategy. These barriers are how negotiations might become a secondary priority in the presence of trust; the trustworthiness of indexes; the lack of knowledge; the lack of time and resources; and the sole sourcing problem. To overcome the identified hindrances, one can adopt several strategies, where one is to employ the services of external cost data providers such as Prognos MKA. In addition to offering specialized data reports, these providers can offer value-adding activities such as providing knowledge, training, and education on the use of data and indexes. To extend its value offerings further, Prognos MKA can aim to have an interactive role and partake in negotiations and provide the service of external cost breakdown analysis for its customers.

The research showed that the extent to which fact-based negotiations as a strategy is implemented in the Swedish private sector is varied, which means that companies to varying extents can benefit from this negotiation strategy. Some companies have the strategy integrated in their operations, while others deem it irrelevant for their business. The implementation of fact-based negotiations was, through the research, concluded to exceed the initial hypothesis, formulated by the authors of this thesis, which stated that the level of implementation would be limited. As this research included a relatively small number of companies, the *five-phase implementation model* serves only as an indication of how the proliferation of companies might be on a larger scale, covering the whole Swedish private sector. This thesis calls for future research to confirm or dismiss the findings and conclusions drawn in this report. This can either be done by more thoroughly investigating individual companies and their negotiation practices through a case study with multiple interviews with different functions at the company, or by conducting a more overarching investigation covering the Swedish private sector as a whole, through, for instance, surveys.

8. Societal concerns

This section describes societal concerns and implications that research can contribute to. In particular, it will discuss the implications from an ethical, economic, and ecological perspective.

8.1. Ethical concerns

The article by van Kleef (2008) shows how social aspects can have a large impact on the behaviour of and outcome of a negotiation. The author continues to emphasise how power can be utilised in an unethical way to achieve one's goals. For instance, Anderson and Galinsky (2006) showed that powerful parties are often more likely to demand more and give in less through the utilisation of threats and manipulation. Powerful individuals mostly do not think of the less powerful side. This thesis aims to, again, shed light on the benefits of using fact-based negotiation approaches to balance out the power dynamics between the parties. Anderson and Galinsky (2006) further state that parties possessing power are focused on profits and unconscious of the consequences of their actions, making them more likely to act opportunistically and violate both social and ethical norms. Through the use of fact-based negotiations, companies minimize the risk of data manipulation. Further, this thesis can help bridge the gap between large and small organisations. Companies with less access to data can, with the help of, for instance, Prognos MKA's offerings, increase their knowledge of their product and market and subsequently be more prepared and less affected by the social factors, such as power imbalances, for instance, gender differences, in a price negotiation.

In a broader perspective, reputation is an important aspect within negotiation. An organisation with a reputation for being fair, honest, and willing to create a win-win situation will be beneficial in the long run. In addition, Stark and Flasherty (2003) stress the importance of guarding an organisation's reputation by always acting in an ethical manner, as it is key to building a successful organization.

8.2. Economic concerns

As previously mentioned, Bouwman (2019) states that there is a high potential for opportunistic behavior in the private sector. Spreading knowledge about fact-based price negotiations can thus increase economic transparency and reduce unfair pricing. On a larger scale, this research can contribute to economic sustainability by creating possibilities for employee development through training. Companies being offered fair prices can, in turn, lead to money being used to increase salaries for the negotiators as responsibility increases, but also reasonable profits for organisations. According to Eftimie et al. (2012), the purpose of negotiating is to create a balance, stability, and sustainability for an organisation and is used as a tool for a company to face changes within the three pillars of sustainability: environmental, economic, and social sustainability. As previously explained, this research can create economic stability and balance within organisations in the private sector through increasing knowledge of the use of fact-based price negotiations.

8.3. Ecological concerns

Ecological sustainability is, in general, an important part of the business within the Swedish producing and construction private sector. According to Byggföretagen (2019), organisations are working towards building energy efficiency both within new and existing products and construction. The procurement function within an organisation has to be sustainable to achieve the goals of Netzero 2045 (Byggföretagen, 2019). This research will increase the knowledge of how the use of information can be utilised in negotiations. As previously mentioned in this report, information is, as described by Brett (2000), an asset that can help negotiators decide whether to demand, reject, or accept an offer. From an ecological perspective, fact-based negotiations can be used to apply pressure on suppliers or buyers, for example, by including environment-related criteria in contracts (Walker & Philips, 2009). In a broader perspective, this will facilitate the procurement process and ultimately the organization's work towards sustainability.

9. Limitations

This study will be limited in terms of issues not addressed regarding scope and objectives in the following ways:

- The study was limited to solely addressing the Swedish private sector and therefore excluded the public sector. The primary motivation was that the Swedish market as a whole was a far too extensive research area to be analysed. It was too diverse to properly analyse and understand, given the timeframe of this Master's thesis. Furthermore, a similar study had previously been done on the public sector by Prognos MKA. This limitation limited the ability to draw general conclusions for the Swedish market as a whole, which might have limited the applicability of this study on an international scale and within the Swedish public sectors as a whole.

- The study furthermore primarily addressed the private producing industry and private construction industry in Sweden, where the need for raw materials is extensive. The primary motivation was to further narrow the scope of the study, as the type of companies interviewed was limited to certain markets. But it also aimed to reach companies with operations and procurement structures where the value offerings of Prognos MKA could be applicable. This limitation limited the ability to draw general conclusions for different markets within the Swedish private sector, and thus limited its applicability for markets other than the two investigated. Furthermore, a majority of the interviews were held with construction companies, which might have resulted in the conclusions drawn being more applicable to the construction industry.

- Another limitation of the study was the limited number of interviews held. With only 12 interviews, only a fraction of all companies within the Swedish producing and construction industry were analysed. Meaning, the research could only serve as an indication of how the two industries, on a larger scale, might look. This limited the generality of the conclusions made in the thesis, as the vast majority of companies within the industry were not represented in the interviews. Moreover, of the interviews held, there was an uneven distribution between professionals working within purchasing versus sales. This limited the perspectives given and conclusions drawn regarding the selling side of companies.

- Furthermore, the research was limited to investigating solely the negotiation phase of the procurement process, as the research sought depth rather than breadth, which could not be achieved if the scope were not limited. For the research to be feasible, given the chosen methodology, the focus area needed to be further restricted, and therefore, the study focused on price renegotiations within existing buyer-seller relationships when prices were renegotiated on a yearly, continuous basis.

- The research was conducted in collaboration with the company Prognos MKA, making this research biased towards the company. This limited the research as it was adapted to the requirements of the partner company, limiting the study from exploring other perspectives beyond that of the company. Prognos MKA was selective of the data shared, further limiting the study and reducing the confidentiality and transparency of the final report published. Moreover, as the study was linked to one company, it may not be applicable to other sectors, which again may prevent generalised conclusions from being drawn. Finally, as the company was part of the development of the thesis proposal, the research questions, and other elements, this may have led to some constraints on the authors' ability to develop the research independently.

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Appendix A - List of Interviewees

This appendix presents a table of all the conducted interviews during this project. The table below presents the interviewee, their company, and their role at the company.

Table of conducted interviews.

Interviewees	Company	Role
Interviewee 1	Purac AB	Within purchasing
Interviewee 2	Specialkarosser AB, SKAB-Group	Purchasing Manager
Interviewee 3	Stena Stål	Acting Purchasing Manager, Category Responsible Buyer Industry
Interviewee 4	---	Purchasing Manager
Interviewee 5	VBG Group	Group Sustainability Analyst & Project Manager
Interviewee 6	RO-Gruppen AB	Contracting Manager
Interviewee 7	Veidekke	Purchasing Manager
Interviewee 8	AFRY Sweden AB	Section Manager, Supply Chain Management
Interviewee 9	---	Portfolio Manager Purchasing
Interviewee 10	IKEA Supply Services AB	Sustainable Business Manager
Interviewee 11	BDX Företagen AB	Market and Sales
Interviewee 12	---	Sales Manager

The table shows the 12 interviews conducted, combined with the company name and role within the company for the interviewees. This is to give some context behind each anonymous interviewee and to show their competence area and relevance for the thesis.

Appendix B - Interview Guide

This appendix shows the interview guide and its questions, used during the interviews.

Background on the interviewee

1. Tell us a bit about your role in the company and what you do.
    a. What does negotiation entail for you and your company? How do you work with negotiations in the company?
    b. How long have you been working within purchasing and negotiations?
    c. Did the company offer negotiation training, or have you learned from previous experience? Trial and error? In other ways?

Renegotiating prices - existing contracts

2. How do you reach the prices you have with the suppliers?
    a. Do you use a fixed price model or a more variable price model?

3. How often do you renegotiate price levels with suppliers?
    a. Who takes the initiative for these renegotiations? The company itself or the supplier?
    b. Do you have a timeline of how frequently you communicate with the other party regarding price renegotiations?

4. Have you ever experienced delays in renegotiations by the other party?
    a. If yes, in which situations have you experienced this?
    b. Do you mainly negotiate price increases or do you also negotiate price reductions?
        i. Why/why not?

5. What type of data do you consider most useful in your negotiations?
    a. Or are there other types of data/information that are equally important?
    b. How do you find/obtain this type of information?

6. Do you utilize indexes and/or benchmarks to work with price adjustments?
    a. What indexes do you use more specifically?
    b. How do you get access to that information?
    c. Is it the supplier who gives you the information, or are you the ones responsible for acquiring the information?

7. How well does the index reflect the product the company buys?
    a. Is the index representative?
    b. Do you have trust in the information the index provides?
    c. How do you ensure that the index is good and trustworthy?

Fact-based price negotiations

8. What kind of negotiation strategy do you use when renegotiating prices with existing suppliers?
    a. Why that particular strategy?
    b. Do you have central guidelines within your company on how to negotiate prices? Or is it up to the individual buyer?

9. What preparations are made for a negotiation with a customer/supplier?
    a. What kind of information do you use for a negotiation?
    b. How extensive is your preparation for a negotiation?
    c. What requirements/guidelines do you have to follow concerning the company in terms of percentage price increases?

10. What is your understanding of fact-based negotiation?
    a. Do you use fact-based price negotiation?
    b. Are you familiar with fact-based price negotiation as a strategy?

Fact-based negotiations, if yes.

11. Can you describe how you use them?

12. How come you use fact-based negotiation?
    a. What made you start using fact-based price negotiation?

13. Do you use external parties or do you produce your data yourself?
    a. Why/why not?

14. What is it about the approach that works?
    a. Is there something that works well?
    b. What benefits do you see with the approach?

15. Is there anything that does not work with the approach?
    a. What needs to be improved?
    b. What is needed to address these problems?

Fact-based negotiations, if no.

16. Why do you not use fact-based price negotiations?
    a. What challenges do you see in using data?
        i. What has led you not to use this approach in negotiations?

17. Would you like to implement fact-based negotiations? Why/why not?
    a. What would you need to implement and use fact-based negotiations as an approach?
    b. Are there any barriers that need to be overcome for you to implement fact-based price negotiations?

Experience

18. Do you often feel satisfied with the outcome of the renegotiation for your company?
    a. What would it take for you to be even more satisfied?
    b. What opportunities for improvement do you see?

19. In general, when a negotiation is concluded, which party do you, in general, think is the most satisfied with the outcome, the company or the supplier?
    a. Why do you think this is the case?

20. What characterizes a good or a bad negotiation in your eyes?
    a. Based on your own and the seller's results
    b. Based on the discussion and the atmosphere during the negotiation
    c. Based on the feeling of having an advantage/disadvantage in the discussion

21. What determines your feeling of advantage/disadvantage in the negotiation?
    a. How do you get back to having the upper hand?

22. What factors do you think come into play in a negotiation? E.g., position of power, negotiating position, behavior, information advantage, etc.
    a. How are these factors reflected in a negotiation?
    b. How do you use these factors to your advantage?

Appendix C - List of Quotes

Said by	Found in the chapter	English
Galinsky et al. (2017, p. 2)	(2.3.) The use of power and information in negotiations	“the probability that a negotiator will influence a negotiation outcome in the direction of his or her ideal outcome.”
Ogilvie and Kidder (2007, p. 132)	(3.1.) The five negotiation styles	“Identifying consistent patterns of behavior enables one to recognize, manage, and adapt to those patterns. [...] If patterns can be identified, then a negotiator can prepare to capitalize on her/his own strengths and discover the style of a negotiating partner, developing plans in consideration of that style.”
Shell (2001, p. 168)	(3.1.) The five negotiation styles	“adept at deferring and dodging the confrontational aspects of negotiation”
Morgan and Hunt (1994, p. 24)	(3.5.) Relationship Management	“Commitment entails vulnerability, parties will seek only trustworthy partners.”
Basias and Pollalis (2018, p. 94)	(4.1.) Research strategy	“a sequence of interpretive techniques that try to describe, decode, and translate concepts and phenomena rather than to record the frequency of certain phenomena in society”
Pollard (2006, 657)	(4.3.2) Ethical considerations	“As a part of the consent procedure, each subject must have it carefully explained that they have a complete right to withdraw consent at any time, to refuse to participate, to anonymity and to confidentiality.”
Bell et al. (2019, p. 520)	(4.5.) Data analysis	“While thematic analysis lacks clearly specified procedures, it is the flexibility of this analytical strategy - the fact that it can be used to analyse a wide variety of types of qualitative data and as part of a narrative, grounded theory or critical discourse analytic approach - that accounts for its popularity.”
Braun and Clarke (2006, p. 81)	(4.5.) Data analysis	“reports experiences, meanings and the reality of participants”
Braun and Clarke (2006, p. 81)	(4.5.) Data analysis	“are the effects of a range of discourses operating within society”
Bell et al. (2019, p. 519)	(4.5.1.) Thematic analysis method	“A theme: is a category identified by the analyst through his/her data; relates to the analyst’s research focus (and quite possibly the research questions); builds on codes identified in transcripts and/or field notes; provides the researcher with the basis for a theoretical understanding of his or her data that can make a theoretical contribution to the literature relating to the research focus.”

Said by	Found in the chapter	English	Swedish
Interviewee 1	(5.1.1.) Relationship Management	“I win the trust of my counterparts because I am honest. Honesty wins trust and with trust a good relationship”.	“Jag vinner mina motparters förtroende eftersom jag är ärlig. Ärlighet vinner förtroende och med förtroende kommer en god relation”
Interviewee 8	(5.1.1.) Relationship management	“You have to think on both sides that you act responsibly in the big deal, but also act in a good way when we are small. [...] It is difficult not to overuse the fact that you are big. That's where the difficulty lies. But there we worked a lot with big partners for many years, who were important suppliers, where we also worked on product development together.”	“Då får man tänka på båda sidor att man agerar ansvarsfullt i den stora affären, men också agerar på ett bra sätt när vi är små. [...] Det är svårt att inte överutnyttja att man är stor. Det är där svårigheten ligger. Men där jobbade vi mycket med stora partners sedan många, många år som var viktiga leverantörer där vi även jobbar med produktutveckling tillsammans”
Interviewee 7	(5.1.1.) Relationship Management	“We believe in long-term relationships and having a good dialogue, and that we should involve all our partners and be able to collaborate with our suppliers to get the best end result. Then we believe that we get a better total cost for a project if we do it together instead of pushing down the price of a small product”.	“Vi tror ju på de långsiktiga relationerna och att ha en bra dialog och att vi ska involvera alla våra partners och kunna samverka med våra leverantörer för att få det bästa slutresultatet. då tror ju vi att vi får en bättre totalkostnad för ett projekt om vi gör det tillsammans istället för att pressa ner priset för mindre produkter”.
Interviewee 5	(5.1.1.) Relationship Management	“A good negotiation is the classic win-win. Both parties are satisfied and remain satisfied. We have received a good agreement and have obtained a good and long-term partner, where we talk a lot about partnership together.”	“En bra förhandling är det klassiska win-win. Båda parter är nöjda och är fortsatt nöjda. Vi har fått ett bra avtal och där har man fått en bra och långsiktig partner där vi pratar mycket partnerskap tillsammans”.
Interviewee 10	(5.1.1.) Relationship management	“What is the result if you don't create a deal? Without making a deal, you end up gaining less compared to if you collaborate and make a deal where you compromise. The choice is obvious, give and take, so both are happy.”	---
Interviewee 2	(5.1.1.) Relationship Management	“To have sustainable negotiation is about having an understanding of their world if you are going to work together long-term. You must have an understanding and knowledge of both parties and how each operates. Everyone should make money, but it should be reasonable.”	“Att ha hållbar förhandling innebär att ha en förståelse för deras värld om man nu ska jobba långsiktigt ihop. Man måste ha förståelse och kunskap om båda parter och hur de arbetar. Alla ska ju tjäna pengar, men det ska vara rimligt.”
Interviewee 2	(5.1.2.) Attitude and approach	“The most important thing is that you always try to be professional, kind, pleasant and social. But tough on the tough	“Det viktigaste är att du alltid försöker vara professionell, snäll, trevlig och social. Men tuff i de tuffa frågorna. När

		questions. When it comes to the hard numbers, I am quite clear, straightforward and have comparative figures. A strength you must have as a buyer is that you can't please everyone, but it is our agenda that matters”	de kommer till de hårda siffrorna, är jag ganska tydlig, rak på sak och har jämförbara siffror. En styrka du måste ha som inköpare är att din inte kan göra alla glada, men det är vår agenda som spelar roll”
Interviewee 7	(5.1.2.) Attitude and approach	“What should we do to get there if we see a long-term perspective? What do we need to push for, listen to, to get there? It's very much about listening in all negotiations, it's more important to listen than to talk. To listen to the arguments and the discussion, and then respond to them. Instead of always being the one who pushes. I think that's winning.”	“Hur ska vi göra för att komma dit om man ser en långsiktighet i det? Vad är det då man behöver trycka på, lyssna på, för att nå dit? Det handlar ju väldigt mycket om att lyssna i alla förhandlingar, det är viktigare att lyssna än att prata. Att lyssna på argumenten och diskussionerna och sen svarar på det, istället för att alltid vara den som driver. Det tror jag är vinnande”.
Interviewee 5	(5.1.2.) Attitude and approach	“A lot is about dialogue internally and externally. Relationship building is not only with suppliers, but also within the company. It’s to understand why purchasing is important for the business. Some companies are incredibly technology-driven and do not understand why certain solutions do not work. Purchasing must own the decision about which suppliers are selected. The important decision should lie with purchasing”	“Mycket handlar om dialog internt och externt. Relationsbyggandet är inte bara med leverantörer, men även inom företaget. Det gäller att förstå varför inköp är viktigt för verksamheten. Vissa bolag är otroligt tekniskt styrda och förstår inte varför vissa lösningar inte funkar. Inköp måste äga beslutet kring vilka leverantörer som väljs ut. Viktiga beslutet ska ligga hos inköp”.
Interviewee 4	(5.1.3.) Supplier and customer categorisation	“We look closely at what negotiation strategies we set up concerning what category. We have a category-driven system, Kraljic's matrix. It depends on what strategy we have for the respective category. It also has to do with what type of negotiation we end up in.”	“Vi tittar mycket på vilka förhandlingsstrategier vi lägger upp i förhållande till den kategorin. Vi har ett kategoristyrt system, Kraljic matrix. Det beror på vilken strategi vi har för respektive kategori. Det har också med att göra vilken typ av förhandling vi landar i”
Interviewee 2	(5.1.3.) Supplier and customer categorisation	“I divide my suppliers and have something that I call strategic suppliers. I have selected several suppliers that are important to our operations, where I have had difficulty finding alternative suppliers. Where it is not possible to simply replace a supplier. I do a risk analysis that says that a supplier is strategically important and must be handled specially. If something were to happen to their supply chains, then we must have a plan for that. We are a little more dependent on them, at the same time that they are a priority to constantly try to find solutions with. [...] With non-strategic, you can have more competition. You don't have to be	“Jag delar upp mina leverantörer och har något som jag kallar för strategiska leverantörer. Jag har valt ut ett antal leverantörer som är viktiga för våra verksamheter där jag har svårt att hitta alternativa leverantörer. Där det inte bara går att byta ut en leverantör. Jag gör en riskanalys som säger att en leverantör är strategiskt viktig som måste hanteras på ett speciellt sätt. Om det skulle hända någonting med deras försörjningskedjor, då måste vi ha en plan på det. vi är ju lite grann mer i en beroendeställning till dem samtidigt som de är prio för att hela tiden försöka

		very good at negotiating, but the most important thing is to always make sure that the buyer has alternatives.”	hitta andra lösningar. [...] De icke-strategiska leverantörer kan man konkurrensutsatta. Man behöver inte vara så duktig på att förhandla utan det viktigaste är att hela tiden för den inköpare att man ser till att man har alternativ.”
Interviewee 12	(5.1.3.) Supplier and customer categorisation	“It is differentiated, we have our A customers and B customers. With A customers we have slightly sharper prices and a larger commitment.”	“Den är differentierad, vi har våra A kunder och B kunder. Med A kunder har ett något vassare priser och tar ett större åtagande.”
Interviewee 5	(5.1.4.) Sourcing strategy	“Unlike the construction industry, where standard materials are purchased, in the manufacturing industry it is more difficult to change suppliers as much is specialized”	“Till skillnad från byggindustrin, där standardmaterial köps in, i tillverkningsindustrin är det svårare att byta leverantör då mycket är specialiserat.”
Interviewee 8	(5.1.4.) Sourcing strategy	“Dual sourcing or multiple suppliers, or case by case, then you can only go out with an inquiry and get quotes. In those cases, suppliers may be trying to take a chance and make extra money. If you have a relationship where you can trust each other, you can rely on the supplier to have reasonable prices that match”.	“Dual sourcing eller flera leverantörer eller fall till fall då får man bara gå ut med en förfrågan och ta in offerter. I de fallen kan det vara leverantörer som försöker chansa och tjäna extra pengar. Har man en relation där man kan lita på varandra, kan man förlita sig på att leverantören har rimliga priser som stämmer överens”.
Interviewee 7	(5.2.1.) Data and information	“We can understand why they are arguing the way they do. Then you can also better respond to that argumentation in a good way and use it. It is not always that it gives anything to know the most, but you can be confident in being able to answer.”	“Vi kan förstå varför de argumenterar så som de gör. Då kan du också bättre svara på den argumentationen på ett bra sätt och använda den. Det är inte alltid att det ger något att veta mest, men du kan vara trygg i att kunna ge svar tillbaka.”
Interviewee 6	(5.2.1.) Data and information	“It is a lot that you take the previous projects and evaluate them, to bring some key values from there.”	“Det är mycket att du tar tidigare projekt och utvärderar dem, för att ta med dig nyckelvärden därifrån.”
Interviewee 3	(5.2.1.) Data and information	“Facts are good, and the right facts at the right time”	“Fakta är bra, och rätt fakta vid rätt tidpunkt”
Interviewee 4	(5.2.2.) Indexes	“Preferably to have listed indexes for input costs. Not industry indexes that reflect a history, that is something else. We want indexes that are from an outside, real, and preferably listed trading venue.”	“Föredrar att ha listade index för input kostnader. Inte branchindex som reflekterar en historia, det är något annat. Vi vill ha index från en extern, verklig och helst listad handelsplats.”
Interviewee 3	(5.2.2.) Indexes	“My job will be boring if it becomes index-regulated. But at the same time very transparent towards the customer. There will be fewer business opportunities.”	"Mitt jobb blir tråkigt om det blir för indexreglerat. Samtidigt väldigt transparent gentemot kunden. Det kommer bli färre affärsmöjligheter.”

Interviewee 7	(5.2.3.) Soft information and parameters	“Emotions play a clear role, and in some negotiations title plays a big role. Can go better in a negotiation just because you have a title, strangely enough.”	“Känslor spelar en tydlig roll och i vissa förhandlingar spelar en titel en stor roll också. En förhandling kan gå bättre bara för att du har en titel konstigt nog.”
Interviewee 9	(5.2.4.) Information sharing	“What has been learned over the years is that information and knowledge create negotiation power”	“Vad vi lärt oss genom åren är att information och kunskap genererar förhandlingskraft”
Interviewee 2	(5.3.1.) Negotiation tactics	“Collect as much as possible from as few suppliers as possible so that I become a large and important customer in their eyes”	“Samla så mycket som möjligt hos så få leverantörer som möjligt så att jag blir en stor och betydelsefull kund i deras ögon.”
Interviewee 7	(5.3.1.) Negotiation tactics	“We are quite nice and other companies have a culture where you are more tough [...] we are too collaborative and have a win-win attitude. We could probably have benefited from being a little tougher towards our suppliers”	“Vi är ganska snälla och andra företag har en kultur där man är mer tuff [...] vi är för samarbetsvilliga och har en win-win attityd. Vi hade antagligen kunnat gynnas av att vara lite tuffare gentemot våra leverantörer.”
Interviewee 9	(5.3.1.) Negotiation tactics	“You gain power by getting information, and it is difficult to break through the information. I show and have evidence of what strengthens our case in the negotiation, building up the evidence with facts.”	“Du får makt genom att ha information, det är svårt att bryta igenom den informationen. Jag visar och har bevis på vad som stärker vårt case i förhandlingen. Bygger upp bevisen med fakta.”
Interviewee 11	(5.3.2.) Negotiation Preparation	“There we try to show that we have the knowledge in different ways [...] that we come back with trust. They must feel safe with us as a subcontractor to the company. They must feel that we know what it is about and that we understand what challenges and opportunities there are, that we have the ability to handle this.”	“Där försöker vi visa att vi har kunskapen på olika sätt [...] att vi kommer tillbaka med tillit. De måste känna sig trygga med oss som underleverantör till företaget. De måste känna att vi vet vad det handlar om och att vi förstår de utmaningar och möjligheter som finns, att vi har förmågan att klara detta.”
Interviewee 4	(5.3.3.) Characteristics of good negotiations	“There's always a relationship to consider when it comes to a negotiation, regardless of the type of negotiation”	“Det finns alltid en relation att beakta när det kommer till en förhandling, oavsett typen av förhandling”
Interviewee 7	(5.3.3.) Characteristics of good negotiations	“It is best when everyone is happy but I am most satisfied”	“Det är bäst när alla är nöjda men jag är nöjdast”
Interviewee 10	(5.3.3.) Characteristics of good negotiations	“Cooperation with suppliers through short-term and long-term actions, competence development is important to build trust and have common goals”	---
Interviewee 4	(5.3.3.) Characteristics of good negotiations	“The most important tool for everyone in a negotiation is to take a break. It is super important, as well as when you feel that you	"Det viktigaste verktyget för alla i en förhandling är att ta en paus. Det är superviktigt, liksom när du känner att

		are going down some ditch in the relationship or in the discussion […] It is the most well-invested time you can imagine. Calm down if you're feeling overwhelmed or something”	du går ner i något dike i relationen eller i diskussionen […] Det är den mest välinvesterade tiden du kan tänka dig. Lugna dig om du känner dig överväldigad eller något"
Interviewee 12	(5.3.4.) Characteristics of bad negotiations	“The starting position is wrong, there is no identified common denominator where we can take it forward. If there is no desire to make a joint deal, it will not be good. You have to see a picture of us moving forward”	“Startpositionen är fel, det finns ingen definierad gemensam grund där vi kan ta det framåt. Om det inte finns en önskan att ingå i ett avtal, så kommer det inte bli bra. Du måste se en bild av oss påväg framåt”
Interviewee 12	(5.3.4.) Characteristics of bad negotiations	“A bad negotiation is a one-sided agreement that is based on one party’s situation with a difference in strength between the parties.”	“En dålig förhandling är ett ensidigt avtal utifrån en parts situation och med styrkes skillnad mellan parterna.”
Interviewee 9	(5.4.1.) The use of indexes	“You have to find the right information and ask the right people”	“Du måste hitta rätt information och fråga de rätta människorna”
Interviewee 11	(5.4.1.) The use of indexes	“Challenge to be as creative in a negotiation as possible. To be able to create added value for a customer. Calculations end up at similar levels as competitors [...] it's about creating added value for the customer.”	“En utmaning att vara så kreativ som möjligt under en förhandling. Att kunna skapa mervärde för kunden. Kalkyler hamnar ofta på liknande nivåer som hos konkurrenter [...] det handlar om att skapa mervärde för kunden.”
Interviewee 6	(5.4.1.) The use of indexes	“It does not provide the whole price picture, therefore we do not use it.”	“Det ger oss inte hela prisbilden, därför använder vi oss inte av det.”
Interviewee 2	(5.4.3.) Lack of Knowledge	“There is a risk of becoming superior. That is, you end up in a situation where you are too well-read and have too many arguments, so the other party, the other person, ends up at a disadvantage. [...] It is important not to do it in a way that upsets the balance of power in the relationship for too long.”	“Det finns en risk att bli överlägsen. Alltså, att du hamnar i en situation där du är för påläst och har för många argument, så motparten, den andra personen, hamnar i ett underläge [...] Det är viktigt att göra det på ett sätt som inte rubbar maktbalansen i relationen under en för lång tid.”
Interviewee 6	(5.5.) The five-phase implementation model enabling fact-based negotiations	“No, not in our business. It's because it's such a small detail in a larger project, so for example, an index doesn't give us the right picture regarding the price and whether the price is reasonable. [...] It's not something we go in and check ourselves, now we're going to buy steel, and we're going to go and look at the steel index. But we assume that the suppliers follow these indexes. [...] In our industry and with the companies we work with, we work a lot with relationships. Therefore, you already have trust in the people you do business with. Because we have so many partners that we work with so closely, we've come to a point where we	“Nej, inte i vår branch. Det är för att det är en för liten detalj i ett större projekt, så exempelvis kan inte ett index ge den rätta bilden gällande priset och om priset är rimligt. [...] Det är inget som vi själva går in och kollar, nu ska vi köpa stål och vi ska gå och titta på stålindex. Utan vi förutsätter att leverantörerna följer dessa index. [...] I våran branch och våra företag som vi jobbar mycket med, så jobbar vi med relationer. Därför har man redan en tillit till de personer som man gör affärer med. Eftersom vi har så många samarbetspartners som vi jobbar, så tätt med så har vi kommit till

		don't poke around in such things, because no one else does."	ett läge där vi inte petar på sådana saker, då det inte är någon som gör det."
Interviewee 1	(5.5.) The five-phase implementation model enabling fact-based negotiations	"We always use indexes in all our projects. Usually, indexes such as the construction index, consulting index, and steel index. The company obtains them from the index website Statistiska Myndigheten SCB."	"Vi använder oss alltid av index i våra projekt. Vanligtvis används index såsom byggnadsindex, konsult index och stål index. Företaget får tag på denna information från indexhemsidan Statistiska Myndigheten SCB"
Interviewee 3	(5.5.) The five-phase implementation model enabling fact-based negotiations	"We use commodity indexes and price indexes. On the raw materials side, there is something called LME that publishes the value of metals daily. Which controls a lot of the metal side and what we work with. There, we have a globally known index that we can use to regulate our prices. Currency index is also extremely important to us."	"Vi använder råvaruindex och prisindex. På råvarusidan finns det något som heter LME som publicerar värdet på stål dagligen. Som styr mycket på metallsidan och vad vi jobbar med. Där har vi ett globalt känt index som vi kan reglera våra priser till. Valutaindex är också oerhört viktigt för oss."
Interviewee 2	(5.5.) The five-phase implementation model enabling fact-based negotiations	"When it comes to the hard numbers, I am quite clear, straightforward, and have comparative figures. [...]. I do that via various indexes and with that I can demonstrate that prices have gone down."	"När det kommer till de hård siffrorna är jag väldigt tydlig, rak på sak och har jämförbar siffror. [...] Jag gör det via olika index och med det kan jag demonstrera att priserna har gått ner."
Interviewee 5	(5.5.) The five-phase implementation model enabling fact-based negotiations	"It creates credibility and describes why you need to have a cost increase or decrease. We want to create security for those with suppliers who are tied to us. We try to find a price picture for the customer. [...] We also have index-regulated prices, where we work with indexes that indicate that we should do this if they rise by 2 or 3%. Then we regulate a certain order against an index."	"Det skapar trovärdighet och beskriver varför du behöver ha en kostnadsökning eller sänkning. Vi vill skapa säkerhet för de leverantörer som är bundna till oss. Vi försöker hitta en prisbild för kunden. [...] Vi har också indexreglerade priser, där vi jobbar med index som indikerar att vi ska göra de om det stiger över 2 eller 3%. Då reglerar vi vissa ordrar baserat på ett index."
Interviewee 8	(5.5.) The five-phase implementation model enabling fact-based negotiations	"I need to be clearer in my argumentation, bring the facts, and show that this is what it looks like in detail, and ask what their motives are? Is it a higher price or other parts of the negotiation?"	"Jag behöver vara mer tydlig i min argumentation, ta med fakta och visa att det är såhär det ser ut i detalj och fråga vad deras motiv är? Är det ett högre pris eller andra delar av förhandlingen?"
Interviewee 12	(5.5.) The five-phase implementation model enabling fact-based negotiations	"We need to have facts with us in our negotiations. We need to be able to lean on something that we are confident in when we go into this. The hope is that the other party sees the same things. [...] It is very important that we have a solid negotiating platform by having facts on the table. In order for us to get such a good picture of	"Vi behöver ha fakta med oss in till förhandlingarna. Vi behöver kunna luta oss tillbaka på något som vi är trygga i när vi går in i detta. Förhoppningen är att motparten ser samma saker. [...] Det är väldigt viktigt att vi har en solid förhandlingsgrund genom att ha fakta på bordet. För att vi ska kunna en så bra

		what our needs are going forward, we need to have facts on the table.”	bild av vad våra behov är framöver, så behöver vi ha fakta på bordet.”
Interviewee 9	(5.5.) The five-phase implementation model enabling fact-based negotiations	“For example, you have limited insight into cost drivers and manufacturing processes at the supplier. It's about having time and asking questions to the supplier during the relationship to build up the knowledge bank to be able to be stronger in a negotiation. It is a type of data that we work with in the long term, a type of cost reduction.”	“Exempelvis, du har begränsad insyn i kostnadsdrivare och produktionsprocesser hos leverantören. Det handlar om att ha tid och ställa frågor till leverantören under relationens gång för att bygga upp en kunskapsbank för att kunna vara starkare under en förhandling. Det är en typ av data som vi jobbar med långsiktigt, en typ av kostnadsreduktion.”
Interviewee 4	(5.5.) The five-phase implementation model enabling fact-based negotiations	“Information linked to indexes and open information available on the market that is used to understand products and price developments. But also internal sources of information such as other employees working on this who have a breadth of expertise.”	“Information kopplad till index och allmän information tillgänglig på marknaden som används för att förstå produkter och prisutvecklingar. Men också interna informationskällor som andra anställda som jobbar med detta och som har en bred expertis.”
Interviewee 7	(5.5.) The five-phase implementation model enabling fact-based negotiations	“Among others, Prognos MKA. Then we have an analysis department at the company that provides us with lots of data, such as interest rates. In Sweden, we have someone who works with analysis and reports to us, and we get that once a month, even if we're not going to negotiate. So we have indexes and market reports on how different types of material vary. We also get data on, for example, various EU directives that will affect the price in a year or two. There are various inputs from which we get different indexes and other data.”	“Bland andra, Prognos MKA. Sen har vi en analysavdelning på företaget som ger oss stora mängder data såsom räntelägen. I Sverige har vi någon som jobbar med analyser och rapporterar till oss, och det får vi en gång i månaden även om vi inte ska ha en förhandling. Så vi har index och marknadsrapporter på hur olika typer av material varierar. Vi har också data på, till exempel, olika EU direktiv som kommer påverka priset om ett år eller två. Det finns olika inputs som vi får olika typer av index och annan typ av data från."
Interviewee 10	(5.5.) The five-phase implementation model enabling fact-based negotiations	“In addition, we work with a cost breakdown. We know exactly what we pay for. The supplier is also required to conduct one. The important part here is that it is transparent and that we can use facts. By using indexes, you can decide on how to increase and decrease the price levels.”	---
Interviewee 9	(6.1.1) Elements of negotiations in the Swedish private sector	“What has been learned over the years is that information and knowledge create negotiation power”	“Vad vi lärt oss genom åren är att information och kunskap genererar förhandlingskraft”

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