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Cost savings through supplier relationship management in indirect procurement in a Finnish MNC

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ABSTRACT:

This thesis examines how Supplier Relationship Management (SRM) contributes to cost savings in indirect procurement within a multinational corporation (MNC). While SRM has been widely studied in direct procurement, its role in indirect categories is less explored. Indirect procurement is usually characterized by fragmented spend, a large supplier base, and a high proportion of services, which makes traditional cost-reduction approaches less effective. Given these complexities, this study investigates how SRM practices are implemented in indirect procurement and how they support both measurable and long-term cost efficiency.

A qualitative case study was conducted using Wärtsilä, a Finnish MNC operating in the marine and energy sectors. Data were collected through semi-structured interviews with procurement professionals, suppliers, and internal stakeholders, complemented by internal company reports. The analysis followed a thematic approach and was guided by the Actors-Resources-Activities (ARA) model.

The findings show that SRM contributes to cost savings through three main mechanisms: improved process efficiency, better use of organizational and supplier resources, and stronger relational outcomes. SRM practices are most mature with strategic and leverage suppliers, where spend concentration and business dependence justify deeper collaboration. For routine suppliers, efficiency comes from standardization, automation, and supplier consolidation. Bottleneck suppliers require relationship-based risk mitigation rather than cost-focused negotiations. Trust, transparency, and long-term collaboration are central drivers for sustainable cost benefits, especially where innovation or service improvements influence indirect costs.

The study concludes that SRM creates value in indirect procurement not only through price reductions but also by enabling long-term efficiency, reduced complexity, and operational resilience. Its effectiveness depends on structured supplier segmentation, digital enablement, and the relational competence of procurement teams. The results highlight the need for differentiated SRM strategies that reflect supplier roles within indirect spend instead of uniform relationship management across the supplier base.

KEYWORDS: procurement, indirect procurement, ARA model-actors, resources and activities, supplier relationship management, MNC

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Abbreviations

IB=International Business

MNC=Multinational Company/Corporation

MNCs=Multinational Companies/Corporations

ARA=Actors, Resources and Activities

IMP=Industrial Marketing and Purchasing

SRM=Supplier Relationship Management

RONA=Return on Net Assets

TCO=Total Cost of Ownership

MRO =Maintenance, Repair, Operations

SLA= Service-level Agreements

1 Introduction

This chapter provides an overview of the study by first outlining the background, motivation, and research relevance. It highlights how procurement has evolved from an operational task to a strategic lever for cost savings and value creation. The chapter then presents the research aim, research questions, delimitations, and key concepts that frame the study. Finally, it introduces thesis structure.

1.1 Background of the study

The role of procurement has transformed significantly over the past decades. Earlier definitions primarily emphasized its operational nature, focusing on continuity of supply (Lysons, 1981; Burt et al., 2003). Later, scholars such as Weele (2018) reframed procurement as a managerial process with strategic implications, and more recent contributions highlight how digitalization and supply network integration further strengthen its role in resilience and value creation (Benton,2021).

Building on this strategic shift, Esan et al. (2022) highlighted a more recent model shaped by technological advancements. Contemporary procurement practices, they argue, increasingly integrate artificial intelligence (AI), data analytics, and supplier relationship management (SRM) to enhance efficiency, resilience, and co-created value with suppliers.

In the business-to-business context, a firm's ability to manage both upstream (supplier) and downstream (customer) relationships is widely considered central to achieving and sustaining competitive advantage (Flint et al., 2002). When treated as a strategic partnership rather than a transactional function, supplier relationships directly influence procurement performance by driving cost efficiency, enhancing reliability, and reinforcing long-term competitiveness (Moeller et al., 2006).

The ARA model (Håkansson & Snehota, 1995) offers a relational perspective by conceptualizing interactions in terms of activities, resources, and actors. This framework is particularly relevant for understanding Supplier Relationship Management (SRM), since SRM can be seen as the managerial practice that operationalizes these relational dimensions in procurement. When SRM strategies are aligned with the ARA layers—such as integrating supplier activities, adapting resources, and strengthening actor bonds—firms are better positioned to achieve collaborative cost reductions.

On the other hand, as procurement continues to evolve into a strategic function, it is also essential to distinguish between its two primary categories: direct and indirect procurement. Understanding this distinction is critical for effective cost control and value generation across the supply chain. According to Weele (2018), direct procurement refers to the acquisition of goods and services that are directly incorporated into a company's final product. In contrast, indirect procurement includes purchases that facilitate business operations but do not form part of the final product. Indirect procurement typically involves low-value, non-critical purchases that are often managed with minimal strategic oversight. This fragmented spend and limited market data making it difficult to analyse total costs(Payne et al., 2021).

However, a growing body of literature highlights that indirect procurement is not merely low-value administrative support but can be a strategic lever for cost savings and value creation when managed properly. For instance, Tassabehji and Moorhouse (2008) point out that procurement functions—including indirect categories—have evolved into core organizational components characterized by “strategic partnerships, cooperative alliances and supply network management” (p. 55). Payne et al. (2021) emphasize that indirect spend represents a critical yet often neglected domain of procurement. As they note, organizations can “reduce costs with a strong focus on the often-overlooked area of indirect spend” (Preface, p. 14). Their argument highlights the potential of strategic sourcing in these categories to unlock significant profitability improvements. A case study by Saarela (2022) further illustrates this point, showing that indirect procurement

strategy development should align with overall corporate strategy to effectively “improve efficiency and minimize costs” (p. 67).

SRM is the systematic management of an enterprise’s interactions with the organizations that supply the goods and services it uses (Moeller, Fassnacht, & Klose, 2006). Håkansson and Snehota (1995) emphasize that relationships constitute resources that must be deliberately invested in and allocated to the most value-creating activities. This perspective raises a critical question: how can SRM generate measurable cost savings and sustained value creation in the context of indirect procurement, where the supplier base is often diverse, fragmented, and service-intensive (Payne et al., 2021; Saarela, 2022)?

This thesis begins by formulating the central research question: How does Supplier Relationship Management (SRM) contribute to cost savings in indirect procurement? A literature review will follow, addressing core concepts such as procurement, indirect procurement, the ARA model, SRM, category management and cost optimization. To explore these themes empirically, the author uses a qualitative research methodology, specifically semi-structured interviews for in-depth insights. Participants are selected through purposive sampling to ensure relevance and diversity, including representatives from suppliers, procurement professionals, and internal stakeholders (Palinkas et al., 2015).

This thesis employs a case study of Wärtsilä, a Finnish Multinational Corporation (MNC) and a global leader in smart technologies and lifecycle solutions for the marine and energy sectors (Wärtslä,2024). The company's indirect procurement function, manages over 7,000 suppliers across 70 countries, presenting the typical challenge for large MNCs: operating in a complex global landscape of diverse regulations, infrastructures, and cultures (Ghemawat, 2001; Hofstede, 2001). Wärtsilä's scale and scope make it an ideal setting to explore: how Supplier Relationship Management (SRM) practices are implemented in indirect procurement and how they drive cost savings and strategic

value (Yin, 2012). This focus directly informs the study's research questions and delimitations.

1.2 Research questions and delimitations

This thesis investigates how Supplier Relationship Management (SRM) contributes to cost savings in indirect procurement within the context of a Finnish multinational corporation (MNC). The study focuses on examining the implementation of key SRM practices and their interaction with organizational structures. Wärtsilä—a Finnish MNC operating in the marine and energy sectors—serves as the case company (Wärtsilä, 2024). By applying the ARA model (Håkansson & Snehota, 1995), the research aims to uncover the relational and operational mechanisms through which SRM practices generate cost efficiency in the complex setting of a global organization.

As Bryman and Bell (2015, p. 10) state, “A research question provides an explicit statement of what it is the researcher wants to know about.” Accordingly, the main research question guiding this thesis is:

- How does Supplier Relationship Management (SRM) contribute to cost savings in indirect procurement?

To address this question, the study investigates two sub-questions:

- How are SRM practices implemented in the context of indirect procurement in a multinational organization?
- How do these SRM practices contribute to cost efficiency in indirect procurement?

This study focuses on indirect procurement and how SRM contributes to cost savings. The ARA model is the primary theoretical lens for analysing SRM implementation and its effects. The Kraljic Portfolio Purchasing Model (Kraljic, 1983) defines suppliers into four categories: strategic, leverage, bottleneck, and routine. Other procurement strategies,

such as outsourcing, e-sourcing, or contract lifecycle management, are outside the scope of this research.

To position and benchmark Wärtsilä's practices in a broader industry context, this study includes interviews with indirect procurement professionals and suppliers from both Wärtsilä and other multinational corporations (MNCs). The comparative approach aims to evaluate the relative maturity and distinctiveness of Wärtsilä's supplier relationship management practices, and ultimately generate actionable recommendations for further improvement.

In addition, this study draws upon a variety of internal and external data sources, including Wärtsilä's procurement strategy, company documents. Integrating these with interview insights provides a comprehensive analysis of supplier relationship management practices and supports well-founded conclusions.

1.3 Key concepts

Procurement refers to all activities required to obtain goods and services from suppliers and deliver them to their final point of use, encompassing need identification, sourcing, contracting, and supplier management (Weele,2018).

Direct procurement refers to the purchase of goods and services that are directly incorporated into an organization's products or production processes, such as raw materials and components (Weele, 2018).

Indirect procurement is "procurement of all materials, components and services that are used to support the company's infrastructure and back-office activities (Weele, 2018, p.6).

Cost savings in procurement refer to the measurable reduction in expenditure achieved by improving purchasing practices, processes, or supplier arrangements, compared with a defined baseline or historical spend, while maintaining or enhancing the required quality, quantity, and service levels (Ellram, 1995; Weele, 2018).

MNCs: Multinational Corporation (MNC), also commonly referred to in academic literature as a 'Multinational Enterprise' (MNE), is “an enterprise that engages in foreign direct investment (FDI) and owns or, in some way, controls value-added activities in more than one country” (Dunning, J. H., & Lundan, S. M., 2008, p.3).

Global Sourcing: “Proactively integrating and coordinating common items and materials, processes, designs, technologies and suppliers across worldwide procurement, engineering and operating locations (Weele,2018, p.17).

Total cost of ownership (TCO): “Relates to the total costs that the company will incur over the lifetime of the product that is purchased” (Weele,2018, p.9).

Kraljic’s purchasing portfolio: “A matrix indicating four quadrants, represented four basic supply strategies, based upon financial impact and supply risk represented by a specific product category” (Weele, 2018, p.175).

The Actors-Resources-Activities (ARA) model describes business relationships as networks of actors linked through activities and tied together by shared or exchanged resources. The model describes how these three layers—actors, resources, and activities—interact and evolve over time, to shape the structure and dynamics of interorganizational networks (Håkansson & Snehota, 1995).

Supplier Relationship Management (SRM) is the “process of engaging in activities of setting up, developing, stabilizing and dissolving relationships with in-suppliers as well

as the observation of out-suppliers to create and enhance value within relationships" (Moeller et al.,2006, p.73).

Routine products: "These products produce few technical or commercial problems from a purchasing point of view. They usually have a small value per item and there are many alternative suppliers" (Weele, 2018, p.24).

Bottleneck products: "These items represent a relatively limited value in terms of money but they are vulnerable with regard to their supply. They are hard to source and can only obtained from one supplier" (Weele, 2018, p.25).

Strategic products: "These are high-tech, high-volume products, which are often supplied at customer specification" (Weele, 2018, p174).

Leverage products: "These are the products that can be obtained from various suppliers at standard quality grades. They represent a relatively large share of the end products' cost price and are bought at large volumes" (Weele, 2018, p.177).

1.4 The structure of the study

This thesis is structured into nine chapters. Chapter 1 introduces the research by outlining the background, research questions, delimitations and key concepts, and ends with a brief overview of how the study is organised. Chapter 2 focuses on indirect procurement in multinational companies and examines its role, characteristics and category structure, followed by a discussion on cost-saving opportunities and challenges. Chapter 3 introduces business relationships in network settings and outlines the foundations of Supplier Relationship Management (SRM).

Chapter 4 presents SRM through the ARA model by examining the activities, resources and actors involved, and concludes with a summary of the theoretical framework.

Chapter 5 explains the research methodology, including the research design, data collection and analysis, and considerations related to reliability and validity. Chapter 6 presents the empirical findings from the case company, Wärtsilä, covering the current state of SRM in indirect procurement, perceived benefits and challenges, future development themes, and supporting spend data.

Chapter 7 discusses the findings in relation to the theoretical framework and existing literature. This includes an analysis of SRM implementation using the ARA perspective, as well as observations on benefits, challenges and development directions. The updated theoretical framework is presented at the end of this chapter. Finally, Chapter 8 concludes the thesis by summarising the key findings, answering the research questions, and reflecting on theoretical and managerial implications, limitations and suggestions for future research. Chapter 9 provides the declaration of artificial intelligence assistance.

2 The pursuit of cost savings in indirect procurement within MNCs

This chapter develops the theoretical foundations for examining procurement in a multinational context, with particular attention to indirect categories.

2.1 The role of procurement in MNCs

Procurement is broadly defined as “all the activities required to get the product from the supplier to its final destination” (Weele, 2018, p. 9). Beyond this operational view, procurement can be more specifically defined as the strategic management of external resources to secure all goods, services, and capabilities necessary for its operations under the most favorable conditions. This function oversees the entire flow of materials, information, and finances, ensuring the needs of both primary and support activities are met efficiently.

The strategic dimension of procurement lies in its alignment with the overall corporate strategy. As González-Benito (2007) outlines, procurement strategy is derived from the firm’s business objectives, translated into category-specific strategies, and operationalized through procurement levers and supplier strategies, and ultimately to enhance procurement performance. Saarela (2022) illustrates this cascading process in a five-level framework (Figure 1), emphasizing that the closer procurement strategy is aligned with corporate strategy, the greater its impact on organization performance.

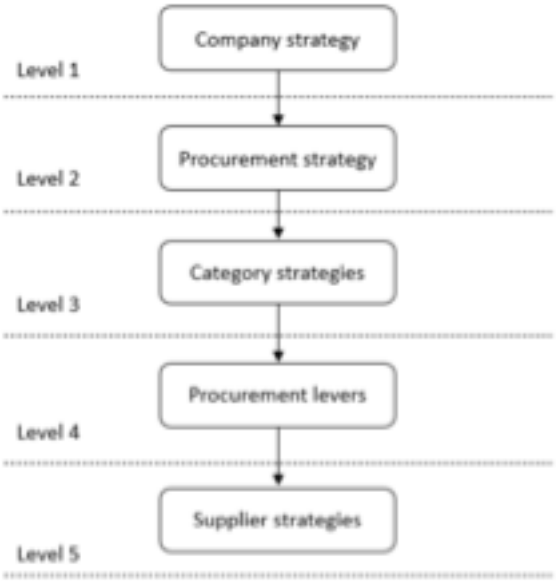

Figure 1. Reprinted from Saarela (2022, p.14), based on González-Benito (2007).

The financial relevance of this alignment is underscored by Weele (2018), who demonstrates that even a modest 2 percent reduction in procurement costs can lead to a 20 percent improvement in return on net assets (RONA), highlighting procurement as a critical driver of financial outcomes.

Extended purchasing process model

Weele (2018) introduces the extended purchasing process model, as shown in Figure 2, which drafts a ten-step process containing sourcing, purchasing, and payment (p.33).

- The first stage, Sourcing, includes spend and demand analysis, supply market analysis, developing a sourcing strategy, tendering and choosing suppliers, and setting up contracts and implementation.
- After Sourcing, the Purchase stage involves searching for products or services, getting approval, submitting purchase orders, and handling order fulfilment and logistics.
- Next, the Pay stage covers processing invoices and making payments.

Supplier Relationship Management (SRM) plays an essential role throughout the Source–Purchase–Pay cycle by coordinating each stage. In Sourcing, SRM helps assess suppliers, set expectations, and lay the groundwork for long-term partnerships. During the Purchase stage, SRM manages communication, solves delivery or quality issues, and makes sure suppliers meet performance standards. In the Pay stage, SRM helps resolve disputes and builds trust through clear financial processes.

Figure 2. Extended purchasing process model adapted from Weele (2018, p.33).

Purchasing in domestic companies vs in MNCs

Multinational corporations (MNCs), also known as multinational enterprises (MNEs), are defined as “enterprises that engage in foreign direct investment (FDI) and own or, in some way, control value-added activities in more than one country” (Dunning & Lundan, 2008, p. 3). Based on the extended purchasing process model described above, Figure 3 summarizes the differences between the purchase processes of domestic companies

and MNCs. For example, for Spend and demand analysis, Domestic companies performs at a local or departmental level. They have limited geographical scope and relatively simple organizational structures. In contrast, MNCs do this spending and demand analysis on a global scale. On the one hand, this results in MNCs facing additional coordination challenges compared to domestic companies, because domestic ones benefit from more direct control and faster decision-making. On the other hand, this offers MNCs more buying power because global spending makes them a bigger customer for the supplier. The supply market for domestic companies mainly depends on local resources. Even when importing goods from international markets, their overall operational complexity remains lower than that of multinational corporations, as their activities are limited to a single country.

A company's sourcing strategy identifies whether to source a particular category locally, regionally, or globally (Weele,2018). Purchasing from local suppliers with minimized transportation distances and fast delivery helps domestic companies remain competitive in the local market. However, for MNCs, their approach is global sourcing. Their competitive position is directly linked to the competitiveness of their supply base (Weele, 2018), which large organizations source from foreign countries, particularly low-cost countries, to increase competitiveness through economies of scale.

Process category	Purchasing process	Domestic companies	MNCs
Sourcing	Spend & demand analysis	Local, department level	Global, countries and business unit level
	Supply market analysis	Local and ternational resources	Global resources
	Sourcing strategy development	Experience based	Data-driven
	Tendering and supplier selection	Informal, relationship based	Formalized, performance based
	Contracting & implementation	Simplified, informal	Standardized, formalized
Purchase	Search product or service	Local and international	Global
	Requisition & approval	Centralized and budget availability or urgency	Standardized, hierarchical and strategic alignment or compliance
	Purchase order submission	Centralized	Automated, system-integrated
	Order fulfilment & logistics	Local or regional, local logistic partners	Global, global 3PL or 4PL partnerships
Pay	Invoicing & payment	Manual and paper-based	Automated and electronic invoicing

Figure 3. Key differences between the purchase processes of domestic companies and MNCs.

A domestic company may purchase internationally, rather than domestically, if no suitable local supplier is available or if it seeks more cost-competitive resources (Handfield et. al, 2009). However, there are barriers to worldwide sourcing that are particularly noticeable for companies with limited international experience. These obstacles include a lack of knowledge and skills related to global sourcing, resistance to change, longer lead times, and currency fluctuations (Handfield et. al, 2009). For domestic companies, these challenges tend to be more pronounced because their limited geographical scope makes them more likely to encounter such barriers when they begin sourcing internationally (Handfield et. al, 2009).

In contrast, MNCs naturally have more resources to overcome these obstacles. MNCs often have established international networks and broader experience (Dunning & Lundan, 2008). They can invest in education and training to build the necessary capabilities. Furthermore, because MNCs operate across multiple countries, global sourcing is naturally embedded in their supply chains.

Nevertheless, despite these advantages, MNCs face their own challenges. One of the most significant barriers for them is cultural understanding. Cultural values—shared beliefs or group norms that shape how people think and behave—can strongly influence supplier relationships and negotiation processes (Handfield, et. al, 2009). In addition, MNCs must manage language and communication differences, logistical complexities across regions, and diverse legal requirements (Handfield et. al, 2009).

From organizational perspective, MNCs normally are large firms that have international purchasing offices (IPOs) or global procurement teams (Handfield, et. al, 2009). These IPOs provide operational support through activities such as managing global contracts, facilitating import and export requirements, addressing quality and delivery issues, and monitoring supplier performance. Maintaining central control and leadership over the strategic factors of the sourcing program increases the possibility of achieving better outcomes (Handfield et. al, 2009). At the same time, operational activities can remain

decentralized. While divisional or business-unit purchasing departments handle domestic procurement, a centralized international purchasing office coordinates and supports the global sourcing needs of different business units (Handfield et. al, 2009). These structural and organizational capabilities reflect advantages that MNCs possess and that domestic companies generally lack.

Therefore, the role of procurement becomes more pronounced in the context of MNCs. When a company operates solely as a domestic firm, its procurement activities are generally less complex. For MNCs, globalization has widened sourcing opportunities but also increased complexity (Turner & Johnson, 2010). Handfield et al (2009) define five levels of international purchasing and global sourcing. Based on this framework, Figure 4 shows that domestic companies and MNCs operate at different levels of international purchasing and global sourcing. Both domestic companies and MNCs can manage domestic purchasing, international purchasing as needed, and strategic sourcing, but only MNCs are able to integrate and coordinate global sourcing strategies across worldwide business units and with other functional groups.

Figure 4. Different levels of international purchasing and global sourcing between domestic companies and MNCs (Adapted from Handfield et. al, 2009, p.369).

2.2 The nature of indirect procurement and its categories

This section examines the nature of indirect procurement and its categories, outlining its defining characteristics, strategic potential, and inherent challenges, while also considering how spend segmentation provides a foundation for more effective supplier relationship management (SRM).

2.2.1 The nature of indirect procurement

Indirect procurement refers to the acquisition of goods and services that are not directly incorporated into a company's final products but are essential for supporting daily operations, such as office supplies, IT services, marketing activities, facility management, and travel arrangements (Payne et al., 2021). Although it does not contribute directly to

the final product, it plays a critical role in supporting operations and controlling organizational costs. Compared to direct procurement, it is characterized by a broad assortment of low value sourced from a large and fragmented supplier base, typically involving small purchase volumes per supplier but a high number of orders of relatively low value (Weele, 2018). This complexity makes spend visibility and process standardization challenging, which has historically led organizations to perceive indirect procurement as an administrative rather than a strategic function. (Weele, 2018; Harland & Knight, 2005).

Another challenge is that, unlike physical materials, purchasing services is inherently more complex—especially in areas such as total cost determination and writing service specifications (Smeltzer & Ogden,2002). These complexities suggest that specialized training, adapted procurement procedures, and even changes to the organizational purchasing infrastructure may be necessary. Additionally, Smeltzer and Ogden (2002) state that for service purchases often bypass the procurement department, further emphasizing the need for structured involvement of qualified professionals. Overall, they are emphasizing buying services as a form of indirect spending presents distinct challenges compared to material purchases, underscoring the need for targeted strategies, training, and further research to support effective service procurement.

While historically perceived as an administrative function, emerging research positions that indirect procurement holds potential as a strategic lever for enhancing organizational performance and achieving cost efficiency (Tassabehji & Moorhouse, 2008; Schiele, 2007). Building on this debate, a growing body of research suggests that when managed strategically, indirect procurement can deliver significant cost savings (Payne et al., 2021; Saarela, 2022). For example, Tassabehji and Moorhouse (2008) emphasize its evolution into a core organizational function characterized by strategic partnerships and value creation. Similarly, Schiele (2007) demonstrates that higher procurement maturity—including within non-production categories—is positively correlated with improved cost efficiency and supplier performance.

Nevertheless, some authors caution that the strategic impact of indirect procurement is not uniform and may depend on factors such as spending category characteristics and the organization's ability to consolidate demand across units (Gelderman & Van Weele, 2003). This variation is particularly evident when supply chains span different operational domains, where complexity amplifies the challenges of governance and cost control. For instance, de Haan-Hoek et al. (2020) argue that when supply chains involve both services and physical goods, firms must deploy tailored governance mechanisms, with implications for performance measurement and cost control. Additionally, the inherent complexity of service and indirect procurement, difficulties in cost analysis, and challenges in evaluating performance which undermine procurement authority and reduce the ability to capture potential cost savings if not managed with dedicated strategies (Smeltzer & Ogden, 2002).

2.2.2 The categories in indirect procurement

Indirect procurement can be broadly classified into several groups, often aligned with established procurement frameworks such as the Kraljic Portfolio Purchasing Model (Kraljic, 1983). A comprehensive review of indirect spend categories across multiple academic and professional sources (Kapoor & Gupta, 1997) reveals a consistent yet varied set of classifications. Common categories include:

- Marketing and Advertising
- Technology (e.g., software, hardware, telecommunications)
- Facility and Office Management
- Human Resources (e.g., recruitment, training, healthcare services)
- MRO (Maintenance, Repair, and Operations)
- Travel and Events
- Professional Services (e.g., legal, consultancy, auditing)
- Consumables
- Capital Goods
- Transportation and Fleet

- Insurance
- Laboratory Equipment

These categories are not mutually exclusive and often overlap, reflecting the diverse nature of indirect spend, which encompasses goods and services not directly used in production but essential for maintaining operations and supporting core functions (Jayanth & Curkovic, 2018). The proportion of indirect spend varies by industry; in manufacturing, it typically accounts for about 25% of total spend, while in service sectors, it can be significantly higher (Kapoor & Gupta, 1997). Building on this perspective, Benton (2021) further distinguishes between two types of indirect purchasing: Operating Resource Management (ORM) and Maintenance, Repair, and Operations (MRO). ORM covers office-related expenditures such as equipment, furniture, and consumables, which are often low-value and routine in nature. MRO, by contrast, relates to maintenance and replacement parts that are critical to production continuity and therefore carry higher strategic importance.

Nevertheless, traditional category-based classification has important limitations. Such taxonomies typically segment spend solely by product or service type, often neglecting critical factors like total spend value, supply market dynamics, and supplier power (González-Benito, 2007). Consequently, they may fall short in guiding sourcing strategies that seek holistic cost optimization and risk mitigation.

By combining the transparency offered by category management with the strategic insights of the Kraljic Portfolio Purchasing Model (Kraljic, 1983; Van & Weele, 2003), organizations can establish a strong framework for overseeing indirect procurement. Weele (2018, p. 176) demonstrates that product and supplier portfolios can be segmented into four categories—leverage, strategic, routine, and bottleneck—according to financial significance and supply risk (see Figures 5 and 6). These classifications help clarify spending priorities and assist companies in deciding where to focus intensive Supplier Relationship Management (SRM) efforts versus where transactional

management is sufficient. Thus, the portfolio model underpins the customization of supplier engagement strategies to fit the unique demands of indirect procurement.

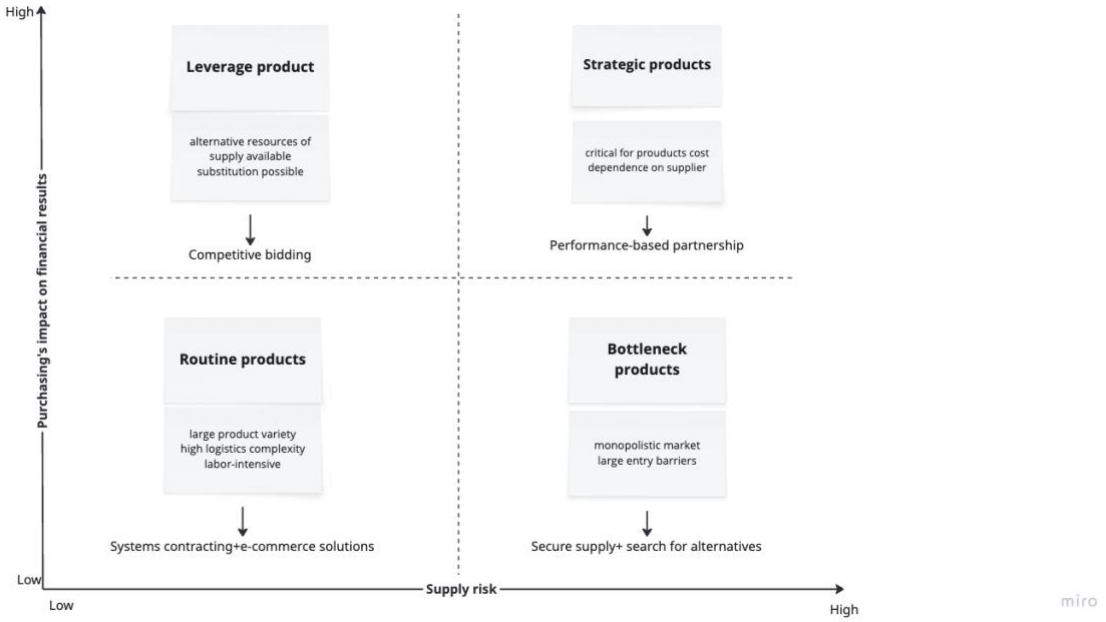

Figure 5. Purchasing product portfolio (Adapted from Purchasing and Supply Chain Management Weele,2018, p.176)

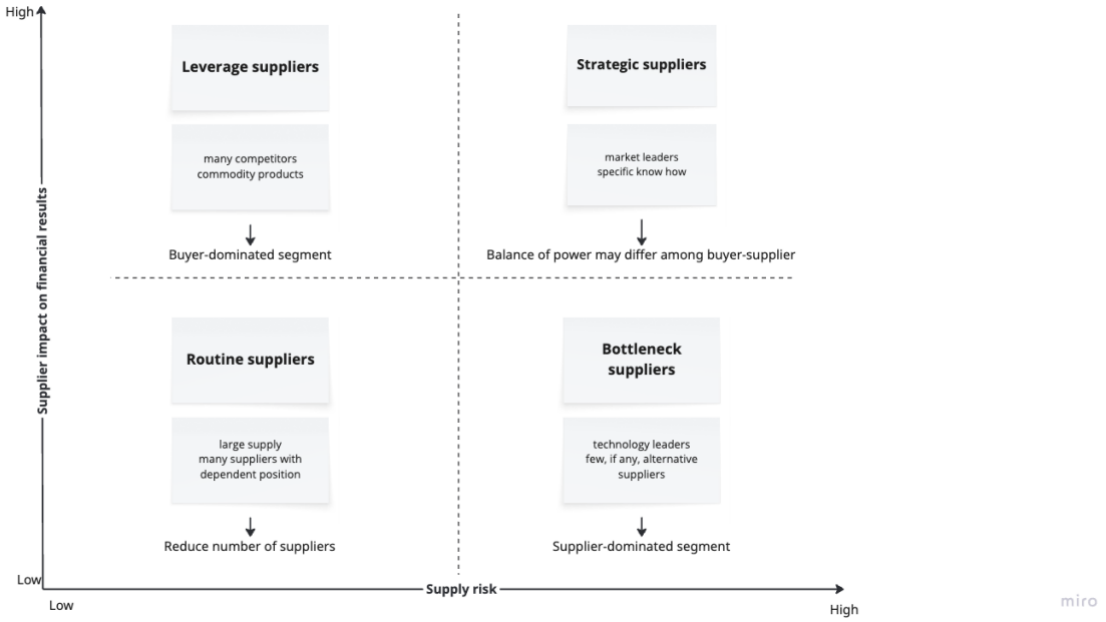

Figure 6. Supplier portfolio (Adapted from Purchasing and Supply Chain Management Weele,2018, p.176)

2.3 Cost savings in indirect procurement within MNCs: opportunities and challenges

2.3.1 Cost savings in indirect procurement

Caniato et al. (2012) identify cost as one of the core key performance indicators (KPIs) in purchasing, alongside time, quality, flexibility, innovation and sustainability. Within this context, cost savings represent a critical dimension of procurement performance, reflecting the organization's ability to reduce expenditure without compromising other performance objectives. Cost savings in procurement can be defined as a measurable reduction in expenditure achieved through improved purchasing practices, processes, or supplier arrangements, compared with a defined baseline or historical spend, while maintaining or enhancing the required quality, quantity, and service levels (Ellram, 1995; Weele, 2018).

However, there is no universal agreement on the precise scope and measurement of cost savings. Broadly, two traditions can be distinguished. A price-based view focuses on purchase price variance and budget/cash-releasing reductions, whereas a total-cost view evaluates savings across the full lifecycle—acquisition, usage, quality, risk, and end-of-life—through the Total Cost Ownership approach (Ellram, 1995; Weele, 2018). TCO highlights that procurement costs extend beyond the visible purchasing price to include not only the visible purchasing price but also a wide range of invisible costs associated with activities across the supply chain, such as logistics, warehousing, supplier management, data handling, error management, and financial settlement. (Ellram & Siferd, 1998; Milligan, 1999; Wouters, Anderson & Wynstra, 2005) While visible costs are relatively easy to track, invisible costs often remain underestimated, despite their significant impact on overall expenditure. This issue is particularly relevant in indirect procurement, where fragmented spend categories and service-intensive purchases make measurement more complex (Saarela, 2022). As shown in Figure 7, the purchasing

price is only the visible “tip of the iceberg”, while the majority of procurement costs remain hidden, emphasizing the need to manage both visible and invisible cost drivers (Saarela, 2022; Corlido Group, 2022).

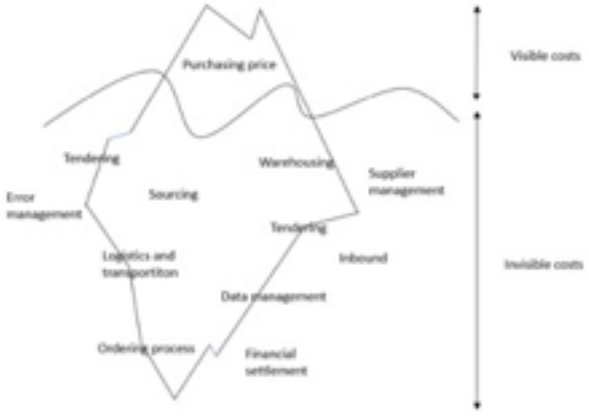

Figure 7. Supplier portfolio (Adapted from Purchasing and Supply Chain Management Weele,2018, p.176)

Building on this perspective, the literature also distinguishes between hard and soft savings. Hard savings refer to direct, quantifiable reductions, such as negotiated price decreases, volume discounts, or process efficiencies that can be immediately reflected in financial statements. In contrast, soft savings capture fewer tangible benefits, including improved supplier performance, reduced lead times, enhanced service levels, or risk avoidance, which contribute to long-term efficiency but are often excluded from official savings reports (Ellram, 1995; Hesping & Schiele, 2016; Schuh & Perez, 2008). While widely accepted, this binary distinction has been criticized for undervaluing the strategic significance of soft savings, which can include quality improvements, innovation gains, and resilience (Tassabehji & Moorhouse, 2008; Lindgreen et al., 2010; Lindgreen et al., 2012).

A related debate concerns cost avoidance, defined as preventing future cost increases through contractual mechanisms, specification changes, or market intelligence (Johnson et al., 2019). Some authors include it within soft savings (Hesping & Schiele, 2016), while others exclude it on the grounds that it does not represent actual budget reduction.

This definitional divergence complicates cross-study comparisons and underscores the need for contextual clarity.

Overall, while the principles of cost savings apply across procurement, indirect procurement presents unique challenges due to fragmented spend patterns, multiple internal stakeholders, and heterogeneous supplier markets (Payne et al., 2021; Saarela, 2022). Savings often derive less from direct price reductions and more from process improvements such as supplier consolidation, specification standardization, and automation (Tassabehji & Moorhouse, 2008). These improvements highlight the growing relevance of soft savings in delivering sustainable, long-term value in indirect procurement.

2.3.2 Cost savings opportunities and challenges in MNCs

The general mechanisms outlined above apply to most firms, but the multinational nature of MNCs introduces a paradoxical situation in indirect procurement: scale and global reach offer significant opportunities for cost savings, yet the diversity of operations and contexts often limits the realization of such benefits.

While MNCs have the size and reach to chase big cost savings, things are rarely that simple in practice (Spiller et al., 2013). Having operations in lots of countries means MNCs can often try for global deals and standard ways of working, but local differences—like regulations, business habits, and market needs—often get in the way. Spiller et al. (2013) shows that MNCs are always balancing the benefits of doing things the same way everywhere against the reality that local teams need flexibility. It's not just about getting better deals through bigger contracts; it's about managing constant trade-offs between what's best for the whole company and what actually works on the ground.

By consolidating spend across multiple countries and business units, MNCs can negotiate global or regional framework agreements that yield favorable terms and volume-based discounts (Robert &Trent,2005). Beyond purchasing power, the networked

structure of MNCs facilities for cross-border learning of best practices. Centralized procurement functions can identify effective supplier management practices, replicate them across subsidiaries (di Norcia, Bartlett & Ghoshal, 1991). This reduces redundancy and accelerates procurement maturity across the organization.

Despite these advantages, global supply chains present significant complexities for multinational corporations. While they serve as essential networks for value creation and resource allocation, they also introduce higher levels of systemic uncertainty stemming from cross-border dependencies, political and economic volatility, and diverse cultural and regulatory environments. Effectively navigating these challenges requires firms to implement structured risk management processes that include risk identification, assessment, and the formulation of mitigation strategies aligned with both corporate and supply chain goals (Manuj & Mentzer, 2008). According to Manuj and Mentzer (2008), global supply chain risks fall into three main categories: supply risk, operational risk, and demand risk. In indirect procurement, these risks are particularly linked to supplier reliability and compliance, coordination of internal processes, and challenges such as demand fluctuations and information distortion.

On the other hand, the liabilities of multinationality present challenges for procurement in MNCs. One of the most frequently cited issues is the coordination dilemmas between global standardization and local autonomy. Subsidiaries may resist central contracts in favor of local suppliers, leading to maverick spending and fragmented spend structures (Karjalainen, Kemppainen, & van Raaij, 2009). Such behaviour undermines global agreements and erodes negotiated savings. Increased complexity and transaction costs. Managing a geographically dispersed supplier base involves navigating diverse legal, tax, and regulatory environments. These complexities raise administrative overhead and transaction costs, which can offset initial savings from price reductions (Ghemawat, 2001; Ellram & Siferd, 1998). Furthermore, cultural differences shape negotiation styles, trust-building, and communication, while institutional variations in business laws and ethical norms complicate the implementation of standardized SRM policies (Hofstede, 2001;

Kaufmann & Carter, 2002). These factors can lead to misunderstandings, contract failures, or underutilized supplier relationships, limiting the potential benefits of multinational procurement.

While the challenges of multinationality highlight the risks, the literature increasingly emphasizes that evaluating indirect procurement in MNCs requires a broader perspective than cost reduction alone. As Saarela (2022) demonstrates in a case study of a multinational mining and tunnelling company, an effective indirect procurement strategy requires alignment with corporate goals, tailored category management, investment in digitalization, and strong top management support. Ultimately, the true challenge lies in balancing efficiency with flexibility, standardization with localization, and central control with subsidiary empowerment.

Taken together, the advantages and challenges outlined above suggest that the complexities of indirect procurement in MNCs cannot be understood solely from a cost perspective. Instead, procurement is embedded in networks of relationships among suppliers, subsidiaries, and other stakeholders, where relational dynamics play a central role in shaping outcomes. Building on this view, the next chapter turns to the literature on business networks and supplier relationship management (SRM), which provides the theoretical lens for analyzing how firms interact with and manage their suppliers.

3 Relationships in business networks and supplier relationship management

3.1 Relationship in business networks

Håkansson and Snehota (1995) emphasize that business relationships should be regarded as strategic resources within a firm's overall resource base. Rather than passive assets, they demand ongoing investment—internally, through roles, systems, and processes that build relational capabilities, and externally, through joint initiatives and partner-specific commitments that enhance stability and strategic value.

To analyse systematically how such relationships are structured and leveraged, Håkansson and Snehota (1995) introduced the ARA model, which conceptualizes inter-organizational relationships across three interdependent layers—activities, resources, and actors—and highlights their embeddedness in broader networks. Rooted in the Industrial Marketing and Purchasing (IMP) research tradition, this model shifts attention from isolated transactions toward networks of interdependent relationships. In this study, the ARA model serves as the key framework for examining how SRM practices contribute to cost savings in indirect procurement.

ARA models explain the processes and outcomes of business interactions. Figure 8: The figure illustrates how activities, resources, and actors interact to enable value co-creation in business networks.

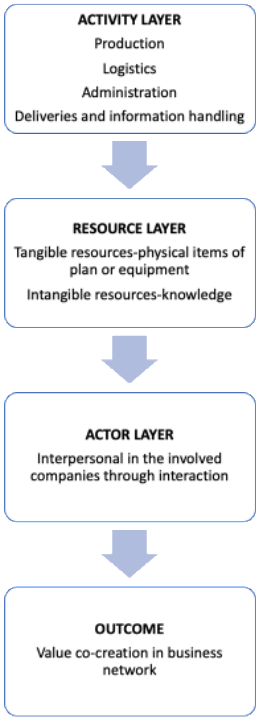

Figure 8. ARA model for value co-creation in business networks (based on Håkansson & Snehota, 1995; Ford, Gadde, Håkansson & Snehota, 2003)

3.2 Supplier relationship management

Supplier Relationship Management (SRM) is a strategic and systematic approach to managing an organization's supplier interactions, aimed at maximizing value, reducing risk, and building long-term collaboration (Moeller et al., 2026). Grounded in network interaction theory (Håkansson & Snehota, 1995), SRM emphasizes the dynamic and interdependent nature of buyer-supplier relationships, where mutual value is created through shared activities and resource integration. Rather than a transactional process, SRM is an ongoing relational effort involving supplier segmentation, performance monitoring, and proactive planning (Fynes et al., 2008). It also includes portfolio development, trust-building, and strategic alignment (Wagner & Johnson, 2004; Giannakis & Damian, 2012). Importantly, SRM not only supports supply chain resilience and competitiveness, but also acts as a catalyst for innovation. Yang et al. (2023) demonstrates that SRM enhances suppliers' innovation contributions by fostering trust, commitment, and information sharing, enabling them to participate in co-development and contribute novel ideas that generate mutual competitive advantage.

The key activities commonly associated with Supplier Relationship Management (SRM) are outlined below:

- Supplier segmentation – classifying suppliers according to their strategic importance and category (e.g., strategic suppliers, leverage suppliers, bottleneck suppliers and routine suppliers), it allows firms to allocate resources more effectively and tailor relationship strategies accordingly (Kraljic, 1983; Weele 2018).
- Performance management – using scorecards, service-level agreements (SLAs), and regular review meetings to track and improve supplier outcomes (Benton, 2021)
- Joint planning - collaborating on business planning, innovation roadmaps, and sustainability initiatives, which recognized as a key activity for fostering trust, aligning objectives, and driving joint value creation in supplier relationships (Krause, Handfield, & Tyler, 2007; Krause, 1998).
- Governance structures – set rules and guidelines within a company that arrange for the ownership, management, accountability, reporting, penalties and incentives to manage complexity (Weele 2018).

Effective SRM activities can consolidate suppliers, standardize service levels, and create transparency across categories, thereby enabling both hard and soft cost savings.

4 Activities-Resources-Actors in SRM in MNCs

This chapter applies the ARA model as an analytical lens to examine how Supplier Relationship Management (SRM) in indirect procurement contributes to cost savings in multinational corporations (MNCs). As illustrated in Figure 9, the framework links SRM activities within the ARA model to cost-saving outcomes.

Figure 9. ARA model for SRM in indirect procurement (adapted from Håkansson & Snehota,1995; Ford, Gadde,Håkansson & Snehota,2003; Benton,2021)

Håkansson and Snehota (1995) highlight that buyer–supplier relationships involve resource sharing and joint activities within interconnected networks, which implies that managing such relationships is itself an investment. Building on this perspective, SRM can be understood as a systematic approach to maximize value, reduce risks, and foster long-term collaboration (Moeller et al., 2006). However, the depth of these relationships requires significant managerial effort and cost. As Benton (2021) notes, relationship management may require substantial resources, citing Deloitte's outsourcing study

where 62% of respondents reported higher management time than expected, and estimating that such efforts can cost at least 3% and sometimes more than 10% of annual contract value. Consequently, when applying SRM in indirect procurement, firms must carefully evaluate the cost–benefit balance of their engagement strategies to ensure that investments in relationship management translate into sustainable value creation. This consideration is particularly relevant for the activities, resources, and actors outlined in the ARA model, which together shape the outcomes of SRM in indirect procurement.

4.1 ARA-based SRM

This chapter examines Supplier Relationship Management (SRM) in the context of indirect procurement within multinational corporations. It outlines key SRM activities and the use of E-procurement systems. Supplier segmentation, based on frameworks highlights the need for differentiated strategies. This chapter also discusses the role of organizational resources—both tangible and intangible—in shaping supplier relationships, alongside the growing importance of digital procurement tools in improving efficiency and transparency. Finally, it considers the actors involved in SRM and emphasizes the relational, cultural, and communication dimensions that influence long-term collaboration and performance.

4.1.1 Activities in SRM

Supplier segmentation is a key activity within SRM and is equally applicable in the context of indirect procurement. By classifying suppliers according to the strategic positioning of procurement categories, organizations can determine the most suitable engagement and management approaches for each supplier group. This segmentation ensures that resources and relationship strategies are aligned with the specific risks and value contributions associated with different supplier categories, forming a foundation step in effective SRM design. As outlined in the previous chapter, Weele's (2018) product and supplier portfolios identify four key categories based on their financial significance and supply risk. Building on this, indirect procurement categories can be positioned

across four quadrants accordingly. As shown in Figure 10 and Figure 11, strategic products included technology and capital goods, reflecting their high spend and dependence on few capable suppliers. Bottleneck products, such as marketing services, laboratory equipment, and MRO, represent high supply risk but limited financial leverage. Leverage products, including facilities management, professional services, insurance, and transportation, offer opportunities for competitive bidding and cost efficiency due to multiple supplier alternatives. Finally routine products, such as HR services, travel, and consumables, are low-value, low-risk categories where process efficiency and standardization are the primary focus.

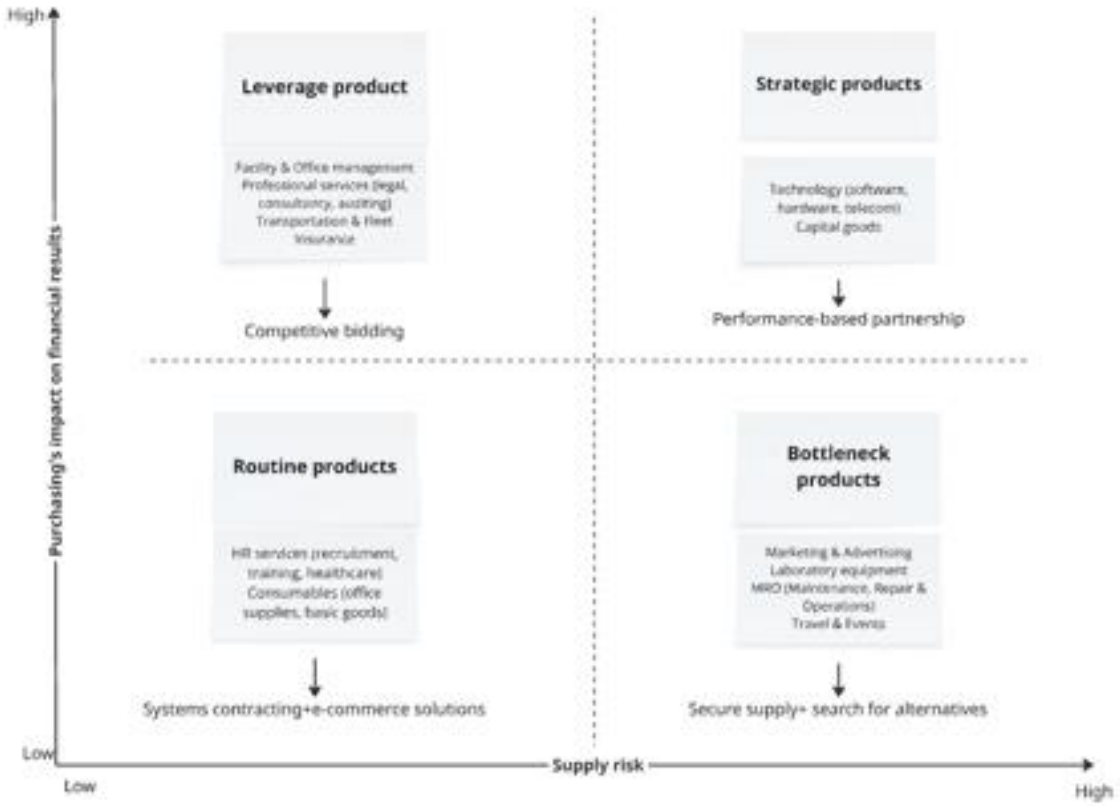

Figure 10. Indirect procurement product portfolio (Adapted from Purchasing and Supply Chain Management Weele,2018, p.176)

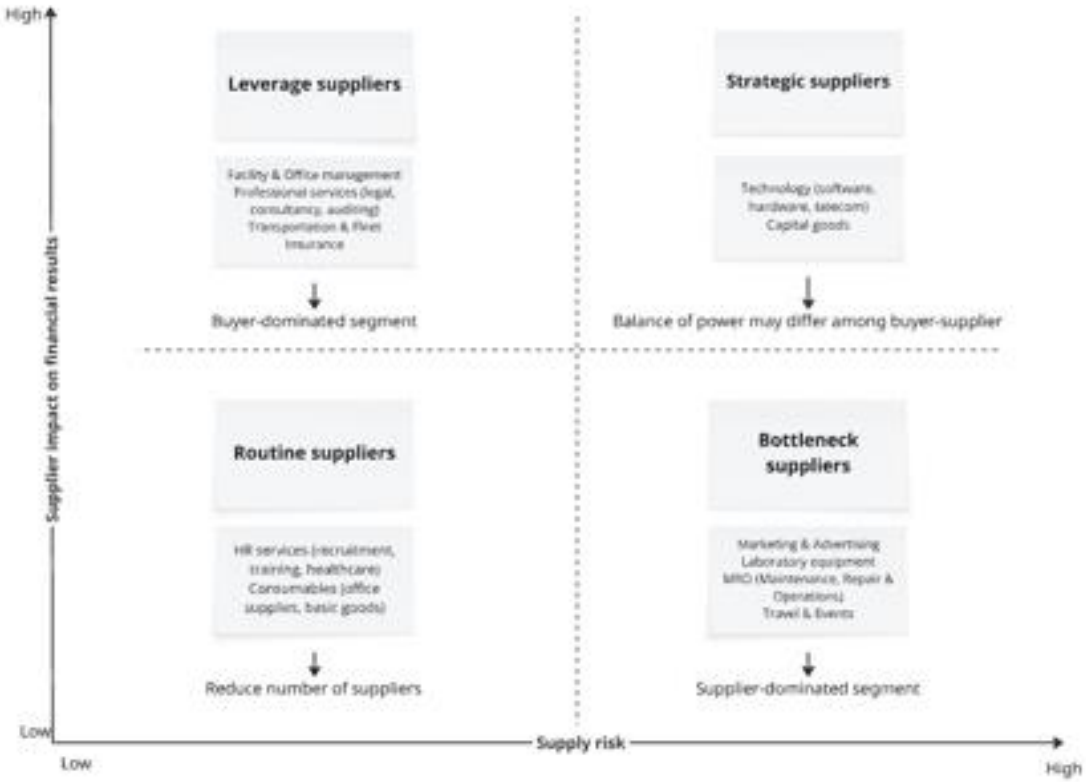

Figure 11. Indirect procurement supplier portfolio (Adapted from Purchasing and Supply Chain Management Weele,2018, p.176)

The main SRM activities are aligned with supplier segmentation based on Weele (2018) and the Kraljic Portfolio Model (Kraljic, 1983), categorizing suppliers into four groups: strategic, leverage, bottleneck, and routine suppliers. This categorization highlights that indirect procurement requires tailored SRM strategies, where supplier engagement models are aligned with the specific characteristics of each procurement category. Since buyer–supplier relationships differ across segments, management activities must also vary accordingly. To achieve effectiveness, a “strategic match” is essential, ensuring that activities are aligned and coordinated. Hence, units and departments should clearly understand supplier strategies so that they can complement and reinforce the firm’s overall strategic execution (Benton, 2021, p.207).

Performance management in supplier relationships varies across segments. According to Benton (2021), performance review is instrumental in setting expectations and metrics for managing long-term relationships, particularly with strategic suppliers

through high-value contract negotiations. Likewise, Weele (2018) emphasizes that performance management with strategic suppliers focuses on performance-based partnerships and long-term collaboration that create mutual value for both parties.

For leverage suppliers, which typically operate in buyer-dominated markets, performance evaluation is often driven by competitive bidding, with the primary objective of securing price reductions. In this segment, the buyer's strong negotiating position al-lows procurement to emphasize cost efficiency (Weele, 2018).

For routine products, performance management focuses on system contracting and category management to simplify and standardize procurement processes. Weele (2018) argues that reducing the number of suppliers in these categories can enhance performance by lowering transaction costs and creating additional value. This view is reinforced by Benton (2021), who notes that although supply disruptions could financially damage operations, a reduced supplier base is still recommended when the efficiency gains outweigh the risks.

Finally, for bottleneck products, performance management prioritizes supply security and the mitigation of dependency-related risks. Since this segment is supplier dominated, the focus lies in ensuring continuity of supply. Weele (2018) also highlights the importance of sourcing alternative suppliers to strengthen supply resilience. However, as sourcing new suppliers is not the main focus of this study, this aspect will not be elaborated further.

Joint planning refers to the collaborative process in which buyers and suppliers co-develop plans to achieve shared objectives. Krause et al. (1998) emphasize that firms operating in markets characterized by rapid technological change or intense global competition are more likely to engage in strategic supplier development, rather than reactive initiatives which aimed at improving the performance of lagging suppliers. Such strategic efforts frequently include joint planning, where buyers and suppliers not only

collaboratively design and plan, but also align production and service processes to integrate new technologies and enhance competitiveness (Krause et al., 1998). Within this strategic approach, firms may rely on suppliers to share the responsibility of designing and producing products that incorporate the latest technological advances, as well as the associated production capabilities (Monczka & Trent, 1995; Harrigan & Nishiguchi, 1996).

Procurement governance refers to a coherent set of company-wide rules and guidelines that define the ownership, management, accountability, and control of all purchasing activities (Benton, 2021). As part of Supplier Relationship Management (SRM), governance ensures transparency and compliance throughout the procurement process. Key elements include the principle that no invoice is paid without a corresponding purchase order number, and that ordering, delivery inspection, and payment authorization must be performed by different individuals to prevent fraud.

In addition, supplier selection should be based on competitive bidding to ensure fairness and cost efficiency; however, the extent and form of competition depend on the value and nature of the procurement project. Higher-value or strategically significant contracts may require formal tenders among multiple suppliers, while smaller or routine purchases can be handled through simplified sourcing procedures. These governance mechanisms apply equally to indirect procurement and are essential for maintaining control, minimizing risk, and ensuring integrity in supplier relationships.

4.1.2 Resources in SRM

Within the resource layer, both tangible and intangible resources play a crucial role in shaping supplier relationships. Tangible resources refer to physical assets such as plant, equipment, and infrastructure, while intangible resources include knowledge, technical expertise, and organizational capabilities (Weele 2018). The interaction and utilization of these resources differ across supplier categories.

For strategic suppliers, the exchange typically involves high-value technical expertise and specialized knowledge. Given the nature of multinational corporations (MNCs), such relationships are supported by globally integrated resources, including engineering competence centres, IT support units, procurement specialists, and legal experts who facilitate cross-border collaboration. In contrast, bottleneck suppliers require dedicated supplier development teams to identify alternative sources and ensure supply continuity, thereby mitigating operational risks (Weele 2018).

For routine suppliers, both Weele (2018) and Benton (2021) emphasize the importance of reducing the supplier base and simplifying procurement processes to lower administrative costs. Supplier management itself constitutes a significant resource investment—large procurement teams, management systems, and coordination efforts all represent organizational expenditures. Therefore, aligning resource allocation with supplier criticality is essential to maximize value and cost efficiency in SRM.

E-procurement refers to digital purchasing systems that enable authorized users within organizations to order goods and services directly from electronic catalogues without involving the purchasing department (Weele 2018). Similar to consumer web shops such as Amazon or Alibaba, these platforms streamline and automate the entire order-to-pay cycle—covering order placement, acknowledgment, tracking, and invoicing—thereby simplifying and accelerating procurement processes. However, unlike consumer web-shops, B2B E-procurement solutions must integrate with company-specific systems, which often limits their functionality (Weele 2018; Croom & Brandon-Jones, 2007). As Croom and Brandon-Jones (2007) state, the success of E-procurement does not only rely on solely on technology; more importantly, it depends on the alignment between the system, organizational processes, culture, and the quality of internal service.

Building on this, recent studies have explored how E-procurement systems are applied across different purchasing categories and how they improve indirect procurement efficiency (Benton, 2021). E-procurement has significantly transformed the management

of indirect purchasing for office related material categories by reducing paperwork, delays, and errors, thereby enhancing efficiency and cost control. Weele (2018) identifies three main types of E-procurement: (1) Electronic marketplaces, where B2B transactions take place via internet-based platforms; (2) Electronic auctions(e-auctions), which allow suppliers to bid simultaneously based on predefined specifications; and (3) Order-to-pay solutions, which manage the end-to-end process from requisitioning to supplier payment.

Overall, E-procurement strengthens transparency, efficiency, and cost-effectiveness in managing the diverse and fragmented nature of indirect procurement (Davila, Gupta & Palmer, 2003; Knudsen, 2003; Presutti, 2003).

4.1.3 Actors in SRM

Håkansson et al. (2009) state that actors do not exist in isolation but are recognized as such by others, highlighting the interconnected nature of business networks. A notable feature of actors is their diversity; the interactive business landscape comprises a wide range of actors performing various roles. In the context of SRM activities, the principal actors include senior leadership, such as the Chief Procurement Officer (CPO), Global Procurement Head, Category Managers, supplier account managers, and operational buyers. These actors pursue a range of tasks, from routine operational activities to highly complex strategic decisions. The CPO and Global Procurement Head are responsible for defining procurement strategies in alignment with the company's overall business strategy, while category managers execute procurement strategies and develop supplier strategies. Operational buyers are tasked with day-to-day procurement activities, ensuring the smooth implementation of SRM initiatives.

Additionally, these actors—whatever they do and try to accomplish—directly draw on and affect the actions of other actors within the network. Håkansson et al. (2009) highlight the concept of "social exchange" (p. 135), emphasizing that interactions between individuals from two companies are essential for developing long-term

relationships. Clearly, the history of collaboration and prior experiences between members of two organizations is crucial for the formation and development of effective business relationships. This principle is equally applicable in SRM, where the history of cooperation between supplier owners or senior executives and their corresponding procurement managers can significantly influence subsequent collaboration with suppliers.

Moreover, Håkansson et al. (2009) also highlight the influence of language on inter-personal interactions, noting that language, together with atmosphere, forms a critical part of the "actor dimension" (p. 135) in business relationships. These elements are essential for trust building and commitment, both of which are fundamental in the development and maintenance of effective business relationships. This is particularly relevant to SRM in indirect procurement, where the diversity of both procurement managers and suppliers—especially within multinational corporations (MNCs)—can introduce linguistic and cultural complexity. Such diversity may present challenges for communication and mutual understanding, thereby affecting the quality of supplier relationship management. Recognizing and addressing these factors is crucial for fostering trust and commitment in cross-cultural supplier relationships and for ensuring the long-term success of SRM initiatives.

4.2 Summary of the theoretical framework

The purpose of the theoretical framework in this thesis is to synthesize the insights from the literature review into a coherent structure that addresses the main research question: How does SRM contribute to cost savings in indirect procurement? —as well as the two sub-questions. It clarifies (1) how SRM practices are implemented in the indirect procurement context of an MNC and (2) how these practices lead to improvements in cost efficiency.

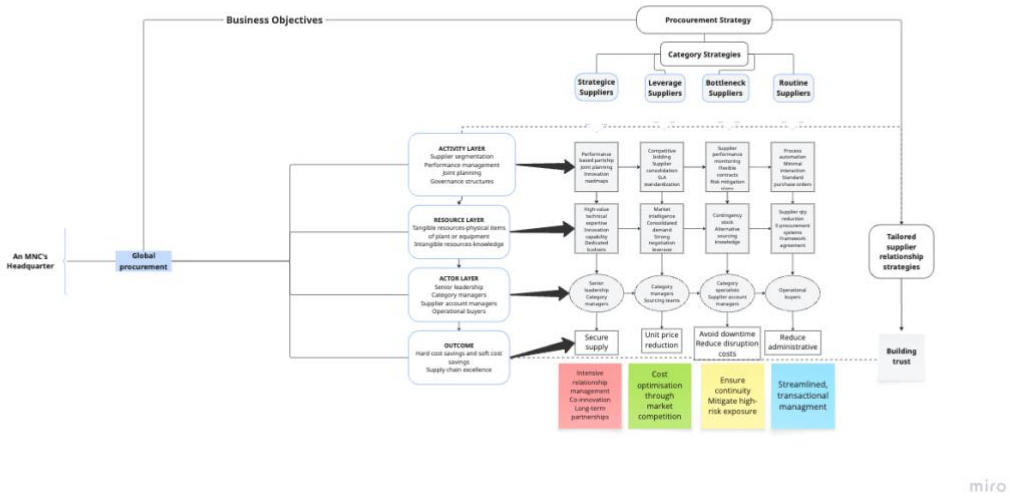

Figure 12. Theoretical framework for the thesis

Håkansson and Snehota (1995) state that "the purpose of developing an analytical framework with respect to a phenomenon is to provide guidance for acting on it" (p.24). In line with this perspective, the framework developed in this study clarifies how Supplier Relationship Management (SRM) can be structured and implemented to achieve cost savings in indirect procurement. It serves as a conceptual foundation that guides the empirical analysis by which SRM contributes to cost efficiency within multinational corporations (MNCs).

Figure 12 illustrates how relationships between an MNC and its suppliers operate within interconnected networks rather than as isolated dynamic transactions. At the MNC headquarters, they set targets to business objectives. Based on the business objectives, the global procurement defines its procurement strategy. Based on the importance of the supplier to the company's business impact, they have category strategies for different supplier categories. The theoretical framework presents SRM in indirect procurement based on the ARA perspective, which explains how activities, resources, and actors interact to generate performance outcomes in the context of MNCs. The SRM activities layer includes supplier segmentation, performance management, joint

planning, and governance structures. Based on the different supplier categories, the key activities vary significantly. Therefore, the operational purchasing processes that link buyers and suppliers also differ. The resources layer refers to the tangible and intangible assets leveraged in SRM, for example. The actors layer includes the key organizational participants driving collaboration—such as the global procurement team, category managers, regional purchasing managers, and buyers internally, and externally, the supplier's key account manager, sales and quality—who work together across functions and regions. All these elements explain how SRM practices contribute to cost efficiency and strategic value creation in indirect procurement.

Tailored SRM strategies for each supplier's category, ensuring that activities, resources, and actors are aligned with the category's strategic profile. They enable organizations to achieve cost savings and efficiency in indirect procurement by aligning SRM approaches with the characteristics of each supplier segment. Collectively, these differentiated strategies ensure that relationship investments are proportional to supplier criticality, thereby enhancing both cost efficiency and strategic value in indirect procurement.

Building trust for supply chain excellence: Trust represents a critical relational result that underpins long-term supply chain excellence. Since the late 2000s, scholars and practitioners have increasingly emphasized the importance of trust and integrity in business-to-business (B2B) relationships (Weele 2018). As organizations become more interdependent within complex supply networks, the role of trust, ethics, and business integrity has become central to achieving sustainable performance outcomes. Trust reflects the confidence that one party has in another's willingness to act cooperatively, consistently, and honestly. It is built upon fairness, reliability, consistency, and goodwill, and develops through repeated interactions, shared experiences, and common history between exchange partners. According to Weele (2018), trust in supplier relationships is not created between organizations as abstract entities but through the ethical behavior, professional competence, and integrity of the individuals representing them. When purchasing professionals demonstrate accountability and ethical conduct, they enhance

credibility and strengthen inter-organizational collaboration. Such integrity-driven behavior fosters creativity, mutual commitment, and transparency, ultimately generating trust that translates into superior supply chain performance and long-term excellence.

5 Methodology

This chapter outlines the methodological foundations of the study, including the research design, strategy, data collection methods, sampling technique, and data analysis procedures. Given the exploratory nature of the research question and the contextual focus on Wärtsilä, a qualitative case study approach was chosen to provide insights into how Supplier Relationship Management (SRM) contributes to cost savings and strategic value creation in indirect procurement.

5.1 Research design

This study adopts a constructivist and an interpretivist epistemological and ontological stance (Eriksson & Kovalainen, 2016; Saunders et al., 2016). The research assumes that reality in Supplier Relationship Management (SRM) is socially constructed through three layers: Activities, Resources and Actors rather than existing as an objective and measurable entity (Saunders et al., 2016). Concepts such as trust and leadership in SRM are therefore understand as context-dependent and co-created within specific organizational and cultural settings (Saunders et al.,2016; Bryman & Bell,2015).

Epistemologically this study aligns with interpretivism, which holds that knowledge is generated through understanding the subjective meanings and interpretations of individuals (Saunders et al.,2016). Instead of testing hypotheses or identifying universal causal relationships, this study seeks to explore how managers in MNCs interpret and practice SRM in ways that influence cost efficiency, knowledge is therefore produced through engagement with participants' lived experiences and reflections, gathered via semi-structured interviews and analysed thematically (Eriksson & Kovalainen, 2016; Saunders et al., 2016).

The study's philosophical position acknowledges that SRM practices and their outcomes are contextually situated and shaped by social interactions. This interpretivist and constructivist position provide a suitable foundation for the qualitative research design

employed in this thesis, aiming to capture the complexity and richness of SRM dynamics in real MNCs context (Saunders et al., 2016).

While research designs are commonly categorized as quantitative, qualitative, or mixed methods depending on the type of data collected and the analytical techniques employed (Saunders et al., 2016), this thesis primarily adopts a qualitative research approach to gain in-depth insights into Supplier Relationship Management (SRM) practices. The qualitative approach is well-suited to exploring complex organizational phenomena involving human relationships, strategic decisions, and contextual factors (Saunders, Lewis, & Thornhill, 2019). This approach aligns with the aim of understanding the SRM practices applied, how they are implemented, and why these practices contribute to organizational outcomes. At the same time, the study incorporates company data and internal documents, integrating quantitative elements to complement the qualitative findings. This combined approach provides a more comprehensive understanding of the research problem by merging rich, narrative data from interviews with objective, organizational data from internal records.

This research adopts a case study strategy, focusing on Wärtsilä, a multinational corporation renowned for its operations in the marine and energy sectors. According to Yin (2012), case studies are especially well-suited for investigating contemporary phenomena within their real-life contexts. Wärtsilä serves as an exemplary case due to its extensive global supplier network, mature SRM practices, and strong commitment to sustainability and innovation in procurement. Employing a single-case design enables an in-depth exploration of how SRM is implemented and its effects on indirect procurement, while also accounting for contextual factors such as cross-border collaboration, internal procurement structures, and organizational culture.

5.2 Data collection and sample

Data will be collected through a combination of semi-structured interviews and internal company data analysis. Semi-structured interviews offer the advantage of guided yet flexible dialogue (Saunders, Lewis, & Thornhill, 2019), enabling the collection of rich and detailed insights into the perceptions and practices of individuals involved in indirect procurement and SRM within the context of a multinational corporation (MNC). Interviews were conducted with a diverse range of stakeholders, including procurement professionals at Wärtsilä, indirect suppliers, internal stakeholders from various business functions, and third-party professionals. This diversity among participants ensures a comprehensive and well-rounded understanding of SRM from multiple perspectives, both within and outside the organization. This approach strengthens the validity of the findings, as perspectives were collected across different roles, regions, and organizational levels. This variety helps reduce the risk of data saturation bias and supports a more comprehensive and balanced interpretation of the research topic (Bryman & Bell,2015).

However, semi-structured interviews also present certain challenges. Interviewers may become overly focused on following the question list, potentially overlooking opportunities for meaningful interaction or failing to actively listen to the unique insights offered by interviewees, which are often shaped by their specific organizational contexts. Such limitations can affect the extent to which interview findings objectively reflect the complexities of the business environment (Eriksson & Kovalainen, 2016). Recognizing these challenges, the interview approach was designed to balance structure with openness, encouraging interviewers to remain attentive and responsive to participants' perspectives throughout the process.

Both purposive and snowball sampling techniques were employed in this study. Purposive sampling was used to identify participants with relevant knowledge and experience in indirect procurement and SRM, ensuring the selection of individuals capable of providing information-rich cases (Palinkas et al., 2015). Additionally, snowball

sampling was utilized as some interviewees recommended other potential participants, facilitating access to a broader network of relevant experts. The final sample was designed to capture diversity in roles, business functions, and geographic locations, thereby enabling a holistic understanding of SRM practices within the company.

The interview questions (see Appendix 1) were developed based on the study's theoretical framework (see Figure 12) and are organized into seven sections. The first section explores interviewees' understanding of SRM in the context of indirect procurement. The second section examines the role of leadership and trust in supplier relationships, specifically how organizational leadership influences supplier relationship management. Sections three to five focus on the three recognized SRM layers—activities, resources, and actors—and how these elements support SRM outcomes. Section six addresses SRM outcomes related to cost and performance improvement. Finally, section seven investigates the anticipated evolution of SRM and its future role in indirect procurement. This structured approach ensures comprehensive coverage of both conceptual and practical dimensions relevant to the research objectives.

An overview of the interview participants is provided below (see Table 1). The sample comprised six individuals representing five different companies. The selected case companies—Honeywell, Valmet, QT Group, Harbor Freight Tools—and one domestic Chinese supplier form a relevant sample of MNCs operating in technology-driven and globally distributed environments. Similar to Wärtsilä, these companies depend on indirect procurement to support operational continuity and geographically dispersed business units. The inclusion of the Chinese supplier, who is an indirect supplier to both Valmet and Wärtsilä, adds an important dimension to the study by representing the supplier perspective within the same procurement ecosystem. This combination of buyer and supplier perspectives strengthens the comparative value of the findings and supports the development of transferable insights relevant to indirect procurement and SRM in multinational corporations.

Table 1. Overview of interviewees.

Interviewee	Code	Company	Country	MNCs	Duration
1	1A	A	the U. S	No	1hr34m
2	2B	B	the U. S	Yes	1hr56m
3	3C	C	Finland	Yes	1hr17m
4	4D	D	Finland	Yes	1hr16m
5	5D	D	Finland	Yes	54m
6	6E	E	China	No	58m

In addition to interviews, the study incorporated internal procurement data and reports provided by Wärtsilä. There are benefits to using secondary data because it offers the prospect of having access to good quality data (Bryman & Bell,2015). This means that organizational data enable cross-national comparison, and the degree of geographical spend and sample size would be impossible for the author to collect alone. In addition, the data were generated by highly experienced professionals in the company and derived from the large dataset (Bryman & Bell, 2015). This secondary supplementary data, specific to Wärtsilä, was integrated with the interview findings and enriched the analysis by providing additional context and nuance. This enabled a triangulated approach, enhancing the study's trustworthiness and analytical depth (Bryman & Bell,2015; Saunders et al., 2016).

5.3 Data analysis

All interviews were conducted in a one-on-one format, either face-to-face, via Microsoft Teams, or via Zoom. This individualized approach facilitated comprehensive coverage of the interview protocol while enabling deeper exploration of the interviewees' individual experiences and the specific contexts in which they operate. This approach is widely recognized in qualitative research for its ability to elicit rich, contextually grounded insights (Kvale & Brinkmann, 2009).

Interview transcripts were analysed using thematic analysis (Braun & Clarke, 2006) to identify patterns and relationships across the data, aligned with the research questions. Themes emerging from the qualitative interviews were cross-referenced with quantitative insights derived from Wärtsilä's internal procurement data. This triangulated approach enhanced the internal validity of the study by integrating narrative perspectives with objective organizational data, thereby strengthening the credibility and analytical depth of the research findings.

Interview data were coded manually using Excel. For each transcript, key excerpts were extracted and assigned initial codes. Related codes were then grouped into overarching themes, following a thematic analysis approach (Braun & Clarke, 2006). Each participant was anonymized using identifiers (1A-6E) and coding was iteratively refined to ensure consistency and depth of analysis.

5.4 Reliability and validity

In qualitative research, the quality of a study is often evaluated based on its trustworthiness, which can be assessed through four criteria: credibility, transferability, dependability, and confirmability (Lincoln & Guba, 1985).

Credibility, which relates to internal validity, concerns whether the study measures what it intends to measure (Shenton, 2004). It depends on the authenticity of findings from primary data, such as interviews with different informants. For this research, participants were selected for their involvement in SRM activities and relevant experience. Company characteristics were considered to ensure participants had sufficient knowledge of the research objectives. Interviewees either owned companies serving as key indirect suppliers to a multinational corporation or had more than ten years of experience with a multinational organization. This selection strategy strengthened the credibility of the research (Sauders et al., 2016). Secondary data from the case company were also used

as complementary evidence to ensure the findings accurately reflected the organizational reality, further enhancing consistency (Shenton, 2004).

Transferability refers to the extent to which the findings can be applied to other contexts (Lincoln & Guba, 1985). The study incorporated written documents, recorded Microsoft Teams interviews, and transcripts to provide rich descriptions of the organizational environment. These details allow other researchers to evaluate the relevance of the findings to their own settings.

Dependability focuses on the consistency and replicability of the research process (Lincoln & Guba, 1985). To ensure dependability, the research procedures—including data collection and analysis—were thoroughly documented and reported. This transparency increases replicability and strengthens the overall dependability of the study (Eriksson & Kovalainen, 2016; Ahmed, 2024).

Confirmability in qualitative research concerns the objectivity and neutrality of the study. It evaluates whether the findings are shaped by the participants' experiences rather than by researcher bias, assumptions, or preferences (Karkar et al., 2023; Bryman & Bell, 2015; Lincoln & Guba, 1985). To enhance confirmability in this study, interview transcripts and recordings were shared with participants for verification, ensuring that the interpreted data accurately reflected their intended meaning. This member-checking process helped reduce researcher influence and strengthened the trustworthiness of the results. In addition, secondary data were incorporated as an objective source of evidence to support and validate the primary findings, further reinforcing confirmability (Bryman & Bell, 2015).

6 Findings

This chapter presents the key findings derived from the research. The structure follows the main themes that emerged from the interviews, complemented by insights from secondary data and internal company documentation. First, the implementation of Supplier Relationship Management (SRM) practices in the context of indirect procurement is examined. This is followed by an analysis of how these practices contribute to cost efficiency. In addition to the interview findings, the chapter integrates evidence from internal reports, including a spending analysis that highlights the company's procurement patterns and supports the interpretation of the results.

6.1 Current implementation of SRM in indirect procurement

To understand how SRM contributes to cost savings in indirect procurement in multi-national companies, it is first necessary to examine how SRM practices are currently implemented. To gain insight into the status of SRM implementation, interviewees were initially asked to describe supplier relationships within their organizations.

Most interviewees agreed on the importance of SRM and emphasized its value. However, their responses showed differences in whether SRM tools are actually implemented and how they are applied. Some interviewees noted that although they recognize SRM as a useful approach for achieving cost efficiency, it is not directly used in cost-saving projects.

> *I see SRM as something closely linked to a company's competitive advantage. In my view, a mature organization should treat SRM as a strategic capability rather than simply an administrative task. (3C)*

> *The most advanced companies use SRM to strengthen their position in the market by building long-term partnerships, improving supplier performance, and enabling joint development. Now working on the sales side in a Finnish technology company and interacting daily with technology category managers and buyers, I also see SRM from the opposite perspective. From this viewpoint, SRM is essentially about*

> *creating mutual value, maintaining open communication, and ensuring that both sides can contribute to improved performance and long-term competitiveness. (3C)*

> *SRM should be transparent and win-win. You cannot force a supplier to give you a discount, but with effective SRM and by building trust with the vendor, they are willing to support. (4D)*

Most interviewees pointed out that SRM is more challenging in indirect procurement because the spend levels are lower compared with direct procurement, and the large number of suppliers each account for only a small amount of purchasing value.

> *There are far fewer suppliers that fall into the strategic or leverage categories, which makes it more difficult to achieve SRM-type cost savings. (3C)*

When asked about the main objectives of SRM in indirect procurement, interviewees expressed different views. Overall, two main perspectives emerged. Some interviewees stated that SRM is primarily a long-term collaboration approach and does not directly influence cost efficiency. Others argued that the organization should invest its resources in selected key suppliers, and that with higher purchasing volumes and stronger relationships, cost reductions become a natural outcome of effective SRM.

> *Supplier base is essential, the company should maximize spending with good or selected suppliers, because by doing so, we become a bigger customer with more buying power which eventually helps secure more competitive costs. (4D)*

> *In our organization, I consider Supplier Relationship Management (SRM) highly important, as it directly influences the benefits we can obtain from suppliers, including discounts and other cost advantages. To me, SRM is essential for maintaining effective communication, supporting collaboration, and ensuring continuity and reliability in supply. (5D)*

6.1.1 SRM activities

Performance Management

When interviewees were asked about the main activities in supplier relationship management, several of them mentioned Quarterly Business Reviews (QBR), indicating that performance review is considered a critical component of SRM.

> *For indirect procurement, we do not have a mature supplier relationship management framework in place. Instead, Quarterly Business Reviews (QBRs) and regular follow-ups with key suppliers are used to replace a more formal SRM structure. (2B)*
>
> *Performance management is a critical element in our supplier relationship management activities. The focus may vary at times, but it ultimately comes down to price, quality, delivery, and legal compliance. These are generally the most important factors in indirect procurement. (4D)*
>
> *Customer satisfaction and supplier business performance, and HR performance are also considered when evaluating supplier performance. (2B)*
>
> *For us, supplier performance management goes beyond price. Customer satisfaction is used for service-related categories, while the focus is on quality for physical goods. (2B)*
>
> *A supplier's business performance is one of the criteria used when evaluating supplier performance. For example, we look at their financial performance, including revenue growth, cash flow, and supply chain responsiveness. Finally, the supplier's organizational and HR performance is another important area. The most critical indicator for us is the supplier's employee turnover rate. (2B)*

Supplier segmentation

Supplier segmentation was consistently mentioned as a key practice. One interviewee mentioned that supplier segmentation in their organization is based directly on spending, following the 20/80 principle, meaning that 20% of suppliers account for 80% of the total purchase volume.

> *We follow the 20/80 principle, meaning that from a spending perspective, 20% of the suppliers account for 80% of the company's total expenditure. Based on this principle, we align internally on how to collaborate with different suppliers. (2B)*

However, other interviewees explained that supplier segmentation is not based solely on spending. Instead, it considers both spending and the supplier's relevance to core

business activities, resulting in categories such as strategic suppliers and leverage suppliers. These suppliers were identified as the priority groups, and most interviewees emphasized their importance because these suppliers are considered the most cost-effective targets for SRM efforts.

> *My SRM activities mainly focus on strategic and leverage suppliers, as these are the groups where SRM practices can be applied most effectively. (3C)*

> *The most relevant supplier categories to our work are our strategic and tier-one suppliers, who contribute significantly to our core products and market share. (1A)*

For strategic suppliers, SRM is diverse and highly intensive. It extends beyond performance management or other basic activities. Several interviewees noted that collaboration with these suppliers is deeper and oriented toward the long term.

> *We involve strategic suppliers at an early stage, and in some cases, we develop new products together with them. (1A)*

> *For selected suppliers, we allocate orders to help secure their production capacity. This supports them in maintaining stable operations and is also beneficial for us, as it ensures timely availability of materials and effective cost control. Our objective is to achieve highly competitive pricing—ideally lower than the prices offered to other clients or competitors. (1A)*

Nevertheless, low spending or routine suppliers still play an important role, as smooth operational continuity is essential for multinational companies.

> *The focus should not be only on spending value but also on ensuring and securing the business. Managing low-spend suppliers is never easy, especially because our company operates in locations such as Pakistan and the UAE, where the business environment differs significantly. (4D)*

Other activities strengthen SRM

Financial support to strengthen supplier relationships was also mentioned by several interviewees.

I know payment terms are related to capacity efficiency. However, they can also be used as a tool to strengthen relationships with suppliers. For key or top suppliers that have a strategic partnership with us, we can offer very favorable payment terms to support their cash flow. In this way, the price level becomes very competitive. (1A)

6.1.2 SRM resources

In this section, the author asked how the interviewee's organization ensures that teams have the right knowledge and capabilities for effective SRM. The answer shows that technology platforms provide access to information and supporting elements that enable effective supplier relationship management. These resources act as organizational enablers, making collaboration more structured, transparent, and measurable.

It is very important to share information with suppliers and ensure good data quality. A good SRM should be transparent and supported by accurate and reliable data. (4D)

We provide access to technology, such as platforms for suppliers, to help drive standardization and support their efficiency. These tools also make collaboration easier. (3C)

Internal expertise is involved when a project is strategically important, and knowledge exchange with suppliers often leads to strong outcomes.

We have access to internal experts. If a project is strategically important, we involve people who have the relevant knowledge in-house. Connecting these experts with suppliers often leads to strong results. (3C)

6.1.3 SRM actors

The interviewees agreed that SRM actors are not limited to procurement managers and the supplier's key account managers. R&D, and in some cases finance or process managers, can also be part of the SRM process. It is a dynamic concept, and the actors

involved may vary depending on the project, the timing, and the specific business needs of the company.

> *Although SRM is understood as a strategic concept, in practice it is currently more connected to operational purchasing activities. The operational teams are more actively involved in day-to-day supplier interactions and relationship maintenance. However, I believe SRM should sit more firmly within strategic purchasing, where long-term planning, alignment, and negotiation take place. (5D)*

> *SRM is a responsibility for the whole company, including executives. It is quite common that our executives enjoy meeting customers and spending time with them, but they also need to understand the supplier side. They should know who the key suppliers are and maintain relationships with them. In the same way, technology or R&D experts need to interact with key suppliers; otherwise, they become isolated from what is happening in the market and may miss important innovations. Still, the day-to-day work usually falls to Category Managers and Buyers, depending on how the sourcing or procurement organization is structured. (3C)*

The interview findings indicate that Supplier Relationship Management (SRM) is s seen as essential for indirect procurement in multinational companies. However, SRM practices vary. Some companies use informal and operational approaches, even though SRM can help reduce costs, improve supplier performance, and create long-term value.

A key finding is that SRM is harder in indirect procurement than in direct categories, mainly due to lower spending and a more scattered supplier base. Because of this, companies focus their SRM efforts on a few important suppliers where they expect the most value. For these suppliers, SRM includes early involvement, joint planning, and long-term commitments, not just monitoring.

Three main elements shape how SRM is put into practice: activities, resources, and people. Performance is measured using several criteria, not just price. Segmenting suppliers is important for deciding how to engage with them, but companies do this differently. Some focus on how much they spend, while others look at strategic importance.

The main resources for SRM are digital platforms, in-house expertise, and clear data. Interviewees said that sharing accurate information and using digital systems help standardize processes, support teamwork, and make it easier to measure results. Still, the maturity of SRM depends not just on tools, but also on the skills of the organization and involvement from different teams.

Finally, the interviews show that SRM involves more people than just procurement teams. Operational buyers usually manage day-to-day tasks, but strategic SRM needs input from category managers, R&D, finance, and senior leaders. Many respondents said that having the whole organization aligned and committed is necessary for good supplier collaboration and long-term value.

6.2 Benefits of SRM in indirect procurement in MNCs

Being a multinational corporation has a direct effect on how SRM is practiced and how it supports cost efficiency. Multinational Corporations from broader global supplier access, greater purchasing volume, and stronger negotiation leverage, which encourages suppliers to invest in collaboration and improvement. This environment generates cost savings through shared development, and long-term problem solving.

It is clear that with large supplier bases and limited resources, companies cannot manage every supplier in depth, so SRM efforts must be selective and targeted. A structured approach helps drive efficiency and makes SRM more impactful from a cost perspective.

> *Our customer, a multinational automotive company, had different software quality assurance tools in use by different teams in various regions for the same purpose. As a supplier for these tools, we proposed that they consolidate all the teams under one central tooling system, managed by central procurement (rather than locally, as before). This allowed us to make a very good offer because the order volume was significant — and when split into the unit cost for each regional team, it showed up as a cost saving compared to what they had been paying for their own tools. This was a win-win from a cost savings perspective. In addition, the customer was able to reduce the number of vendors they had to manage. (3C)*

At a general level, being an MNC has a significant influence on how SRM is practiced and how it contributes to cost efficiency from the interview findings. Larger Multinational firms have access to a wider pool of global suppliers, along with their ideas, technologies, and innovation capabilities. Because the purchasing volumes and the total business value are much higher for MNCs, supplier also ten to view them as important customer

worth investing time and resources in. This creates better conditions for collaboration, problem solving and long-term improvements that can translate into cost efficiency.

Additionally, the interviewees mentioned that beyond direct cost efficiency, SRM activities can also generate innovation and non-financial benefits for the company. In some cases, these outcomes may even lead to greater cost advantages in the long run.

> *I have handled a case with our equipment partner GEA. They are a German-based global engineering technology company that offers a range of high-efficiency centrifugal separation equipment (https://www.gea.com/en/), and are a global supplier supporting multiple product lines and providing centrifuge equipment to our factories in the United States, China, and other regions. For one component — the spray head — the company previously needed to purchase a new one after every six units produced. Through joint work between the internal engineering team and the supplier's technical team, they analysed the operating conditions and the required spray angle. As a result of this collaboration, the replacement cycle was extended, and the nozzle can now be used for roughly fifty units before it needs to be changed. (2B)*

This improvement had a direct impact on reducing production costs and illustrates how technical cooperation with suppliers can create meaningful operational benefits beyond purely financial metrics. Innovation or non-financial benefits, in many interviewees view, should be the true focus of SRM rather than solely cost savings — because cost savings will naturally follow when there is improved quality or enhanced operational performance.

> *As a technology supplier in my previous position, we replaced another tool for procurement analytics with our solution, which, when measured in annual direct costs, was more expensive than the previous solution. However, the value for the end users (procurement category managers) was perceived as up to ten times better than the previous tool, and in return, it ultimately generated very tangible cost savings for the company. (3C)*

In summary, the interview data reveal three main types of benefits that SRM can bring to indirect procurement in multinational organizations (see Table 2): cost efficiency, operational efficiency, and strategic relational value.

First, cost efficiency is achieved not solely through price reduction, but through improved negotiation leverage enabled by supplier segmentation and the consolidation of spend. By becoming a more significant customer to selected suppliers, organizations strengthen their buying power and create conditions for more favorable commercial terms, discounts, and long-term financial benefits.

Second, operational efficiency results from improved supplier performance and more structured ways of working. Interviewees highlighted those mechanisms such as regular review cycles, clearer performance expectations, digital platforms, and standardized processes help reduce administrative workload and transaction complexity. These improvements also shorten processing time and minimise the need for corrective actions.

Finally, SRM generates strategic and relational value, particularly in categories where technical collaboration or service continuity is important. Long-term relationships foster innovation and joint development, enabling improvements that create measurable and non-measurable value for the organization. At the same time, stronger relationships increase resilience and continuity during disruptions, supporting business stability in a global context.

Table 2. Perceived benefits of SRM in indirect procurement based on interview findings.

Benefit Category	**Perceived**
Cost Efficiency	IIIIII
Operational Efficiency	IIIII
Strategic and relational value	IIIIII

6.3 Challenges of SRM in indirect procurement in MNCs

The importance of SRM depends heavily on broader business priorities and can shift over time. SRM must remain aligned with top-level objectives, and its relevance rises or falls depending on what the company is focusing on during a given period. Many interviewees directly pointed out that in terms of strategic priorities, indirect procurement typically follows direct procurement. In some companies, there is no formal SRM function dedicated to indirect procurement, and the responsibility is instead shared by factories or other departments. In addition, because indirect procurement in multinational companies must serve internal stakeholders and manufacturing sites, the supplier base is often more fragmented compared to direct procurement. As a result, the spend per supplier tends to be lower, making effective SRM for indirect procurement more difficult to execute.

> *The situation for us is that our company place greater emphasis on direct, hard cost savings and on managing risks linked to trade tensions, rather than on innovation or the longer-term cost benefits that SRM activities can bring. As a result, SRM in indirect management receive less attention compared to more immediate priorities such as cost, compliance, or operational efficiency. (3C)*

> *Our company works with around 7,000 suppliers. For strategic and leverage suppliers, I don't need to emphasize anything—our global category managers and strategic purchasers already give them sufficient attention. However, SRM is also an investment, and with a limited number of procurement professionals, it's impossible to carry out full supplier management for all 7,000 suppliers. (5D)*

Interview findings reveal that implementing SRM in indirect procurement within multinational companies comes with several challenges. First, the fragmented supplier base means there are too many suppliers to manage relationally, which requires SRM to be selective. Second, low spend leverage resulting from this fragmentation leads to limited negotiation power and reduced cost-saving potential in indirect procurement. Third, there is misalignment in practice, as some interviewees mentioned that SRM is applied operationally rather than strategically in real business life. Lastly, capability gaps

among procurement managers or category managers contribute to a low SRM maturity level (see Table 3).

Table 3. Perceived challenges of SRM in indirect procurement based on interview findings.

Challenge Category	**Perceived**
Fragmented supplier base	IIIIII
Low spend leverage	IIII
Misalignment in practice	II
Capability gaps	III

6.4 Future development for SRM in indirect procurement in MNCs

Interviewees reflected on how SRM capabilities should be developed in the future to strengthen their impact. Several participants emphasized the importance of capability building and training to ensure that procurement teams adopt a long-term relationship mindset rather than focusing solely on short-term cost gains.

> *As a supplier in the IT services category, we currently place strong emphasis on training our account management teams to focus on long-term value creation with our key customers, rather than pursuing short-term gains. This shift requires significant support from leadership, including structured training and adjustments to incentive systems and KPIs to reinforce long-term partnership thinking. (3C)*

Interviewees also highlighted the future role of technology in shaping SRM practices. Digitalization, artificial intelligence, and integrated platforms were viewed as key enablers that will increasingly automate operational and non-value-adding procurement tasks.

> *Technology—such as AI and digital platforms—will automate a portion of the non-value-added procurement work, which gives organizations the option either to reduce workforce or to shift people toward more strategic, value-creating activities such as SRM with key suppliers, because that part cannot be automated. Ultimately,*

this becomes a leadership decision, but investing in SRM early and demonstrating its value will help procurement leaders justify investment in people rather than workforce reduction. (3C)

6.5 Breakdown of case company indirect spending by category

This chapter presents an overview of indirect procurement at Wärtsilä, including its strategic role, operating model, performance evaluation metrics, supporting digital tools, and the distribution of spending across different item categories.

6.5.1 Indirect procurement in Wärtsilä

The Indirect Procurement in Wärtsilä strive to deliver strategic, cost-effective, and sustainable procurement solutions that enhance operational efficiency. Supplier relation-ship management is a key value delivered to build collaborative and performance-driven relationships with suppliers to ensure continuity and innovation (Wärstilä, Operational Model summary, 2025). Indirect procurement suppliers are strategically selected and managed to meet business requirements, maximize business benefits and improving Wärtsila's competitiveness. (Wärtsila, IP information meeting, 2025).

Across the source-to-contract and request-to-pay processes, the company evaluates indirect procurement performance from the perspectives of effectiveness, quality, and efficiency (Wärtsilä, Operational Model Summary, 2025). In terms of effectiveness, the indicators include the percentage of spend under management, the percentage of spend with preferred or strategic suppliers, the percentage of spot buys awarded to strategic suppliers, the utilization rate of active catalogues, and the percentage of onboarded suppliers meeting the target ESG criteria (Wärtsilä, Operational Model Summary, 2025). From a quality perspective, the company reviews the percentage of supplier corrective

action plans (CAPs) completed on time, the number of supplier complaints, and the percentage of blocked invoices (Wärtsilä, Operational Model Summary, 2025). Finally, from an efficiency perspective, supplier consolidation—reflected in a reduction in the total number of suppliers—is used as a key measure (Wärtsilä, Operational Model Summary, 2025).

Wärtsilä has digital platform for SRM activities, the tool is founded on the Salesforce platform, like Wärtsilä Customer Relationship Management tool, it is used for category managers, strategic purchasers, supplier development engineers and subcontracting managers (Wärtsilä compass,2025).

6.5.2 Indirect procurement spending per item category

In 2025, company data shows that indirect procurement accounted for approximately 28% of total spend. Despite representing just over one-third of total purchasing value, indirect procurement involves a significantly large supplier base, with 7,110 active suppliers globally. In comparison, the remaining 72% of spend is managed with a similar number of active suppliers. In other words, indirect procurement oversees nearly the same size supplier base as direct procurement but handles only about one-third of the purchasing volume, while the direct supplier base supports almost three times the spend (Wärtsilä PO data, 2025).

The company has segmented its suppliers into four categories: strategic suppliers, preferred suppliers, approved suppliers, and standard suppliers. Across these four categories, the supplier distribution is heavily weighted toward the lower tiers. The company has 550 strategic suppliers, representing 7.7% of the total, and 774 preferred suppliers, accounting for 10.9%. Approved suppliers make up 1,874 suppliers, or 26.4%, while the majority fall into the standard category, with 3,912 suppliers representing 55.0% of the overall supplier base(see Figure 13).

Categories	Supplier Quantity	Percentage
Strategic	550	7.7%
Preferred	774	10.9%
Approved	1874	26.4%
Standard	3912	55.0%

Figure 13. Supplier qty per each supplier segmentation (Wärtsilä company report,2025).

According to the category breakdown, professional and service spending is the largest indirect procurement area, accounting for about 38% of the total spend in 2025, with 861 suppliers in this category. This is followed by Logistics, which represents 16% of the spend with 1,140 suppliers, and HR/Personnel Services at 15% with 516 suppliers. Further details are shown in Figure 14 and Figure 15.

Item Category	Supplier Qty	Percentage
MRO Production	3275	46%
IT & Telecom	276	4%
Facility Mgmt& Service	567	8%
Marketing & Communication	210	3%
Professional Service	861	12%
Travel & Meetings	259	4%
Logistics	1140	16%
HR / Personnel Service	516	7%
	7104	

Figure 14. Supplier qty and percentage per item category (Wärtsilä company report,2025).

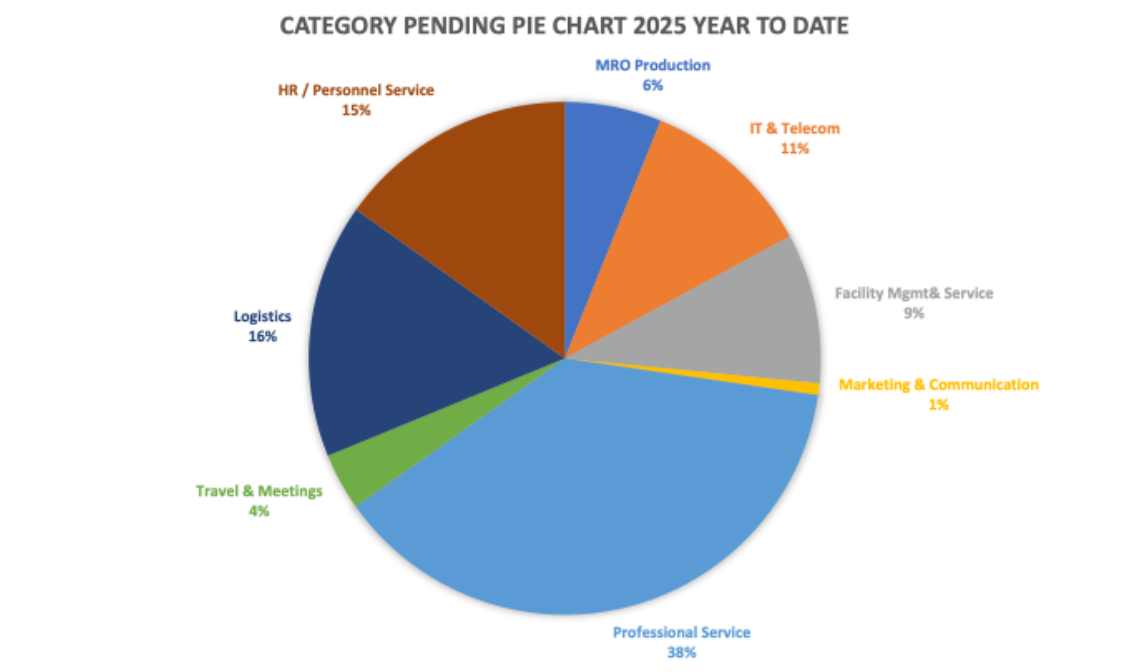

Figure 15. Spending data per item category in percentage, 2025 YTD (Wärtsilä company report,2025).

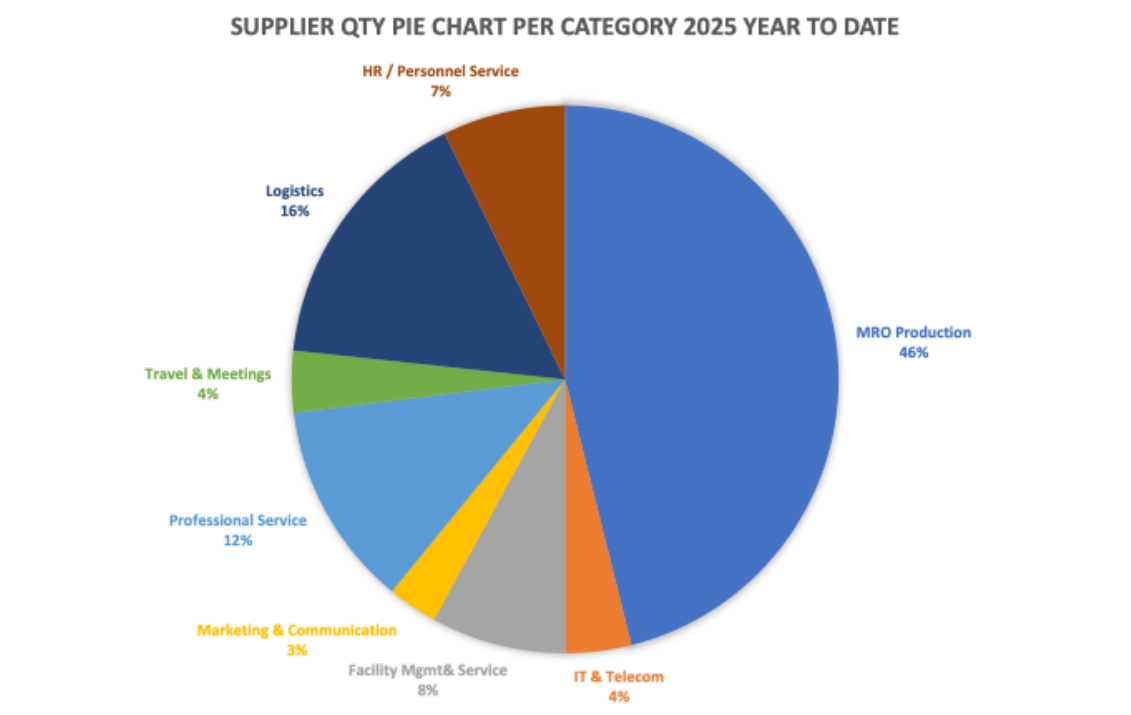

Figure 16. Supplier qty per item category in percentage, 2025 YTD (Wärtsilä company report, 2025).

6.5.3 Geographical distribution of suppliers

From Figure 17, we can see that the company's spending is highly diversified, covering around 80 countries, which means the distribution of suppliers is global. This reflects a typical MNC indirect purchasing profile and illustrates the complexity of the category, as indirect procurement is closely linked to business needs. When a company operates globally, its indirect purchasing naturally becomes global as well.

Figure 17. Indirect spending, Global, 2025 YTD (Wärtsilä company report, 2025).

On the other hand, the spending is highly uneven. Figure 19 lists the company's top 20 suppliers. From the spending data, it can be seen that the top 20 countries already account for 90% of the total spend, and the top 10 countries cover 78%. Finland remains the country with the highest level of indirect procurement spending, which is closely linked to the company's strong Finnish background. This pattern reflects a typical multinational procurement structure, where strategic operational hubs generate higher spend, while other locations manage comparatively smaller procurement volumes.

Series	Top 20 countries by spend	Percentage in Country	Accumulate Percentage
1	Finland	33.22%	33%
2	Netherlands	15.58%	49%
3	United States	12.20%	61%
4	Germany	4.14%	65%
5	Norway	2.89%	68%
6	China	2.21%	70%
7	Italy	2.14%	72%
8	Denmark	2.07%	74%
9	Brazil	1.79%	76%
10	Sweden	1.72%	78%
11	France	1.72%	80%
12	Switzerland	1.59%	81%
13	United Kingdom	1.52%	83%
14	Japan	1.31%	84%
15	Australia	1.24%	85%
16	Mexico	1.17%	86%
17	Singapore	1.10%	88%
18	Ireland	0.76%	88%
19	Canada	0.76%	89%
20	India	0.69%	90%

Figure 18. Top 20 countries spending in percentage, 2025 YTD (Wärtsilä company report, 2025).

7 Discussion

This chapter interprets the study's findings in relation to existing literature. The aim is to explain how Supplier Relationship Management (SRM) contributes to cost savings in indirect procurement within a Finnish multinational corporation and to reflect on how the empirical results support, extend, or challenge current theoretical perspectives. First, the current SRM implementation is in indirect procurement. Next, the benefits and challenges of SRM in indirect procurement in MNCs, drawing on both literature and case study insights. Finally, the chapter discusses implications for future development and offers an updated theoretical framework, highlighting how the findings contribute to and refine the understanding of SRM in indirect procurement.

7.1 SRM implementation in indirect procurement

SRM is a strategic tool for supplier management, and relationship management in business relationship management is itself an investment (Håkansson et al, 2009). Its implementation of indirect procurement is selective rather than systematic. Interviewees consistently expressed the belief that SRM generates value, but several noted that SRM practices are mostly applied to a limited subset of suppliers, primarily strategic and leverage suppliers. This pattern reflects the argument of Kralijic(1983) and subsequent extension by Gelderman and Van Weele (2003), who maintain that differentiated supplier strategies are necessary to achieve value.

In Wärtsilä, only a small proportion of indirect suppliers fall under strategic or preferred categories (Figure 13), while the majority are classified as standard suppliers. This reinforces Weele's (2018) view that indirect procurement is supplier-fragmented, resource-intensive, and often difficult to manage holistically. As one interviewee noted, managing all 7,000+ suppliers with the same systematic SRM approach would not be feasible, which aligns with Benton's (2021) argument that SRM requires significant investments of time and managerial resources.

The empirical findings support the theoretical premise that SRM in indirect procurement must be prioritised. Organizational strategic focus determines the extent of SRM deployment, reflecting Schiele's (2007) assertion that procurement performance improves when relationship management capabilities are aligned with category importance and organizational strategy.

7.1.1 ARA-based SRM activities

The ARA model (Håkansson & Snehota, 1995) was used to structure the analysis of how SRM contributes to value creation. The findings confirm that SRM activities form the operational layer through which collaboration and cost related improvements are achieved.

Supplier Segmentation

Generally, in strategic categories, the number of strategic suppliers is highly limited. At Wärtsilä, strategic suppliers account for approximately 7.75%, while in Respondent 1A's company, they represent only 5%. SRM should therefore be implemented with carefully selected suppliers.

Combining the spending analysis discussed (Weele, 2018) in the literature review with the interview findings on value and importance to the business and the customer, supplier segmentation should begin with item categories. Each category can then be divided into four quadrants: strategic suppliers, leverage suppliers, bottleneck suppliers, and routine suppliers. This approach takes into account the characteristics of the products and their impact on the business, as well as spending levels. In doing so, it influences the effectiveness of SRM, particularly in relation to cost-saving outcomes. allows firms to allocate resources more effectively and tailor relationship strategies accordingly (Kraljic, 1983; Weele, 2018).

Figure 19. Supplier segmentation as per item category.

Performance Management

Performance management emerged as a core SRM activity in indirect procurement, with interviewees highlighting five key indicators used to evaluate supplier performance. This aligns with literature suggesting that effective SRM requires clear measurement systems linked to cost, quality, service, and relational outcomes (Lambert & Schwieterman, 2012; Moeller et al., 2006).

- Price remains a fundamental KPI and sets the baseline for supplier evaluation. While cost competitiveness is essential, interview insights show that price-driven benefits vary by supplier type. For example, Interviewee 2B explained that bottleneck suppliers—such as wastewater treatment providers—cannot easily reduce prices due to qualification constraints. Instead, extending contract duration (from two to ten years) was used to support collaboration and enable gradual cost improvement. This reflects the view that price-based negotiation alone is insufficient in constrained markets (Ellram, 1995; Hesping & Schiele, 2016).

- Payment Terms are another important metric because they influence both supplier flexibility and company cash flow. Interviewees noted that terms such as net-30 or net-60 can serve as negotiation levers. Both Interviewee 1A and 2B shared that more favorable or accelerated payment terms helped secure better pricing and responsiveness. This aligns with literature recognizing payment terms as a relational and financial optimization tool within SRM (Benton, 2021; Weele, 2018).
- Customer Satisfaction (Service Categories): For service-based indirect procurement categories, customer satisfaction is a key measure because service value depends on responsiveness, communication, and stakeholder experience. This is consistent with research noting that service procurement performance is often qualitative, and user driven (Smeltzer & Ogden, 2002; Heinis et al., 2022).
- Quality (Physical Goods): Quality is a central key performance index and quality assurance has long been identified in literature as a key determinant of supplier reliability and long-term partnership suitability (Handfield et al., 2009; Gonzalez-Benito, 2007).
- Business and Organizational Performance: Finally, supplier financial stability and organizational capacity are evaluated, including revenue growth, cash flow, and employee turnover rates. This aligns with SRM research that stresses the importance of supplier capability assessment beyond transactional metrics (Krause, Handfield & Tyler, 2007; Cousins et al., 2006).

7.1.2 ARA-based SRM resources

The resource layer of the ARA model emphasizes the technological, organizational, and knowledge resources that enable interaction and support effective SRM practices (Håkansson & Snehota, 1995; Ford et al., 2011). The findings of this study show that SRM in indirect procurement relies on a combination of digital platforms, structured process governance, and organizational capabilities that together facilitate transparency, collaboration, and consistency across a global supplier base.

A key resource identified in both company documentation and interviews is the digital SRM platform, built on Salesforce. The tool is used to manage performance reviews, monitor supplier KPIs, and support collaborative activities between category managers and strategic suppliers. Respondents highlighted that transparency in the system is essential, as it helps ensure consistency in communication, performance tracking, and strategic alignment. This role of technology aligns with literature recognising digital platforms as central enablers of SRM maturity, particularly in global procurement settings where coordination and standardization are required (Davila et al., 2003; Esan et al., 2022).

In addition to the SRM tool, the company has established globally defined and standardized digital processes for operational efficiency. These automated workflows form part of the organizational resource base by reducing manual intervention and ensuring compliance at scale. As Weele (2018) notes, E-procurement systems significantly shorten the traditional order-to-pay cycle, enabling organizations to reduce administrative burden and processing time. This was reflected in the case company's highly automated process for non-critical indirect items, which included E-catalogue selection, automated requisition approval (below a spending threshold), system-generated purchase orders, touchless invoicing, and spend analytics integration.

Interview findings suggest that this automation contributes to SRM in three ways. First, it reduces transaction costs by eliminating unnecessary manual activities. Second, it shortens the procurement cycle, improving responsiveness to business stakeholders. Third, it frees procurement resources, allowing skilled personnel to shift their focus from transactional activities to higher-value SRM tasks with strategic or leverage suppliers. This supports earlier research emphasizing that the effectiveness of SRM depends not only on relational practices but also on the availability of organizational and technological enablers that create capacity for strategic engagement (Croom & Brandon-Jones, 2007; Lambert & Schwieterman, 2012).

Together, these findings demonstrate that SRM resources in indirect procurement comprise an interconnected set of digital infrastructure, standardized processes, and human capabilities. The value of these resources materialises through their integration and use—not merely their existence—which is consistent with the ARA model's view of resource activation through interaction and relationship development (Håkansson & Snehota, 1995).

7.1.3 ARA-based SRM actors

The actor dimension of the ARA model focuses on the individuals, roles, and organizational units involved in supplier relationships, and how their interactions influence the structure and outcomes of the relationship (Håkansson & Snehota, 1995; Ford et al., 2011). The empirical findings show that SRM in indirect procurement is supported by a diverse network of actors whose involvement varies depending on the supplier segmentation category and strategic relevance.

As illustrated in Figure 20, strategic and leverage suppliers attract the highest level of organizational engagement. Their management involves multiple internal stakeholders, including global and regional category managers, country procurement managers, operational purchasers, and—where relevant—senior leadership. Interviewees noted that leadership involvement signals commitment and strengthens strategic alignment, especially in negotiations or long-term collaboration discussions. This pattern aligns with literature acknowledging that senior management engagement enhances supplier credibility and supports innovation-oriented partnerships (Cousins et al., 2006; Moeller et al., 2006).

For bottleneck suppliers, actor involvement remains relatively broad, including category managers and operational purchasers, though senior leadership is seldom required. SRM intensity in this group is lower, and activities are more risk-mitigation oriented rather than developmental. This reflects the purchasing portfolio logic, where bottleneck

suppliers require monitoring and availability assurance rather than deep collaboration (Gelderman & Van Weele, 2003).

In contrast, routine suppliers require minimal relational management effort. Only country procurement managers and operational purchasers are typically involved, with no participation from senior leadership or category management. SRM intensity is low, and the interaction is mainly transactional. This is consistent with the literature, which recommends operational automation and standardization for high-volume, low-complexity procurement categories (Croom & Brandon-Jones, 2007; Weele, 2018).

Across all supplier types, the case company also involves a Global Process Solution Manager role, responsible for ensuring compliance with global procurement processes and supporting harmonised SRM practices. While not directly engaged in supplier relationship activities, this role acts as an enabling governance interface, contributing to process alignment and system integrity—reflecting the system-level actor interdependence described in the ARA framework.

Overall, the findings demonstrate that SRM actor involvement is both hierarchical and distributed. Strategic suppliers require cross-functional engagement and leadership alignment, whereas bottleneck and routine suppliers are largely managed through operational or category-level roles. This confirms that SRM is not a single-actor responsibility, but a relational structure shaped by role allocation, internal coordination, and supplier importance—an observation consistent with both ARA theory and contemporary SRM literature.

Actors	Strategic Suppleirs	Leverage Suppliers	Bottleneck Suppliers	Routine Suppliers
Senior Leadership/Top managment	When needed	When needed	Seldom	No
Global Category Manager	Yes	Yes	Yes	No
Regional Category Manager	Yes	Yes	Yes	No
Country Procurment Manager	Yes	Yes	Yes	Yes
Operational purhcaser	Yes	Yes	Yes	Yes
SRM intensive level	High	High	Low	Low

Figure 20. Actors involvement as per category.

In summary, looking at these findings through a business network perspective helps explain why SRM in indirect procurement is not just about tools or processes, but about managing relationships within a web of connections inside and outside the company. The ARA model really brings this out: activities, resources, and people involved in SRM are all influenced by where the company sits in its wider network and how different stakeholders interact. In this case, interviewees described SRM as much more than just handling transactions—they talked about collaboration, open communication, trust, and regular interaction, which matches Håkansson, Ford, Gadde, Snehota, and Waluszewski (2009) idea that business relationships are built through ongoing exchanges and adaptation. Different levels of the organization—senior leaders, category managers, operational buyers, technical experts—are all involved in SRM, and suppliers themselves range from basic service providers to key innovation partners. This networked way of working creates both opportunities and challenges. For example, the company's broad and global supplier base means indirect procurement is anything but a straight line; it's a complex network. This complexity explains many of the challenges seen in the findings. But it also shows why good relationships can create value beyond just saving money, improving things like efficiency, innovation, and resilience. So, SRM in indirect procurement in an MNC is best seen as an ongoing network management job, requiring constant coordination, alignment, and prioritization across many people and relationships.

7.2 Benefits of SRM in indirect procurement in MNCs

The findings of this study show that Supplier Relationship Management (SRM) can generate several benefits in the context of indirect procurement in multinational companies. Although indirect categories are often fragmented, service-intensive, and characterised by lower spend concentration (Smeltzer & Ogden, 2002; Saarela, 2022), interview and company data indicate that SRM can support both cost-related and strategic outcomes when applied selectively and aligned with supplier segmentation principles (Gelderman & Van Weele, 2003; Hesping & Schiele, 2016).

One of the clearest benefits relates to cost efficiency. SRM supports improved negotiation leverage by consolidating spend with selected suppliers and shifting from transactional purchasing to long-term volume allocation. Literature has long suggested that concentration of spend enables stronger bargaining power and more competitive pricing in leverage and strategic supplier groups (Kraljic, 1983; Weele, 2018; Benton, 2021). Interviewees confirmed this logic, noting that increasing spend share with preferred suppliers improves their willingness to offer discounts, contract flexibility, or improved pricing mechanisms. However, both interview feedback and literature emphasize that SRM alone does not automatically generate cost savings; rather, it creates conditions that make cost improvements more achievable over time (Schiele, 2007; Payne et al., 2021).

A second benefit is operational efficiency. SRM supports more structured performance monitoring, clearer responsibilities, and streamlined interaction between buyers and suppliers. Performance management practices such as KPIs, service-level agreements, and Quarterly Business Reviews help reduce uncertainty, improve delivery reliability, and prevent operational disruptions (Lambert & Schwieterman, 2012; Handfield et al., 2009). Digitalization plays an increasing role in enabling these efficiencies, as E-procurement platforms and shared systems reduce manual work and improve transparency across global operations (Davila et al., 2003; Esan et al., 2022). Interviewees also highlighted

that clear governance frameworks reduce administrative effort and help avoid duplicated work, especially in service-based categories where ambiguity is common.

Finally, SRM provides strategic and relational benefits, particularly when long-term collaboration, innovation potential, or continuity of supply are critical. Previous research has shown that trust, information sharing, and joint development can improve problem-solving capabilities, accelerate innovation, and strengthen supplier commitment (Cousins et al., 2006; Moeller et al., 2006; Yang et al., 2023). Findings from this study echo this view. Respondents described cases where SRM enabled technical improvements, faster escalation management, and better alignment of expectations. This relational value becomes especially important in bottleneck and service-heavy categories, where supplier dependency or knowledge asymmetry may limit the effectiveness of price-based negotiation alone (Ellram, 1995; Heinis et al., 2022).

In summary, SRM contributes value in indirect procurement through cost efficiency, operational improvements, and strategic relational outcomes. While its benefits do not materialise uniformly across all supplier groups, and its financial impact may develop gradually, the results suggest that when applied selectively and supported by governance, digital infrastructure, and capability development, SRM can strengthen procurement performance and support long-term competitiveness in multinational organizations.

7.3 Challenges of SRM in indirect procurement in MNCs

Although SRM provides clear benefits, the findings indicate several challenges that hinder its effective implementation in indirect procurement within multinational companies. These challenges are largely structural, organizational, and capability related.

A key challenge is the fragmented supplier base. As the case company data shows, indirect procurement involves a large number of suppliers with relatively small spend volumes, making it impractical to apply relational management approaches broadly.

Interviewees noted that only a limited number of suppliers fall into strategic or leverage categories, while the majority belong to routine or bottleneck segments. This reflects earlier research, which highlights that indirect procurement often grows reactively and lacks formal consolidation mechanisms (Saarela, 2022; Smeltzer & Ogden, 2002). The result is a diluted focus, where SRM efforts risk being spread too thin to generate meaningful outcomes. Saarela (2022) notes that a large supplier base often results from insufficient supplier performance, meaning that existing suppliers are not reliable enough. In some cases, suppliers are geographically distant, resulting in extended lead times that negatively affect internal stakeholders or external customers. In other cases, the quality or service level is inadequate, leading to delays and inefficiencies. From this perspective, supplier relationship management (SRM) becomes even more critical. By investing time and resources in selected suppliers, organizations can increase the positive impact of collaboration, improve performance, and ultimately enable a more effective reduction of the supplier base.

A second challenge relates to low spend leverage, which reduces the buyer's negotiation power and limits suppliers' willingness to invest in long-term collaboration. Interview respondents explained that, in many categories, price-based negotiation alone is ineffective because suppliers do not view the buyer as strategically significant. This challenge is consistent with portfolio theory, which notes that leverage potential in indirect categories is often limited without consolidation or volume alignment (Gelderman & Van Weele, 2003; Hesping & Schiele, 2016).

A further challenge concerns misalignment between SRM strategy and practice. While SRM is understood as a strategic process, interviewees reported that it is often applied operationally rather than as a planned, long-term capability. This gap between conceptual understanding and practical implementation has also been noted in earlier studies, which argue that SRM maturity requires clear governance, defined ownership, and cross-functional collaboration (Tassabehji & Moorhouse, 2008; Moeller et al., 2006).

Finally, the findings indicate capability-related barriers. Some respondents highlighted limited competencies in relational management, supplier segmentation application, and the use of digital SRM tools. This capability gap may be attributed to historical focus on transactional procurement rather than strategic relationship management—an issue noted by several authors who emphasize the need for skill development, training, and role clarity to support SRM maturity (Cousins et al., 2006; Bals & Turkulainen, 2017).

7.4 Future development for SRM in indirect procurement in MNCs

The findings indicate that the future development of SRM in indirect procurement will require both structural improvements and capability advancement. While SRM is recognised as strategically relevant, its maturity level remains uneven across supplier segments and geographical regions. Both interview insights and literature suggest that further development should focus on three core areas: strategic focus and governance, digital enablement, and competence development.

A clearer strategic prioritisation of supplier relationships is needed to ensure SRM efforts align with value potential rather than being applied uniformly. Several interviewees highlighted the need to strengthen supplier segmentation practices to support resource allocation decisions and avoid investing effort in suppliers that do not contribute meaningfully to business objectives. This is consistent with sourcing and portfolio frameworks, which emphasize targeted SRM for strategic, bottleneck, and leverage suppliers, while routine suppliers should be managed through transactional governance and automation (Kraljic, 1983; Gelderman & Van Weele, 2003; Hesping & Schiele, 2016). In addition, the inclusion of structured exit strategies was identified as a future requirement for supplier base optimisation, especially in fragmented indirect categories (Saarela, 2022).

The second development area relates to digitalization and process integration. Interviewees noted that emerging technologies, such as AI-enabled process automation and SRM platforms, will increasingly take over routine activities and provide data-driven

insights for performance evaluation and supplier collaboration. Literature supports this direction, showing that E-procurement, analytics and digital SRM tools create transparency, reduce administrative effort, and enable more consistent relationship governance (Davila et al., 2003; Presutti, 2003; Esan et al., 2022). As Interviewee 3C stated, automation may eventually shift procurement roles from transactional execution toward relationship management and strategic value creation.

The final area concerns capability development. A recurring theme in the interviews was the need to strengthen competencies in collaboration, negotiation, performance management, and cross-cultural supplier interaction. Shifting SRM from operational execution toward a strategic function requires new skill profiles and clear ownership within the organization. This aligns with earlier findings that professionalisation of procurement roles and development of relational competencies are critical for SRM maturity (Tassabehji & Moorhouse, 2008; Cousins et al., 2006; Bals & Turkulainen, 2017).

Overall, the future direction of SRM in indirect procurement points toward a more selective, technology-enabled, and capability-driven framework. As SRM evolves, its effectiveness will depend on how well multinational organizations integrate governance structures, digital tools, and relational capabilities to support long-term value creation.

7.5 Updated theoretical framework

The framework illustrates how SRM contributes to cost savings in indirect procurement by aligning supplier relationships with business objectives, procurement strategy and category-specific requirements. The model shows that SRM implementation begins with supplier segmentation at the category level, which determines the appropriate level of interaction, resource allocation and relational intensity. Strategic and leverage suppliers are managed through high-intensity SRM practices, while bottleneck and routine suppliers receive lower-intensity. This responds to the first sub-question by demonstrating that SRM in indirect procurement is not applied uniformly, but selectively and purposefully depending on supplier importance. The second sub-question is

addressed through the outcome layer of the framework. For different supplier categories, SRM enables cost efficiency through three mechanisms: cost efficiency, operational improvements, and strategic relational outcomes. As the framework suggests, these practices operate within a broader business network where interdependencies and collaboration influence how value and cost efficiency are realised. Overall, the model indicates that SRM contributes to cost savings not only by reducing spend, but by improving supplier performance, strengthening supply continuity and reallocating internal procurement capacity toward higher-value activities.

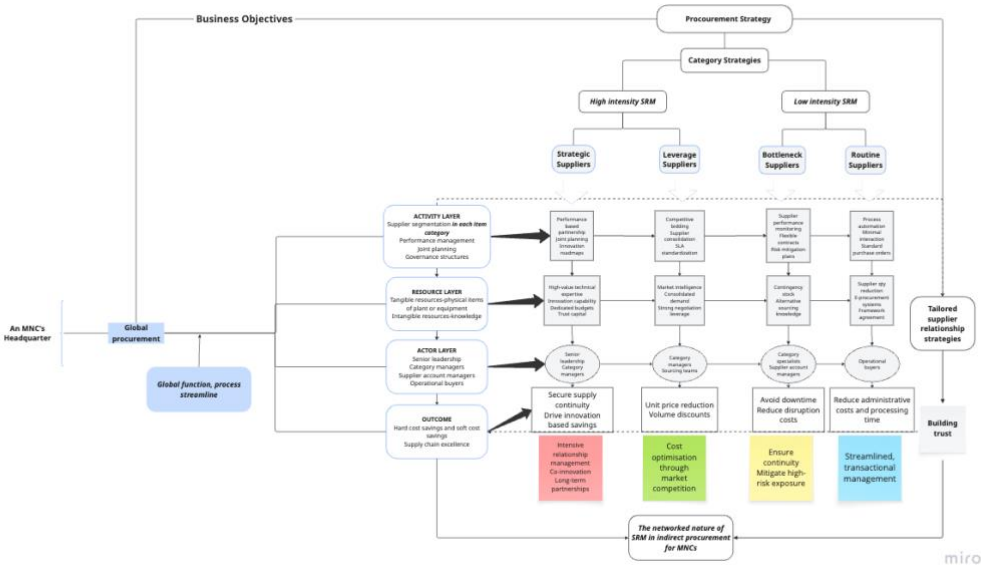

Figure 21. Updated theoretical framework.

8 Conclusions

This thesis set out to examine how Supplier Relationship Management (SRM) contributes to cost savings in indirect procurement within a multinational corporation, using Wärtsilä as the empirical case. Through a qualitative case study supported by semi-structured interviews and organizational data, the study explored one main research question (RQ), supported by two sub-research questions (sub-RQs), to ensure a consistent and coherent analytical framework.

8.1 Key findings

Main research question (RQ):

How does Supplier Relationship Management (SRM) contribute to cost savings in indirect procurement?

The findings demonstrate that SRM contributes to cost savings in indirect procurement primarily through three mechanisms: improved process efficiency, better resource utilisation, and enhanced supplier relationships. Rather than directly reducing prices, SRM supports cost savings indirectly by improving supplier performance, consolidating spend, standardizing processes, and reducing operational risk. The value of SRM becomes more visible over time, as relationship maturity, trust, and mutual learning enable efficiency gains, service improvements, and innovation outcomes. Thus, SRM acts as a strategic enabler of both measurable cost reductions and long-term value creation in indirect procurement.

This main question is addressed by two sub-research questions, which explore the implementation of SRM and its mechanisms for delivering cost efficiency in context.

Sub-RQ1: How are SRM practices implemented in the context of indirect procurement in a multinational organization?

The study finds that SRM implementation in indirect procurement is selective, and maturity varies across supplier segments. Interview data show that SRM practices are most developed with strategic and leverage suppliers, where spend volume, business dependency, or innovation potential justify deeper collaboration. Performance management, joint planning, and structured reviews—such as Quarterly Business Reviews—form key pillars of SRM activities.

Routine suppliers are managed primarily through automation, catalogue purchasing, and standardized frameworks to reduce administrative effort. Bottleneck suppliers, although low in spend value, require risk mitigating SRM approaches focused on continuity, supplier development, and contingency planning. Digital procurement systems and internal expertise act as enabling resources, while actors range from operational buyers to category managers and leadership, depending on the complexity and strategic relevance of the supplier relationship.

Overall, the implementation reflects a differentiated SRM model aligned with supplier segmentation and organizational prioritisation.

Sub-RQ2: How do these SRM practices contribute to cost efficiency in indirect procurement?

SRM contributes to cost efficiency through both direct and indirect mechanisms. Direct mechanisms include negotiated discounts, volume consolidation, and improved supplier terms with priority suppliers. Indirect mechanisms—often more significant in the long term—include reduced transaction costs, improved service reliability, shorter lead times, product lifecycle improvements, and avoidance of disruptions.

The interviews highlight that trust and long-term collaboration enable suppliers to engage in joint improvement efforts, share innovation, and proactively resolve operational challenges. These outcomes support soft savings such as reduced waste,

fewer errors, or better process reliability, which literature increasingly recognises as essential for sustained procurement value.

Additionally, digital tools improve data accuracy, compliance, and consistency in supplier management, reinforcing cost discipline across global operations. For routine and bottleneck suppliers in particular, structured governance and automation prevent inefficiencies and maverick spending, supporting stability and scalability.

8.2 Theoretical contributions and managerial implications

This study contributes to procurement literature by showing that SRM in indirect procurement is not merely a reduced version of SRM in direct procurement but requires a differentiated and context-dependent design. By applying the ARA model, the research demonstrates how activities, resources, and actors interact to create cost-related value and how supplier relationship intensity must be balanced with category importance and resource availability.

The findings extend existing research by demonstrating that SRM effectiveness in indirect procurement lies in prioritisation, supported by digital enablement and organizational capabilities, rather than uniform adoption across all suppliers.

On the other hand, the results suggest three practical implications for organizations seeking to strengthen SRM in indirect procurement:

1. Adopt a structured segmentation based SRM model to ensure resources focus on suppliers with the highest strategic or risk relevance.
2. Leverage digital tools and shared data platforms to scale SRM practices, automate routine activities, and increase transparency across supplier networks.
3. Develop relational and analytical competencies in procurement teams to support trust-building, cross-functional collaboration, and long-term value realization.

8.3 Limitations and future research

This research is based on a single case study and qualitative interviews, which limits generalisability. Future research may expand to quantitative performance data, multi-industry comparisons, or longitudinal assessment of SRM maturity development. Further work could also explore the role of emerging AI-driven tools in SRM, especially in supplier risk prediction, sustainability governance, and automated supplier development.

This thesis does not address the application of AI in SRM. Although the companies participating in the study expressed strong interest in adopting AI within procurement, actual implementation remains limited due to concerns regarding data security and accuracy. Current automation is mainly reflected in the use of RPA, for example in payment processing, rather than advanced AI-based decision-making or analytics.

Similarly, SRM-related ESG dimensions are not included in the scope of this research. The case company has already initiated relevant activities globally, such as tracking carbon emissions and analysing the relationship between electricity consumption and procurement spend. These topics, together with the future integration of AI into SRM processes, represent valuable directions for further research and development.

9 Declaration of artificial intelligence assistance

Artificial intelligence tools were applied in this research in a controlled and limited way. Grammarly was used to support language accuracy and clarity, while OpenAI assisted in building general conceptual understanding in selected areas. These tools were applied solely to improve readability and support comprehension, not to generate research outcomes. All analysis, interpretations, and conclusions presented in this thesis are the result of the author’s independent work.

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Appendices

Appendix 1. Interview Guide

Research Title: Cost savings through supplier relationship management in indirect procurement in a Finnish MNC

Purpose

This interview explores how SRM practices are implemented within indirect procurement and how they contribute to cost efficiency in the context of an MNC.

Interviewee Information

Name: _____

Job Title / Role: _____

Department / Function: _____

Years of Experience in Procurement: _____

Involvement with SRM (High / Medium / Low): _____

Section 1: Understanding SRM in Indirect Procurement in MNCs

1. How would you describe Supplier Relationship Management (SRM) in your organization?

2. What are the main objectives of SRM in your indirect procurement activities?

3. Which supplier categories (strategic, leverage, bottleneck, routine) are most relevant to your work?

4. How important is SRM compared to other procurement priorities (e.g., cost, compliance, process efficiency)?

5. Can you describe some of the Supplier Relationship Management (SRM) practices currently implemented in your organization?

6. In what ways does being a multinational corporation (MNC) shape your organization's SRM practices, and how do these practices affect cost efficiency?

Section 2: Leadership and Trust in Supplier Relationships

7. How does leadership within your organization influence the way supplier relationships are managed?

8. In your experience, how is trust built between your organization and suppliers?

9. How are leadership and trust reflected in governance mechanisms (e.g., performance reviews, supplier meetings, problem-solving process?

Section 3: SRM Implementation – Activity Layer

10. What SRM activities are commonly used (e.g., supplier segmentation, performance management, joint planning, innovation projects)?

11. How are SRM practices adapted across different supplier segments (strategic, leverage, bottleneck, routine)?

12. What performance indicators or KPIs are used to evaluate supplier performance in indirect procurement?

Section 4: SRM Resources – Resource Layer

13. What tangible (e.g., systems, budgets) and intangible (e.g., expertise, relationships, knowledge) resources support SRM implementation?

14. How does your organization ensure that procurement teams have the right knowledge and capabilities for effective SRM?

15. In what ways does information sharing, or data transparency contribute to trust and collaboration?

Section 5: SRM Actors – Actor Layer

16. Which roles are most responsible for managing supplier relationships (e.g., senior leaders, category managers, buyers)?

17. How do these roles coordinate to ensure consistent SRM practices and relationship management?

18. How do internal leadership and cross-functional collaboration influence SRM outcomes?

Section 6: SRM Outcomes – Cost and Performance

19. In what ways has SRM contributed to measurable cost savings in indirect procurement?

20. How does SRM help reduce indirect costs such as administrative effort, process inefficiency, or supplier risk?

21. Can you give examples of SRM initiatives that generated innovation or non-financial benefits (e.g., improved quality, faster delivery)?

Section 7: Reflection and Future Outlook

22. How do you see the role of SRM evolving in the future for indirect procurement?

Thank you.