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ABSTRACT

Purpose
Purpose of this study is to explore the development pattern of inter-firm resource portfolios and mechanisms that influence the alignment of resource portfolios between a logistics service provider and one of its customers.

Design/methodology/approach
Qualitative empirical research methodology based on case-study design. Critical realism perspective is used with abductive logic of analysis. Data for study has been gathered through semi-structured interviews from two Finnish companies.

Findings
Study finds that various resources from both parties are mutually combined to form resource portfolios. Pattern of such portfolio development shows that existing resources are combined between both parties before investing in new resource-base. Further, aligning resources through coordination, adaptation and integration of resources is one of the ways to achieve inter-firm alignment from LSP’s perspective.

Research limitations
Data was gathered using single LSP with limited respondents. Care should be taken in generalizing its findings. This study has a specific context, other studies can be conducted using different logistics context.

Practical implications
Study guides managers on inter-firm resource portfolios development pattern that affects LSP’s performance in logistics outsourcing arrangement. Study highlights mechanisms that influence the alignment of internal and external resources to perform better.

Original/value
Portfolio approach is applied in dyadic context that provides new avenue to explore development of inter-firm resource portfolios. Study provides insight on resource alignment as one of the means to achieve inter-firm alignment in logistics outsourcing arrangement. This study contributes to the logistics and strategic management literature.

Keywords: Resource Portfolio, Alignment, Outsourcing, Resource-based view, Logistics Service Provider
1. INTRODUCTION

Trend of logistics outsourcing - ‘the use of a third-party provider for all or part of an organization's logistics operations' (Lambert et al., 1999) - has become a trend. Several firms, without owning or managing the transportation and warehousing resources, reach and serve their customers and deliver products (Kenyon and Meixell, 2011) through logistics outsourcing. In logistics domain, LSP-customer collaboration can be seen as an exploitation of each other’s resources towards mutual objectives (Tsai and Wu, 2011). Organizations form internal and external portfolio of resources to enhance value-creation potential of individual resources through outsourcing relationships (Huemer, 2012). According to Das and Teng (2000) resource alignment between two organizations deals with type and quantity of resource contribution and degree of resource utilization to achieve mutual goals.

Research highlights clear doubts on the efficacy of outsourcing relationships (Kenyon and Meixell, 2011) as lack of customer-supplier alignment has become an enduring challenge (Lacity et al., 2008). Such inter-firm alignment does not come into being automatically to produce favorable results (Kroes and Ghosh, 2010). Literature needs empirical studies on significance of outsourcing practices in logistics (Parast and Spillan, 2014). Avison et al. (2004) pointed out that a clearer framework is needed as the literature lacks guidance on how firms could achieve alignment and avoid the impacts of misalignment.

This study takes the resource-based view (RBV) as its core theoretical basis along with resource portfolio and alignment as two complementary concepts. In the previous studies resource portfolio approach has been used from one focal firm’s perspective. In this study, it has been used in dyadic-setting (LSP-customer) to address how inter-firm resource portfolios are developed where resources from LSP and one its customers are combined together. This study also reflects upon three inter-firm alignment mechanisms found in a recent study by Klingebiel and Rammer (2014) and explores alignment of resources as one of the ways to achieve inter-firm alignment from an LSP’s perspective in a logistics outsourcing context.

This study take LSP’s perspective due to fact that in current supply chain landscape, LSPs play a critical role in success or failure of logistics outsourcing arrangements. Besides, dyadic (LSP-customer) empirical data provides insights which strengthen the findings of the study.

In the next section, literature review is presented. Then research methodology is mentioned. In the last section, discussion with empirical evidence, conclusion with theoretical contributions, managerial implications, research limitations and future research are presented.

2. THEORETICAL BACKGROUND

The resource-based view (RBV) of the firm has been used as main theoretical basis for this study. Resource portfolio approach and alignment as two complementary concepts to explore the development of resource portfolios between LSP and one of its customer.

2.1. Development of Resource Portfolios within RBV

Within the RBV, assets, people, technologies, processes and capabilities are considered as firm’s building blocks (Wernerfelt, 1984). Firm’s access to heterogeneous resources – resources that can create differential productivity when combined with other resources – influences its performance to generate economic rents (Makadok, 2001). Barney (1991) grouped resources into three categories: (1) physical resources including equipment, machinery and facilities; (2) human resources including knowledge and experience; and (3) organizational resources such
as brand name and organizational culture. Kohlbacher (2013) highlights that people and processes must be combined to create a fit with organizational culture. Firm’s financial invests in development of its physical and knowledge resources play an important role in its performance (McKelvie and Davidsson, 2009).

This study focuses on the development of inter-organizational resource portfolio where resources of one company are combined with those of its counterpart to perform business operations for mutual benefit. Following the works of Wang et al. (2007) resource portfolio can be described as 'a made-up set of resources, in quantity and type, whose objective is to maximize firm’s profit, performance and competitiveness'. Firm’s strategic objectives dominate the decision about the choice, quantity and division of necessary resources to be made-up into several resource portfolios. According to Leuschner et al. (2013) inter-firm resource portfolio management is a complex process that requires unique organizational capabilities and demands significant consideration in order to execute business operations in dynamic environment.

According to Wong and Karia (2010) LSPs keep a variety of resources in their portfolio of resources including warehouses, vehicles, skilled employees, firm-specific software and ability to integrate with customer's IT system, expertise to optimize logistics operations and relationship with customers. To the extent that resources are shared among business operations directly influence firm’s value creation and transformation processes (Stabell and Fjeldstad, 1998).

2.2. Resource Portfolio Approach

Resource portfolio approach deals with the allocation and prioritization of firm's resources for different business opportunities (Bruch and Bellgran, 2014). This tool provides an integrated approach towards disciplined utilization of firm’s resources to perform an optimal combination of operations that help firms achieve long-term objectives, maximize returns and quantify risk levels (Kinnunen et al., 2011). Via portfolio management, a firm can categorize its resources into various efficient portfolios in order to maximize its performance (Ritter and Andersen, 2014) and to generate best collective value of its resources (Montibeller et al., 2009). Recent studies related to resource portfolio management focus on resource acquisition and coordination in resource utilization (Wang et al., 2008). Similarly, in another recent study, Klingebiel and Rammer (2014) emphasize that parallelization of processes, allocation of resources and organizational culture are building blocks for innovative portfolio management.

In previous studies, portfolio approach was utilized from one focal firm’s perspective. In this study this approach has been applied in a dyadic relationship context to explore the development of resource portfolios between LSP and one of its customers. Secondly, this study explores the alignment of resources in LSP-Customer context with respect to factors highlighted in the portfolio management literature from focal LSP’s perspective.

2.3. Conceptualizing Alignment for Logistics Performance

In strategic management, concept of alignment expresses a strategic fit and is seen as an important driver of value creation between customer and supplier in B-to-B marketing (Corsaro and Snehota, 2011). The achievement of such value creation requires resource commitment and rests on the foundation of alignment between organizational goals and business operations (Haapasalo et al., 2006). Amarilli (2014) argued that alignment can be achieved between strategic and operational scope by aligning processes and resources. van Hoek and Mitchell (2006) argue that alignment is an antecedent for supply chain performance that goes across business, functions and hierarchies and can be achieved through inter-company process integration. Thus, resource portfolio management poses potential challenges for companies as
misalignment could result in negative impacts on business performance (Tolonen, 2015). In the following section, alignment mechanisms are briefly discussed:

**Aligning Processes**

Formalization of operational processes is considered particularly effective in logistics cooperation (Schmoltzi and Wallenburg, 2012). Ding et al. (2012) emphasize that LSPs with well-developed processes can maintain operational flexibility that positively impacts its logistics performance and customer satisfaction. Process standardization fairly influences resource utilization, thus affect operational costs. High degree of process standardization in organizational routines works as a control system to perform effectively with respect to time schedules and service quality (Klass-Wissing and Albers, 2010). There are several examples of process standardization in practice for example in car manufacturing, green supply chains and logistics (Martisen, 2014). LSPs can get new know-how and information by getting involved in customer's business processes and by executing activities jointly may increase cooperation-based learning (Raue and Wieland, 2015). Sandberg and Aman (2010) argue that organizational learning as a set of aligned processes enhances firm’s knowledge resource.

**Aligning Resources**

Alignment of inter-firm resources can be seen as pattern that reflects a resource-based relationship between two firms and creates a fit between one firm's resource needs and provision of those resources by another firm to capture business opportunities together, thus such alignment of resources captures value-creation aspect of inter-firm resource integration (Das and Teng, 2000). Inter-firm resource combining involves continuous assessing, designing and mobilization of resources to achieve a fit with other resources so that each resource is utilized to enhance collective value of all the resources (Gadde and Hakansson, 2008). While resources are combined between counterparts, they require some degree of adaptation to match each other’s needs. LSP may offer new features in existing resources or customer may use existing features in a new way for a different purpose. Aligning resources emphasizes the importance of coordination and control between resource provider and resource user. Raue and Wieland (2015) argue that firms can enhance performance once they align resources as the outcome of the cooperation.

**Aligning Organizational Culture**

Organizational culture is a value system consisting of attitudes and beliefs which directly affects the behavior of employees (Saikas and Saikas, 2015). Authors argue that firm's vision, management style, type and nature of business are the most important sources of organizational culture. It embraces the values that remain consistent throughout the organization creating a norm that how decisions are made. Sandberg and Aman (2010) emphasize that organizational cultural components like open-mindedness, shared vision and commitment support logistics learning capability. Organizational culture is seen as the greatest challenge in implementing alignment between two organizations (Gattorna, 2009). Similarly, organizational cultural fit is a must to attain expected synergies between two organizations (Vivek and Richey, 2013).

The above literature provides knowledge about inter-firm resource combining to perform various business operations and its influence on firm performance. Thus, in order to investigate how alignment can be achieved between organizations, the literature influences this study to explore the alignment of resources between the organizations. The following illustration (figure-2.1) shows the hierarchy of the theoretical concepts as discussed above.
It is generally the case that combination of different mechanisms are applied to handle various coordination issues in supply chains (Fugate et al., 2006; Xu and Beamon, 2006). Although, these mechanisms were briefly discussed, however in the following empirical analysis, the emphasis is on aligning resources between LSP and one of its customers in terms of existing readily available internal and external resources as well as newly developed ones.

3. METHODOLOGY

Qualitative research opens up avenues to identify generalizable patterns to address important questions in strategic management field. Qualitative empirical methods investigate phenomenon for example collaborations across organizations, to generate new insights that can be impossible to capture using only quantitative methods (Bettis et al., 2015). Das and Teng (2000) argue that qualitative research sometimes struggles with the operationalization of the RBV constructs especially in the case of alignment of resources.

Case study as research strategy is selected because it is widely acknowledged in management and social sciences (Aastrup and Halldorsson, 2008). Secondly, logistics researchers prefer case studies and interviews (Larson and Halldorsson, 2004) as an approach to scientific inquiry. The motivation for this choice comes from the fact that qualitative case study with data collection method that involves respondents' own experience, belief and insights help eliminate uncertainties. Further, according to Yin (2003) researcher's 'desire to understand complex phenomenon' drives the 'distinctive need' to conduct case study based research.

For this study, abductive approach has been selected which is fruitful in case the researcher is looking for new things (Dubois and Gadde, 2002). Abductive approach is not a mixture of deductive and inductive approach, it rather gives freedom to researcher to move between theory and empirical data as the research proceeds (Kovács and Spens, 2005). This study is mainly triggered by researcher’s interest in the ‘real world’ and empirical observations. While literature has played a critical part to understand data, the possibility of travelling back and forth between theory and data has been an important aspect of research design in this study. Since, the literature on inter-firm resource portfolio alignment is scarce, abductive approach as applied in this case study can be explained by research’s goal to first collect the data pertaining to inter-firm combination of various types of resources and then comparing the data to various
theoretical areas within inter-firm relationships. The objective was to explore mechanisms which can influence the alignment of resource portfolios from LSP’s perspective.

3.1. Case Description

In this study, the ‘Logistics Service Provider (LSP)’ is one of the largest logistics service providers in Finland. LSP’s main business activity is providing transportation services to its customers. LSP has terminals located in various cities in Finland to provide storage facilities to customers as well as distribution services as an added-value service. LSP has established a countrywide general cargo transport network by forming strategic alliance with one of the biggest global logistics service providers. The selection of case LSP is justified by the fact that it has been delivering services which are not quite logistics-related in nature. It gives an opportunity to address and explore the phenomenon under investigation.

3.2. Logistics Outsourcing Case Design

This case study encapsulates outsourcing relationship between LSP and one of its customers. The customer firm is in the business of manufacturing machinery for waste management. Customer company is a well-known brand in Finland and their machines are exported to many countries around the world. The interesting fact about this customer firm is that it is a manufacturing company without an actual physical factory, workshop, warehouse or an assembling plant. In this case, the customer has outsourced its entire logistics operations for a turnkey solution which is indeed quite more than just logistics. Along with the provision of complete logistics services, LSP buys and stores various machinery parts and components and complete range of spare parts into their balance sheets on behalf of this customer. LSP buys these parts based on the contracts made by customer from various component manufacturers located around the world. LSP also takes care of all the quality checks and makes sure that these components are valid to be used in manufacturing and assembly processes. These components are shown in LSP’s balance sheet until customer gets a purchase order for a machine. Customer informs its logistics partner about the order as well as about the external assembly factory that will build up the machine for the end-user. LSP collects all required components from warehouse, prepares sub-assemblies for major components and delivers them to the assembly factory. In the end, LSP submits a sales invoice for the components customer has ordered. This case and its context is suitable to study when exploring the inter-firm alignment of resources. The unit of analysis in this study is the mechanisms LSP is using to align the resources.

3.3. Interview Process

Although this study is positioned from LSP perspective, however dyadic data is collected to explore the phenomenon. Following Eisenhardt's (1989) recommended procedures, LSP and one of its customers were contacted with a clear and well-defined focus. The interviews were aimed to capture respondent's experiences related to how resources were combined to deliver desired outcomes. The respondents for interviews were selected on the basis of their involvement in the outsourcing arrangement from higher management as well as from middle management who are more involved in operations from both parties including key-accounts managers. In-depth interviews were conducted with the CEOs of LSP and customer firm. At a later stage, further in-depth interviews were conducted with the Director Operations and Project Manager of LSP firm and Senior Purchasing Manager and Project Manager of customer firm. Through semi-structured interview sessions, accounts of respondent's personal experience about this outsourcing relationship provided the basic building blocks to look into the phenomenon of development of resource portfolios and to explore the mechanisms which influence the alignment of resources from LSP’s perspective.
3.4. Data Analysis

The interviews were recorded and transcribed for the purpose of analysis. Statements from each interview were coded. Following abductive approach, empirical data was compared with main organizational theories several times. Coding procedure (Miles and Huberman, 1984) was used followed by systematic step by step recursive process (Braun and Clarke, 2006) in thematic analysis of data to identify repeated patterns of meaning relevant to this study. Coding was done to organize data into meaningful groups. Then analysis shifted to collation of coded texts into broader themes. Then themes were reviewed several times to consolidate and identify the most salient themes relevant to the phenomenon under investigation. Next, emerged themes were labeled and refined to match with the overall description of alignment mechanisms from LSP’s perspective. Finally, the distinct themes were written up referring back again the literature to enhance generalizability, research soundness and theoretical level.

Based on the accounts and explanations provided during the interviews, it was interpreted with the respondents that resources (assets, people, knowledge and technologies) from both actors are combined together to form resource portfolios. The information and interpretations from all interviews were cross-analyzed to explore alignment mechanisms from LSP’s perspective.

4. EMPIRICAL FINDINGS

In line with the purpose of study, this section first discusses how resource portfolios are formed between LSP and customer firm. Later in this section, how alignment of various resource portfolios is achieved from LSP’s perspective is discussed.

4.1. Development of Resource Portfolios

In the beginning, human resources were first combined together between LSP its customer. Each party nominated one person from their existing human resources to act as project manager (PM) whose main responsibility was to steer the cooperation between both parties. LSP’s PM started learning about customer’s business processes, ERP system, purchasing and other outsourcing scope-related operations. It was a learning phase for LSP which lasted for several months. Customer’s PM was constantly training LSP’s PM. Human resources from both parties were combined together forming resource portfolio with a purpose to disseminate certain necessary information and know-how to LSP's PM.

In the beginning, it was a long period of training before I started to handle everything from here. (LSP-PM)

On strategic level, members of senior management team were meeting regularly in order to combine their expertise and knowledge resources together. By combining their knowledge resources, they were engaged in joint process development activities. Keeping in view the scope of service and customer needs, step-by-step activity-flow maps were prepared for each business operation. By forming portfolio of human resources, both organizations were able to prioritize mutual adjustment and adaptation in business operations.

Importantly, we have developed it together with LSP (Customer-PM)
It helps us a lot in improving and saving time (LSP-PM)

Both organizations offered each other’s existing office premises to be utilized mutually by their personnel who were working together. Employees from both companies were using each other’s working space for several months.

Both companies helped each other (LSP- Director Operations)
LSP firm did not invest in developing its own IT system to cater for customer's needs. Instead, both LSP and customer combined their technology resources. Customer extended its readily available resource to the LSP. This shows mutual coordination and resource combining beyond firm's boundary. It was mutually agreed that LSP would use customer’s Enterprise Resource Planner (ERP) system in its warehouse so that operational activities can be integrated in order to help day-to-day logistics planning and control. There were some technical problems, however IT personnel from both companies jointly worked together for several weeks to develop a system which integrated both firms’ IT resources. This an example that shows coordination in resource utilization between LSP and its customer while forming portfolio of technology resources.

We are using customer's ERP system here (LSP-PM)

4.2. Aligning Existing Resources

LSP’s Internal Resources

LSP first utilized those internal resources which were readily available at its disposal. In terms of storage space, at the outset of the outsourcing arrangement, LSP allocated 300 euro pallet shelving space for the first couple of months that did not create any storage issues to fulfill customer requirements. The allocation and mobilization of LSP’s existing resources was carried out in a disciplined manner. The risk of under-utilization of resources was countered by coordination and control that even if customer required less than expected work orders, LSP could use its resources to provide services to other customers. On the other hand, if customer required higher volume, LSP could easily increase its resources to meet customer’s needs. The scope of services from LSP was gradually increased. Since, LSP had very limited knowledge about this specific manufacturing industry, therefore, knowledge and know-how was transferred in a manner that LSP could perform its operations without or at minimum undesirable incidents. In the beginning, LSP utilized its existing resources first. As the scope of service was increased, LSP increased the engagement and development of resources.

Customer gave us suppliers slowly. We started with only 1 supplier, now we are managing some 50 suppliers (LSP-PM)

Similarly, transportation and warehouse facilities were first utilized for main machine components. At a later stage, LSP designed the logistics operations to cater for purchasing, collection, storage and delivery of spare parts to the end-users.

Sub-Contractors’ & Partner’s Resources

In this case as well, the LSP has been accessing its sub-contractors' resources. LSP considers its sub-contractors’ resources as its own internal resources. LSP’s daily work-shifts are planned and organized in a way that the resources of its sub-contractors are utilized for every route on daily basis giving fair opportunity to sub-contractors to mobilize resources on regular basis.

A similar alignment pattern is seen with LSPs global logistics partner. Since, LSP is providing a turn-key solution to its customer, LSP is accessing partner's resources to form portfolios which can be aligned to deliver services that require international coverage. LSP utilizes resources from its global logistics partner for customs authority processes for both import and export shipments and to manage international transportation, Full-Container-Load (FCL) shipment and those with over-size components.

Access to Customer’s Resources

As briefly described in the previous section that LSP prioritized to access customer’s existing and readily available resources. Example is the IT system that was integrated between both
parties avoiding capital investment from LSP in developing the same. The other important resource that was acquired by LSP was customer’s existing relationships with its component suppliers from whom customer was used to purchasing various machine parts. These suppliers are scattered around the world. Having an access to these existing suppliers LSP was able to perform purchasing activities smoothly. Similarly, due to this new outsourcing arrangement, employees from customer’s office were also given new roles which were aligned with the new business structure. LSP was able to access those employees. LSP utilized those existing human resources for price negotiations and contracts management with component suppliers. It is their responsibility to get the contracts ready before LSP contacts any suppliers for purchasing and logistics operations. At the moment, these people are also involved in the processes and system development from customer’s side.

That was a big help! (LSP- Director Operations)

4.3. Aligning Newly Developed Resources

As discussed above, LSP allocated its existing readily available resources first before investing in the development of new resource base. As the scope of service within this outsourcing arrangement expanded, it was required from LSP to develop its resources to deliver competitive service and perform better.

Developing Physical Assets

As the volume of shipments was increased, LSP needed to invest in its storage space. An additional 600 Euro pallet shelving space was dedicated for storing customer’s inventory. As the volume of inventory increased many folds, so was the type and quantity of machine components. As an added-value service, LSP started making sub-assemblies for various parts of machines. Each sub-assembly contains several hundred smaller components which need to be collected and packed together for delivery to final assembly factory. This is a very unusual service for any LSP to deliver. However, with the help of customer in process-mapping and mutual coordination, it was made possible. LSP invested huge capital in purchasing two automatic robotic storage systems for 700 smaller components. These robotic systems not only sort out very small components for specific sub-assemblies but also calculate inventory level of such components automatically in real time.

(we) did make huge investment in those robotic systems, we never knew those things, customer provided us information (LSP-PM)

Developing Human Capital

Due to the outsourcing arrangement, there was organizational re-structuring with customer firm. Once customer’s spare part business was included into LSP’s scope of work, LSP employed the same person who was handling spare parts earlier for customer into its payroll. This way a ready-to-use person with expertise and know-how was included into the human capital of LSP.

keeping one dedicated person for this kind of task makes it easy to control operations (LSP-PM)

Developing skills and know-how of other operational employees through training and teaching was also prioritized within LSP firm. As explained by the LSP’s PM, he was trained by the customer about various business processes and purchase-related matters. He further started to train and teach his own team members. He has a team of three persons. He taught them step by step and item by item. At the moment his team knows very well about the flow of activities and
technical details about the components. PM asserted that it is to some extent a strength for customer because LSP now has human capital that can deliver required services efficiently.

*My team is my resources (because) we have quite in-depth knowledge about it now (LSP-PM)*

Developing Knowledge Resource

The new knowledge, expertise and know-how was critically needed to deliver the scope of service LSP has promised. Knowledge and know-how about the main machine components, sub-assemblies and spare parts are some of such examples. Another important example is the quality checks and inspections of the machine components and sub-assemblies. LSP was supposed to execute quality checks at the time of purchasing individual components and at a later stage another inspection before sending the sub-assemblies for final machine assembly. As respondents from LSP reported, they were not at all familiar with these matters. However, LSP has invested its resources, time and efforts in developing the knowledge resources.

*As a company, we do not want to stay in the same way as it has always been (LSP-CEO)*

As anticipated by LSP-CEO, in the future, using its newly developed knowledge resources, it could expand the same business model to other customers. For instance, in Finland there are other manufacturing companies which deal in manufacturing of industrial wood cutting machines within forest industry. These companies could be very potential customers for LSP because most probably these companies use similar machine components. In this way, LSP may consolidate the requirements of parts from various customers into bigger volumes from suppliers and may reduce the component prices for future customers.

5. DISCUSSION

5.1. Development of Resource Portfolios

In line with the purpose of study, an exploration of the development of resource portfolio between an LSP and one of its customers was empirically conducted. As respondents reported that tangible and intangible resources including physical assets, human resources, technology and processes were combined together between LSP and customer to form portfolio of resources with particular objective to maximize returns and to generate best collective value of resources (Montibeller et al., 2009). Based on the empirical findings from this outsourcing case, this study argues that there was a development pattern in forming resource portfolios. In the beginning of the outsourcing relationship, LSP prioritized (Bruch and Bellgran, 2014) the utilization of existing readily available resources to deliver logistics services. Human resources from both organizations were engaged in jointly coordinated activities to assess and design the operations using combined resources (Gadde and Håkansson, 2008). The objective was to transfer know-how and expertise from knowledge-rich customer to LSP.

Similarly, LSP’s decision to regularly mobilize the resources of its sub-contractors and logistics partner highlights the presence of close cooperation among human resources and integration among physical resources. Acquiring customer's readily available technology resources to combine with LSP's resources can also be seen as an example of formation of resource portfolio. People from both parties were using each other’s existing office spaces for joint activities. The pattern of development of inter-firm resource portfolio shows a disciplined utilization of resources towards mutual benefits (Kinnunen et al., 2011).
Considering newly developed resource base, empirical findings show that there was no immediate capital investment in forming or expanding new resource base particularly for this customer at the outset of the outsourcing relationship. Later on, as the relationship progresses, LSP invested in expanding warehousing space and purchased a unique specialized robotic storage system. Skillful human capital was inducted as permanent resource into LSP’s current resource base. These newly developed resources came into being after considerable period of time from the start of the outsourcing arrangement. LSP combined these resources with existing resource base to perform several business operations.

5.2. Alignment Mechanisms

Inter-firm resource portfolio management is a complex process (Leuschner et al., 2013). Today’s logistics landscape is volatile and demands considerable resource commitment from LSP in order to achieve customer satisfaction. Using the empirical findings from this case study, an exploration of mechanisms was carried out that influence the alignment of resources from an LSP’s perspective. This perspective is important since LSP plays an important role in the overall supply chain of its customer in reaching and serving end-users.

Coordination

LSP was new to customer's business of machine manufacturing and its market environment. It had no knowledge about machine components, suppliers or assembly factories. Through jointly coordinated activities between human resources from both parties, LSP was able capture information and tacit knowledge in order to perform effectively. There was a long period of such coordinated learning. At operational level managers were coordinating with each other while at strategic level, higher managements were having regular feedback, review and improvement sessions. Nomination of project managers as single point of contact from both parties as well as use of each other’s office space are also examples of maintaining close coordination among resources. Secondly, coordination between LSP’s sub-contractors and global logistics partner to carry out various logistics related activities as part of the overall outsourcing arrangement is yet another example of coordinated activities. Referring to empirical evidence it is argued that coordination is one of the mechanisms that influence the alignment of inter-firm resource portfolios from LSP’s perspective to create a fit between operations of different entities to enhance their mutual performance (Raue and Wieland, 2015).

Adaptation

Smoothly managing the existing business relationships with component suppliers without any significant set back to fulfil customer’s business needs is an example of LSP’s adaptation to cater for new stakeholders in the supply chain of its customer. Several other business activities that were executed posed severe challenges to LSP. Role as a purchaser of machine components is particularly outside the usual logistics operations. Besides, role as a component and sub-assembly quality inspector is yet another example of unusual service provision. However, LSP increased its knowledge and expertise to perform such tasks through adaptation with respect to its resource allocation and combination. It is argued that such adaptation is one of the mechanisms that LSP applied in order to maintain alignment of resource portfolios.

Integration

Supply chain performance is difficult to achieve without inter-company resource integration that goes across several functions (van Hoek and Mitchell, 2006). In this case study, the example of such integration is seen in combining technology resources between LSP and its customer. People from both organization worked together to integrate customer’s existing IT system with that of LSP’s. Having achieved this technology resource integration, LSP's staff
could use the same system effectively even while remaining in their specific location. This integrated resource is being used extensively for day-to-day logistics planning, inventory management, order placement and invoicing. As repeatedly emphasized by the respondents that joint development in this outsourcing relationship never stops. People from both parties are continuously engaged in joint feedback and review sessions focusing on systematic resource combining and optimum utilization. In this sense, people in both companies were integrated with each other for joint learning and value creation (Haapasalo et al., 2006). Thus, it is argued that integration is yet one of the mechanisms that LSP applies to influence the alignment of inter-firm resource portfolios.

Through this outsourcing arrangement, LSP is able to acquire, allocate and utilize its portfolios of tangible and intangible resources. LSP is delivering such services within over all supply chain of its customer that helped it reduce working capital and focus on its core competence that is machine designing and development. At the outset of the arrangement, the strategic objectives of both companies were jointly developed to have a necessary match with logistics operational scope (Amarilli, 2014). LSP-customer together developed something new that exists across organizations to achieve supply chain integration (van Hoek and Mitchell, 2006). That is moving from traditional outsourcing to transformational outsourcing that could change the entire business model, re-designing it from logistics perspective. It took LSP and its customer several years to develop this unique close and collaborative outsourcing cooperation and as mentioned by the respondents, so far this cooperation is producing fruitful outcomes for LSP as well as its customer, they are still far from being done.

In this cooperation with our customer, we have come very far and that there is no turning back (LSP-PM)

6. CONCLUSION, CONTRIBUTIONS, LIMITATIONS & FUTURE RESEARCH AGENDA

In line with the purpose of this study, development of inter-firm resource portfolio was empirically explored between an LSP and one of its customers. The findings of this empirical study suggest that various types of resources from both LSP and its customer were mutually combined to form resource portfolios. The pattern of such development as found in the study shows that first the existing resources are combined to form portfolios of resources. These existing resources belong to LSP, its sub contractors and partners. The existing readily available resources of the customer were also accessed and combined together to form portfolio of resources. At a later stage in the outsourcing relationship, as the scope of services increased investment in development of new resources was made. Study shows that newly developed resources are also combined with other resources to form resource portfolios.

The study also explores the mechanisms applied by the LSP to align the portfolio of resources. In response to the research gap that addresses the question that how alignment between two organization is achieved. This study empirically shows that aligning resources is one of the ways of achieving alignment between organizations. For instance in this study, it is the LSP and one of its customer. Coordination, adaptation and integration of resources were found to be among few mechanisms that influence the alignment of resource portfolios from focal LSP’s perspective.

This empirical study makes several significant contributions to the body of knowledge in logistics and organizational strategic management. First, this study is one of the few that explore the development of inter-firm resource portfolios. The empirical findings of this study imply that through inter-firm (LSP-customer) resource portfolio development LSP increases its
potential to effectively deliver unique services which reside outside common logistics domain. Second, since current literature lacks empirical insights on alignment mechanisms that are relatively important for LSP’s performance. This study provides empirical evidence on the mechanisms that influence the alignment of resource portfolios from LSP’s perspective. Third, in the previous studies resource portfolio approach has been used from one focal firm’s perspective. In this study, this approach has been used to analyze the development of inter-firm resource portfolios where resources from LSP and its customer are combined together. It gives insight into the development pattern of formation of resource portfolios in LSP-customer context.

The findings of this study provide guidance to logistics managers pertaining to development of inter-firm resource portfolios and alignment of resources to achieve inter-firm alignment in LSP-customer context. First, logistics managers should realize that internal and external resources from counterparts are combined together to form portfolios of resources. Second, readily available resources within LSP’s own network are to be prioritized for utilization before initiating any capital investments to expand new resource base. Third, LSP's managers should strive to gain access to counterpart’s readily available resources without having to invest its resources, capital and time in developing the same internally. Lastly, findings provide insights for the managers related to mechanisms that can be applied to align resources in business operations.

Like other empirical studies, this study also has few limitations. It should be noted that semi-structured interviews were conducted based on the personal experiences of the respondents who were involved in this outsourcing cooperation from both LSP and customer organization, therefore, there may be some bias in their responses to questions related to the phenomenon under investigation. The data for this study was gathered in Finland using only one LSP with limited number of respondents. Thus, care should be taken in generalizing its findings. This study focuses on a specific outsourcing arrangement, possible future studies can be conducted in other branches of logistics where LSP has different portfolio of resources which are combined in a different context within logistics outsourcing. Lastly, a similar study can be initiated using a case customer from another industry.

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8. REFERENCES


