

Haulier value creation in supply chains: A strategy-as-practice perspective

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ABSTRACT

Purpose

Road transport is a dynamic sector with market changes because of liberalization and increasing demand of transport and logistics services. Shippers' supply chain objectives of low costs and agility and a demanding operating environment due to, for example, congestion is challenging. Haulier competitiveness, however, resides in knowledge, technology and networks so the purpose of this study is to develop a conceptualisation of how these capabilities are deployed and make up effective value propositions for customers.

Design/methodology/approach

Two case studies of value proposition development are analysed for objectives of strategic development.

Findings

Haulier competitiveness is not a static but a result of resource deployment. From the strategy-as-practice perspective collaborators' and customers' resources are considered potentials for emergent strategies and learning for value-creation.

Research limitations/implications

The usefulness of the conceptual apparatus lies in understanding strategic development as a result of capability deployment rather than managerial decision making per se.

Practical implications

Both hauliers and shippers are able to improve value creation from increased understanding of capability deployment.

Original/value

This research shows that innovation of transport companies' (hauliers' and other types of logistics providers') value propositions drives competitiveness. The strategy-as-practice approach is applied as the theoretical lens for understanding and developing strategic outcomes of transport and logistics provision and supply chain value creation.

Keywords: Haulier, transport, logistics, value, strategy-as-practice, resources, capabilities.

1. INTRODUCTION

Theoretical development in strategic management (SM) is useful in the supply chain management (SCM) field (Gonzalez-Loureiro, *et al.*, 2015; Grimm *et al.*, 2015; Halldórsson *et al.*, 2015).

Halldórsson *et al.* (2007) show that SCM phenomena are preferably studied by an informed decision of theory since different theoretical approaches reveal different aspects of a phenomenon. The resource-based view (RBV) is a common SM theory in SCM that considers resources capabilities and competences in a decision making situation, e.g., outsourcing. The RBV is foremost used for understanding and predicting organizational competitive advantages but its application in SCM research often addresses inter-organizational aspects, for example, how a logistics provider and its customer develops joint learning as a strategic antecedent and outcome (Halldórsson & Skjøtt-Larsen, 2004).

Logistics service providers' role in strategic supply chain objectives is surprisingly little developed in SCM literature (Fabbe-Costes, Jahre, & Roussat, 2009). Changes in market conditions in combination with new technology in road freight sector might be seen as a paradigm shift in logistics and road freight transportation, from provision of outsourced services to value creation based on logistics and transport. Haulier competitiveness is based in knowledge, technology and networks (Chapman, Soosay, & Kandampully, 2003). The logistics and transport literature has theorized on buyer criteria (carrier selection) (Murphy *et al.*, 1997; Robinson *et al.*, 2013) and also to some extent on strategic relationships between customers and buyers (Fugate, Davis-Sramek, & Goldsby, 2009). The logistics and transport supply chain is a source of supply chain innovation (Hammervoll & Bø, 2010; Wagner & Sutter, 2012), and there is a need to theorize and understand such development with SM theory.

Strategic aspects of logistics and road freight transport research regarding outsourcing and resource use is researched primarily with resource-based and capability-based approaches (Liu *et al.* 2010; Wong and Karia 2010; Darkow *et al.*, 2015; Allred *et al.* 2011). These perspectives have served the discipline well but questions of how strategic development of hauliers contribute to value creation and competitive advantages remains a knowledge gap (Liu & Lyons, 2011; Power, *et al.*, 2007). Further, RBV approaches are less fruitful for understanding the success of specific value creating practices (Regnér 2008), and to explain the dynamics of how capabilities are deployed and developed to construct a competitive value proposition (Wong and Karia, 2010; Sirmon, *et al.*, 2007). Developments of hauliers in response to industry changes and changes in buyer preferences need also to be understood as a dynamic process in which strategic advantages emerge and develop over time (Halldórsson and Skjøtt-Larsen, 2004), and as relational processes (Gonzalez-Loureiro *et al.*, 2015).

Theorizing with strategy-as-practice facilitates understanding of strategy creation and change in heterogeneous markets (Chia and Holt 2006; Johnson *et al.*, 2003; Løwendahl and Revang 2004), and thus complements RBV approaches (Regnér 2008). The strategy-as-practice perspective suggests that strategy does not require purposeful goal-orientation but relies on organizational members to act in a manner congruent with past actions, experiences and mutual adaptations (Chia and Holt, 2006). Understanding the strategic value creating social processes and logistics practices is of special importance in the logistics industry (Flint *et al.* 2005; da Mota Pedrosa, *et al.*, 2015).

From a strategy-as-practice perspective of road freight transport operations we learn what specific capabilities relate to value co-creation in the dynamic and heterogeneous road freight market. Shippers have supply chain objectives of low costs and agility. Haulier competitiveness, however, resides in knowledge, technology and networks. The purpose of this study is to develop a theoretical understanding of how these capabilities are deployed and make up effective value propositions for customers.

The paper is organized into four sections including this introduction. The next section discusses the relevant literature concerning haulier strategy-as-practice. Section three describes the research

method and the study of capability deployments for competitive advantage in road freight markets situated in two empirical illustrations of haulier innovation work for competitive advantage. Finally, the paper ends in a concluding discussion on road haulier strategizing.

2. LITERATURE REVIEW

2.1. The strategy-as-practice approach

Road freight transport markets is characterized by dynamic and rapid changes (Sornn-Friese 2001). Under such circumstances strategic development as improved value-creation is driven by demanding customers and competent employees (Løwendahl and Revang 2004) in contextual everyday activities (Chia and Rasche 2010; Regnér 2003).

In order to accentuate the ongoing character of strategy, the term “strategizing” was first used to describe this perspective in the seminal *Journal of Management Studies* special issue on ‘micro strategy and strategizing’ (Johnson *et al.*, 2003). Here the strategy-as-practice research agenda was presented for the first time. In 2007 ‘strategy as practice: research directions and resources’ and in 2010 the ‘Cambridge handbook of strategy as practice’ use the terms synonymously but prefer strategy-as-practice to further point to methodological heritage of social practice theory (Johnson *et al.*, 2007; Golsorkhi *et al.*, 2010). The perspective focuses on the social activities, processes and practices that characterize organizational strategy and strategizing.

Strategizing is defined as processes and practices which constitute the day-to-day activities of organizational life and which relate to strategic outcomes (Johnson, *et al.*, 2003:3). Strategizing in the road freight context depends on contact with customers in combination with a deep knowledge of own capabilities and resources (Sornn-Friese 2001). Strategy-as-practice can metaphorically be described as a wayfinding process in which formal plans play a role alongside emergent strategies of local actions and adaptations (Chia and Holt 2009). In practice, “To act strategically is to act knowledgeably” (Chia and Holt, 2009:55), which means that strategists at different positions in a firm recognize strategic processes and potentials to create value. Strategy is not only created by top managers, but also by learning and opportunities recognized and enforced by other organizational members (Regnér 2003). Thus, strategy considered as a practice is “something that people do, rather than something organizations have” (Johnson *et al.* 2007:207).

2.2. Strategic development conditions and road freight actors

At large, strategic SCM literature says little about road freight actors’ strategic development (but see Bask, 2001; Hertz and Alfredsson, 2003; Liu, *et al.*, 2010) and knowledge on hauliers’ strategic developments is practically non-existent (Wagner and Sutter, 2012). Three distinct archetypes of road transport and logistics service firms have, however, been identified from a capability perspective (Cui and Hertz, 2011), namely TPL firms, logistics intermediaries and hauliers that are making up a logistics service supply chain with complementary capabilities. Haulier core capability is operations related to transport where efficiency is key. Logistics intermediary firm capability is foremost freight forwarding and related value-adding services, consolidating material flows of many diverse customers between different destinations. TPL firms are knowledgeable in solutions for specific supply chains’ logistical problems. Cui and Hertz argue that the archetypes are not stuck in their role but that any strategic moves are costly and difficult. They explore the issues by two examples (Cui and Hertz, 2011), the first is the hurdles of one logistics intermediary firm that take on TPL responsibilities (Dimerco Express Group) and the second is a TPL firm that initiates logistics intermediary services (Oriental Group). The distinct capabilities needed rely both on

resources and competences. Dimerco grew into a TPL by gaining knowledge of the client's supply chain, visiting the client, its suppliers and its customers, and analyzing different flows. This role, as a coordinator in a client supply chain, demands employees with cross-functional knowledge and business logistics skills and ability. Oriental Group faced other types of problems related to their new role as a freight forwarder. Their main problem is lack of networks in geographical areas. While they are building a network of subsidiaries in local regions, they are cooperating with local partners.

In Cui and Hertz's study (2011), difficulties of the haulier archetype's strategic moves are not illustrated. Logically, hauliers might be expected to encounter similar problems as the other archetypes, i.e. for freight forwarding services, problems might be expected to coordinate flows based on a wide network of suppliers and customers and for customized TPL services problems to dedicate resources, develop analytical skills and business knowledge. Thus, hauliers have strategic options that demand different types of investments.

Capabilities occur as resources are deployed for a desired end result (Grant, 2013). Haulier main resources are used for efficient production of transport services, while logistics intermediary main resources are used for efficient coordination in the logistics service chain, and TPL main resources are used to co-create effective customer solutions. Most often, logistics intermediaries and TPLs are big firms while hauliers are relatively small. In Cui and Hertz's study big logistics intermediary and TPL gradually developed their resources and capabilities before a focused business area was assigned as a new sub-organization. Hertz and Alfredsson (2003) argue that there is a balance of developing more general services to achieve economies of scale and scope and adapting to one customer and potentially co-create value. Sornn-Friese (2001) finds that also hauliers can be characterized by their strategies of increasing internal efficiency and customer flexibility. In the 1990's, Sornn-Friese analyzed two road hauliers' strategic and organizational development and illustrate that knowledge about existing customers is key. Knowledge about customers' troubles and plans comes via buyer-supplier interactions, e.g. a dispatcher in close contact with the customer and thereby becoming aware of strengths and weaknesses of the own firm's technology, routines and operating conditions. Overall, strategic development is seen as an experimentation of opportunities partly from managerial ideas and partly from taking on productive possibilities that occurs from daily operations serving existing customers as well as by deploying existing resources and capabilities in new ways. Such organizational learning and information from, e.g., customers are key to develop strengths in the market as a sustainable competitive advantage.

2.3. Capabilities' role in effective value propositions

Increased customer value and competitive advantage relate to organizational capabilities and customer key success factors (Grant, 2013). Financial, physical, technological, reputational and human resources are not necessarily productive in themselves but need to fit customer key success factors (c.f. Anderson *et al.*, 2006).

Resource-based theory, especially through development the dynamic capability concept has been useful to understand the general set of resources and capabilities for logistics service provision (Olavarrieta & Ellinger, 1997; Allred *et al.*, 2011). These often include factor analytical approaches to logistics firms' capabilities, thus, illustrate a huge amount of service capabilities that results of these service firm resources. Thus, RBV has limitations to explain strategy in dynamic contexts, but we will review its contribution to what capabilities are recognized in a haulier context.

Lai (2004) bundles service capabilities into three factors; value-added logistics services; technology-enabled logistics services; freight forwarding services. Lai's Hong Kong sample of 221

respondents are mostly small firms, whereof 67% employs fewer than 50 employees. Four types of actors are outlined according to their service capabilities. First group focus on operational efficiency through freight forwarding services, second group focus on specialization through value-added logistics services and technology-enabled logistics services. Third group also focus specialization through value-added logistics services and technology-enabled logistics services to niches of customers, such as other logistics providers. The fourth group focus on being a service leader, including own or sourced capabilities of all three factors, value-added logistics services; technology-enabled logistics services. The overall customer service, based on self-reports follows this order, thus it is highest in the fourth group, therefore Lai (2004) implies that service performance might be enhanced by many different capabilities to perform different logistics services.

Liu, *et al.*'s, (2010) factor analysis is based on a survey in China, 114 completed questionnaires out of 730 distributed ones in which the respondents outlined 13 capabilities that strongly impacted competitiveness. Service quality capability was the most important, followed by management capability in terms of strategy, operations costs and customer relationships. Liu *et al.*, (2010) bundle the capabilities into three factors; the strategic factor including corporate culture, innovation, strategic management and HRM; operational factor including service quality, CRM, operations management, inventory management, BPM and cost management; and networking factor including IT, service network and marketing. Moreover, Liu *et al.*, (2010) argue that under consideration that these capabilities are valuable, it is still diversified service activities that are required to support processes of value creation (p. 260). Thus, the capability's contribution to unique competitiveness depends on how they perform in the logistics setting.

Wong and Karia (2010:54) focus on and identifies strategic logistics resources role in logistics service providers competitive advantage. Wong and Karia's study is a document-based content analysis of company profiles of 15 large global logistics service providers. They identify common characteristics of financially successful logistics service providers:

- Medium to high levels of physical, human, information, knowledge and relational resources,
- Firm-specific developed information resources,
- Make use of unique human resources from other sectors,
- Investments in knowledge creation (research) and management systems,
- Long-term relationships with key customers and horizontal alliances with other logistics service providers,
- Established organizational units to manage specific physical resources,
- Competence to complement own resources with the resources of other functions or business partners.

However, these resources cannot explain long-term success.

Wong and Karia (2010) criticize RBV (in line with Sirmon *et al.*, 2007) for the missing link in the conceptualization to dynamic aspects of customer value. Resources are seen as static and it is in processes of bundling and deploying that they become dynamic capabilities for value creation. Also Liu, *et al.*, (2010) say that their analysis of factor scores indicates that the individual logistics service provider firm competitiveness is built on different kinds of capabilities. Thus, few resources might be combined and recombined in multiple ways, based on either e.g. customer interactions (i.e. adaptation) or specialization. Collaboration, internal and external is a dynamic capability needed to make use of resources in value creation (Allred *et al.*, 2011).

Competitive advantages are based on a value proposition of capabilities that create favorable points of difference from a customer perspective (Anderson *et al.*, 2006). We therefore propose that hauliers have general strategic options in specialization and in collaborative customer adaptation (Hertz and Alfredsson, 2003; Cui and Hertz, 2011; Liu *et al.*, 2010; Lai, 2004). Options are to draw on logistics service capabilities, including ability to strategize based on customer demands and market changes, advantage based on an operation management ability, service quality ability, customer relating, information technology ability, capability to provide services over a wide area, managing business processes, ability to create, communicate and deliver value to customers, ability to manage customer's inventory, ability to develop by bringing in anything new to facilitate the ongoing business, operation and service offerings, ability to organize and develop human resources, ability to manage costs by controlling and improving processes, ability of culture to define business conduct. These capabilities support customers' value creation.

2.4. Change and value propositions in a dynamic and complex context

West-European hauliers are likely to develop strategies conditioned by EU's enlargement, since competitors operate with lower labor costs, and the value of their resources need to be adapted to these new market environments (Darkow *et al.*, 2015). Specific bundles of capabilities are likely to be formed, in order to create value in transformed market situations (Liu, *et al.*, 2010; Darkow *et al.*, 2015). Resources to draw upon include environmental-friendlier trucks, information systems for monitoring, skilled employees, image, financial stability, network that facilitate frequent service to different places, knowledge, and partnerships with customers and subcontractors (Darkow, *et al.*, 2015). On the one hand, there are logically cost disadvantages of being a West-European haulier, on the other, there are resources and capabilities to draw on in a customer value proposition.

The processes of bundling and deploying resources, and adapting static resources into capabilities that matters are of interest in order to understand strategic value propositions of hauliers. The competitive value proposition's resonating focus resides in the few elements that matters most to the customer (Anderson, *et al.*, 2006). Price matters, and we might expect that buyers that are willing to invest in relationships rather develop together with low-cost-EU12 suppliers unless other values can be communicated that make it worthwhile to work with EU15 suppliers.

Based on the assumption that highest possible price is not the best for suppliers and that the lowest price is not the best for buyers (Anderson *et al.*, 2010), we have ground to propose that hauliers' strategic development often includes core strategic activities like planning and more importantly relies on exploratory strategic activities with customers and competitors for possibilities to combine own resources and capabilities in valuable ways through everyday practical coping (Regnér 2003; Sornn-Friese 2001; Chia and Holt 2009; Chia and Holt 2006).

3. RESEARCH METHOD AND FINDINGS

3.1. Design of study

Our exploratory research of strategic options to manage, despite competitive cost disadvantages, value proposition(s) and capabilities calls for a qualitative assessment. The study focus on two typical hauliers by governance, both are family-owned. Saddle Creek Logistics Services is a US-based integrated logistics provider with more than 500 trucks. H.P. Therkelsen is a Danish integrated logistics provider that operates about 200 trucks. Both firms started as typical firms with low general ability of problem solving (Hertz and Alfredsson, 2003), Saddle Creek started its growth from scratch by building a warehouse and initiating some logistics services, i.e. handling

glass bottles and caps for the citrus industry. “From there, the founders did whatever was necessary to grow the business – adding expert staff, new locations, advanced technology” (<http://www.sclogistics.com/our-company/our-history>). H.P. Therkelsen started its growth from doing standard transport services. The development of these firms might be seen as developing into high general ability of problem solving and a high ability of customer adaptation (according to Hertz and Alfredsson’s categorization, 2003). The classification according to abilities of general problem solving and customer adaptation might also be used to classify whether the TPL is developing TPL customers or whether the TPL is operating as a part of the customer’s organization and adapt.

These cases are exemplars of firms that struggle in a highly dynamic and complex supply chain environment. Haulier business is competitive meaning that short-term changes are common, strategic planning horizon is delimited by short-term contracts rather than partnerships, and market structures are changing. The SM theories in use in SCM, we argue need to be complemented with the strategy-as-practice perspective, in order to produce theoretical understanding of strategic value creation in dynamic and complex settings. These two cases provide concrete, context-dependent knowledge. The cases are not provided in order to prove something but with a hope to instigate learning. Thus, they are “critical” cases (Flyvbjerg, 2006), in the sense that if the strategy-as-practice perspective is able to explain strategic problems for these firms, then it is a valid perspective also for other firms.

The haulier data is collected from company visits with guided tours of managing directors, workshops where the firms’ presented their strategic issues and un-structured interviews of the firms’ business situations and futures. Secondary data is collected from web-pages, powerpoint-presentations, and case-study reports (CCJ Commercial Carrier Journal: Fleet Management, issue Innovators summit 2015 and Road Transport Council’s report on *Success stories from the logistics and road transport sector*). This empirical material is used for illustrating a neglected research area: the dynamic notion of haulier value proposition of its services. By definition services are intangible, perishable, produced as they are consumed and service-providers rely on different attempts to prove capabilities, e.g. via certifications and references.

The analysis process started in a general question on haulier competitive value propositions, based on the insights we have in the road transport sector. After an intertwined literature review and empirical study we decided to make use of value proposition and dynamic capability literature and therefore the within case analysis is based on codes “How customers choose”, in order to learn about key success factors, and “what resources and capabilities are needed” in order to learn about key strengths that are of strategic importance (Grant, 2013).

Basically, Grant (2013) outlines two approaches to identifying an organization’s critical resources and capabilities. The other approach is starting from the inside with, for example, a value chain analysis on organizational resources. The key success factor approach is starting from the outside (i.e. what resources matter from a customer perspective) in order to outline key success factors based on a) how customers choose? b) what do we need to survive competition? Thus, critical resources and capabilities are those needed to deliver these key success factors.

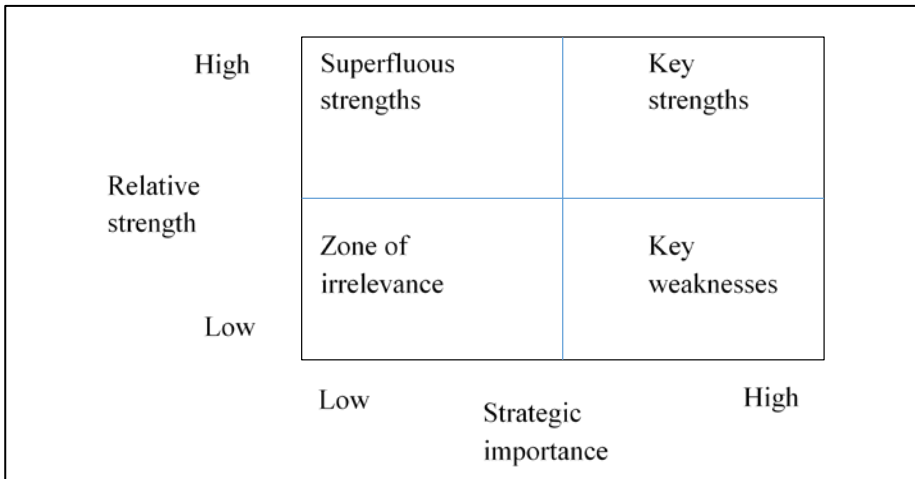


Figure 1 Grant's framework for assessing organizational resources and capabilities.

Haulier key success factors are expected to be specialization and customer adaptation driven by continuous development of competences (Hertz and Alfredsson, 2003; Sornn-Friese, 2001). The framework for appraising resources and capabilities facilitates our analysis of the resource/capability relative strength in relation to strategic importance (profit-earning potential of the resource or capability). By outlining a key strength of strategic importance, we achieve insights to short-term success. Thus, the analysis follows Grant's (2013) advice to take into account industry key success factors, by learning of strategic direction of customers.

The empirical material of industry key success factors is substantiated from reports, interviews and secondary data (not only statistics but also public statements such as the jury's motivation to choose Danfoss as a winner of the Danish logistics and supply chain price). It is used in the analysis to explore the customer side strategizing, their priorities and how road hauliers might fit into buyer's value scheme (Chia and Holt, 2009). Customer perceptions are changing and the case descriptions are illustrating the direction which is likely to influence haulier strategizing.

Findings are time-specific, as customers as well as road haulier competitive situations are dynamic. The value of the findings might not be by verification but by validity of how dynamic capability operates and contributes to road haulier competitiveness.

3.2. Saddle Creek key success factors

How customers choose

"Overall, the new innovations have increased operating performance and improved our ability to deliver on our promises to our drivers and to our customers" Kristen Lowers, Director of transportation systems, Saddle Creek (CCJ, 2015:58). In more general terms, Michael DelBovo, President, says: "Our concept is to be flexible, fast and keep overhead costs low".

Professionalism is seen in the firm's drivers. There is generally a lack of drivers in sector and road hauliers' ability to attract drivers is of strategic importance. The strategic move of Saddle Creek is to raise driver pay without increased costs for customers, i.e. to increase operational efficiency and thereby better servicing customers by improved and maintained resources (drivers and skills). The good driver is able not only to improve safety and accuracy, but also saving company money by improved fuel efficiency.

What resources and capabilities are needed?

The specific resources to deliver the key success factor fuel efficiency is bonus money that relate to and capabilities of drivers and of firm routines in managing driver capacity and fuel. Drivers make in average 2 cents per mile each week based on skills in operations that improve fuel efficiency, safety and accuracy. The bonus system is basically an information systems, one of many in order to improve operations.

Saddle Creek operates several projects in order to raise driver pay and increase transparency and accuracy of driver earnings. The drivers sign-in their trips every day and one part of that system gives driver access to registration of their work. "They are paid weekly, but their pay is resolved every day of the week," Michael DelBovo, President, explains. In this way there shall be no unresolved issues of payments. A technical aspect of fuel efficiency, weight and cost of trucks is the firm's choice of a smaller tank system. Saddle Creek worked with its fuel partner to redesign its fueling stations and experimented in-house to optimize the fueling operational procedure.

3.3. H.P. Therkelsen key success factors

How customers choose

"We do groupage, especially of frozen and chilled goods to regions in Western Europe", Peter Therkelsen says. Groupage, especially of sensitive goods means a huge coordination problem in consolidation of compatible shipments into a truck load of cargo going to one area at a specific time. A critical mass of customers is needed. Truck utilization is increased by H.P. Therkelsen deliberate strategy to find customers for free capacity on some routes.

"About 7-8 people is involved on each order, so we rely on our employees care regarding data. Employee focus on quality and information quality is the basics for our promises to our customers. Also that the employees are adaptable to customers' changes. The customers need not only delivery security but also reliable documentation of it. In this way data management and information technology becomes more and more important. Our business is based on information", Peter Therkelsen says.

Much strategic development work is in dialogue with customers; especially specific solutions that customers want to outsource.

What resources and capabilities are needed?

Information is a key resource and H.P. Therkelsen has increased number of employees with information technology competences. Several employees work exclusively with analysis and statistics of deliveries, which are needed for performance targets as well as for customer documentations.

An important new resource is the IT solution for truck control. In contrast to the old system that measured fuel efficiency per truck this system enable fuel efficiency per driver. Regardless of which truck a driver uses the system track driving behavior, such as speeding. Based on the data the drivers are educated. The result is better fuel economy, less stress for the driver, and less damages on the truck and on the goods. The training and improved performance is not related to salary, "it is a cultural thing, if one connects fuel efficiency to payments, then there will be fast improvements the first year and thereafter a lot of struggles in order to do get routes that easier pay off in the bonus system", Therkelsen says. IT systems are important, we have also a system to control empty pallets

that actually have importance for our efficiency, another system that monitor temperature in trailers, of huge importance to our customer promises.

3.4. Industry key success factors as appreciated by lead customers

A competitive advantage is achieved if the road haulier strategy emerges from industry key success factors and organizational capabilities (Grant, 2013). The road freight sector services a huge number of sectors and a price-based value proposition might work across segments of buyers. However, there are other values and supply-chain specific priorities that the transport buyer takes into consideration in its justification when choosing among different supplier capabilities. We will illustrate two cases of transport buyer evaluations. Over time these customers' procurement practices will influence road haulier competitiveness either as a customer or as a customer's customer that values their services, because of their prominent role in the sector.

Saddle Creek on customers

“There are still customers asking for just warehousing or transportation. The growth is, however, in omni-channel”, says Michael DelBovo, President. It means that customer relationships are now changing from B2B to B2C through omni-channel business in which Saddle Creek is shipping directly to, e.g., Walmart consumers. It implies fewer full truckloads, many more parcels, and much more customization and returns. In this scenario, retailers find it important to protect their brand by ensuring perfect delivery to consumers as promised by the e-commerce organization that is managed Saddle Creek Logistics Service.

Moreover, call centers for consumers were established. Omni-channel customers want this as a single integrated portal for tracking orders etc. It is also necessary to integrate with customers' systems. Technology competence has become even more important. More people are hired with a high level of technology competence. All, even warehouse managers need to know about technology, thus there are more training for all.

The customer procurement function is now completely different as the services and processes are different and based on new technology. It is a mutual learning process for the parties.

A challenge related to omni-channel business and setting up new processes is pricing. The business is new to the supplier as well as new to the customers. Such changes in cost structures should be reflected in pricing.

The overall customer is now focusing on total costs and internal integration rather than external integration with outsourcing partners, including co-development, shared cost models, and supply chain optimization i.e., what DelBovo at Saddle Creek wants and hopes for. Value chain integration with total customer satisfaction, integration of supplier technology is his view of what the customer wants.

The chairman Scott Thornton says “Founded on May 4, 1966, Saddle Creek has grown from a small, regional public warehouse company to one of the largest family-owned 3PLs in North America. ... [and management is] extremely proud of Saddle Creek's 'Whatever it Takes!' culture.”

“Network optimization, system innovation, and automated fulfillment are just a few of the capabilities that the company is leveraging to help retailers, manufacturers and ecommerce companies. Saddle Creek CEO Cliff Otto says, “We are continually expanding our resources, refining our services, and evolving to meet the needs of our customers.”

Danfoss transport buyer

Danfoss is based in Denmark. It is a leading supplier of technologies for different industries. Danfoss employ about 24.000 people and serve customers in about 100 countries. The procurement organization is organized as a global centralized category management team and segment operational purchasing units, in order to support their strategies and key performance indicators of triple-bottom line objectives. Transportation is one of these areas, the indirect materials area.

Danfoss won the Danish logistics and supply chain prize, 2014, based on professional logistics and supply chain developments and is seen as a trend setter among professional road freight buyers in Denmark. Their cost savings accounted to more than ten per cent logistics on a two-year period. The strategic priorities of procurement are to increase value creation potential. They argue that they have moved from focusing on “only reducing prices” when they initiated category management procurement to volumes consolidation. As category managers, the procurers use a structured routine to certify that suppliers meet Danfoss’ standards in business practices, environment requirements and labor welfare.

Based on knowledge from categories, the ambition is to consolidate and work closer with fewer suppliers in order to leverage supplier knowledge, to contribute to cost reductions through lean thinking and value chain work, and to improve quality with a zero defect mindset. While focus of category management are savings made through synergies, the next step is to get a grip on total costs. The vision is to increase integration for a holistic evaluation of costs in which suppliers are responsible to supply in accordance with performance-based contracts for the value chain.

Purchasing and procuring logistics and road freight are managed in a formal and structured tender process that the director of freight management accentuates as a systematic and transparent performance management process. The approach attracts normally suppliers of the same size that are able to work with such a tender process, but in cases smaller actors take part the general advice is ensure capacity in the sense that not all resources are tied to Danfoss. Danfoss’ approach is characterized as a simple and transparent way of getting a supplier and incentivize this supplier to yearly cost improvements in order to renew contracts.

3.5. Industry key success factors as appreciated by stakeholders

Among Danish manufacturers an obvious trend is to buy road haulage rather than employ drivers themselves by in-house transport (Poul Bruun, M.D., at ILT, an innovation center funded by ITD, International Transport Denmark). The reason is buyers’ focus on the core and high demands on effective logistics and road haulage. There are many advantages for manufacturer doing so, instead of having few vehicles and few drivers, they get access to a network of transport resources with appropriate specialization of drivers and vehicles and a higher frequency in routes that shorten delivery time.

Another important contemporary stakeholder is the Danish road transport council with 11 members from the Danish haulage sector; the representatives are appointed by the transport minister. Its role is to develop issues concerning logistics and road haulage. In their state-of-the-art analysis of road haulage market heterogeneity is highlighted (Vejtransportrådet, 23 April 2015). The council argues that there are many stories to be told in order to cover ground of the road freight markets. The markets are illustrated on a scale of competitive pressure. One endpoint is “the commodity service such as transporting containers to and from ports” that became a business performed by international hauliers, which in turn made Danish hauliers establish international subsidiaries. The other endpoint is transport of waste and for construction projects, mainly performed by national hauliers. Across these markets are those dependent on specific resources, such as vehicles with

cranes, most often performed by national hauliers. Among Danish hauliers a trend is development from operating only goods transport between two locations to managing more complex processes including activities of inventory management, packaging, order management that are managed in collaboration with customers in order to improve customer business processes and reduce costs of their operations and increase haulier margins.

The council states challenges for road freight transport that call for attention in order to improve competitive conditions:

- Fair competition with control and enforcement of regulations
- Infrastructural congestions that increase cost of fuel, salaries and mess with driving times, breaks and rest periods
- Careers that attract professional drivers
- Value creation based on precision, overview of flows, and competence

4. CONCLUDING DISCUSSION

Findings suggest that haulier strategizing heavily rely on operational efficiency by optimizing resources and services. Few customers are mature to collaborate in a more integrative manner for joint value creation, which logically means that hauliers' value propositions are more or less assumptions of what must be valuable for the customer (Anderson, et al., 2006). More research is needed on how hauliers adapt value propositions to different customers. Some capabilities that are superfluous strengths may be a key strength with the right customers. The successful hauliers from our findings draw on and develop their customers' strategic horizons by adapting and developing their resources and capabilities. Their value proposition is linked to customer strategic visions.

4.1. Haulier strategic development

Despite operational efficiency, costs of West-European EU15 hauliers are much higher than costs of low cost country operators. Prices are an industrial key success factor of high strategic importance for customers of the road transport and logistics sector and the strategy of individual operators needs to outweigh this strategic weakness (Grant, 2013; Anderson *et al.*, 2006; Anderson *et al.*, 2010). The organizational capabilities needed in the strategy is based on resources, tangible (warehouses and trucks), intangible (use of information technology, relationships and culture of payment schemes), and human (skills in monitoring and documentation, capacity to collaborate for improved efficiency and new business opportunities by a recognized opportunity in truck utilization).

Strategic management literature has stressed that organizational capabilities are a result not only of resources, but of how resources become capabilities by organizational processes, organizational structure, motivation and organizational alignment (see e.g. Grant, 2013) but there are knowledge gaps on how firm's capabilities create value for customers (Sirmon *et al.*, 2007). The logistics and road transport literature on strategy development list and describe the capabilities omitting links to resources (but see Darkow, *et al.*, 2015). It is problematic because the intertwined development in specialization and customer adaptation becomes black boxed. Our simple illustrations of contextualized value propositions point out that operational efficiency related to fuel efficiency has implications to relations to customers as well as to drivers, but in different ways. In addition to Darkow *et al.*'s (2015) findings about implications of the institutional environment the fuel efficiency programs was productive in two different ways. In the US context bonus payment was

seen as capability that improved operational fuel efficiency but in the Danish context driver skills was a capability that was supported by information management and training.

An insight of road transport market developments market liberalization processes is that the market is emerging, in structure, organization and types of opportunities. Extreme low cost hauliers offer their services to logistics service operators and shippers, which contributes to a structure where hauliers with knowledge of political and social institutions further develop their problem solving capability and ability of customer adaptation. The strategic development might involve an increase in one or both dimensions (Hertz and Alfredsson, 2003; Wagner and Sutter, 2012). When it comes to drivers and fuel efficiency we have illustrated individual ways of service development that improves service levels, increase efficiency and lower costs. Both operators developed processes and software solutions. An evaluation of haulier positioning would probably result in a move in the service developer direction (Hertz and Alfredsson, 2003; Wagner and Sutter, 2012).

RBV is used to outline specific capabilities and resources in logistics and road transportation strategic management literature, but might not be a productive theoretical tool to understand logistic providers' value propositions of unique value? In-depth studies are able to demonstrate that standardized and customized solutions draw on the same set of capabilities but in different ways (da Mota Pedrosa, *et al.*, 2015). Our findings point to these service providers' potential to develop value propositions along with opportunities.

In line with RBV criticism in strategic logistics literature (Liu *et al.*, 2010; Wong and Karia, 2010), Løwendahl and Revang (2004) argue that RBV assumptions on market homogeneity is of little use in markets with dynamic and rapid changes that lead to increased heterogeneity: They argue that two sets of resources, competent employees and demanding customers, need to be combined in ways that make use of heterogeneity in enabling firms to deliver more services and customization. Resource advantages per se is likely to create value for customers only in the short term in a dynamic environment in which market opportunities produce a series of temporary competitive advantages (Sirmon *et al.*, 2007). The possibilities of value creation are through processes of strategizing and organizing, in order to manage and to create favorable points of difference in terms of quality, dependability, speed, flexibility and cost efficiency (c.f. Anderson *et al.*, 2006).

Strategizing and organizing is to be seen as two sides of the same coin (Johnson, *et al.*, 2003). Strategizing, through the day-to-day, accomplishes strategic outcomes in terms of lower costs and other value creations with organizing of mutual adjustments. Thus, in a road transportation context, competent employees draw on value-added logistics, technology-enabled logistics services and freight-forwarding services, in order to develop strategic outcomes. Often a cost focus is driving developments since monetary values always communicates well with customers. Road haulier strategizing is, if possible in collaboration with demanding customers as an intertwined development of strategic, operational and networking abilities. It is a question of differential value to other road hauliers' value proposition, not only in terms of price but also in terms of terms of innovation, quality, dependability, speed, flexibility and cost efficiency. Buyers may develop EU12 supplier's key weaknesses or collaborate with hauliers that possess key strengths based on capabilities that resonate with their strategic objectives.

4.2. Theoretical implications

There are two main theoretical contributions. First, an understanding of strategic development of hauliers, based on capabilities contributes to literature on strategic SCM in complex and dynamic settings. Second, we aim to contribute to strategic SCM literature with a theoretical perspective, strategy-as-practice that make understanding of road transport market developments possible.

Strategy-as-practice is a perspective offering a number of advantages in order to understand strategy in a dynamic and complex context such as provision of services in EU road freight transport markets. The market heterogeneity related to road haulier strategic development undermines the relevance of static resource- and capability-based perspectives and calls for complementary theoretical approaches. Allred *et al.*, (2011) combined the resource-based view with organizational learning and supply chain collaboration theory, in order to learn about collaboration capability. Our findings on haulier strategy-as-practice contribute to that literature by outlining a processual explanation to deploying capabilities and resources for strategic development by complementing knowledge of essential haulier capabilities with strategy-as-practice conceptualization. Our results add to Voss *et al.*, (2011) findings on small hauliers as more involved in managing customer relationships, and being paid higher rates per mile compared with large motor carriers with insights on key strengths that make up competitive advantages: it may not necessarily be small hauliers but hauliers that make use of customer knowledge to develop their value propositions (in line with Flint *et al.*, 2005).

The strategy-as-practice perspective complements resource and capability based approaches by informing how strategic outcomes are reached and what capabilities are deployed in different situations. The contextual grounding of the strategy-as-practice approach focus on performance of practices, and assumes that strategizing is bounded by social and cultural context, and performed by multiple strategists, compared to the dynamic-capabilities focus on aggregated firm performances, and assumes that strategizing is rational behavior in an evolutionary economic context performed by top management.

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