

THE COMMUNICATION PROCESS BETWEEN CONTACTORS AND CLIENTS – A SWEDISH CASE STUDY

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Summary

A study has been made with the objective to describe how business agreements are perceived at different levels of a client company and among its contractors. It was based on a questionnaire and in-depth interviews. The results show that the experiences of business agreements differ more between the different districts than between different functions.

Introduction

Approximately 90% of all forest work in Sweden is today performed by contractors. Contractor services account for an annual turnover of some SEK 10-15 billion. In recent years, the productivity development in forest work has stagnated. The forestry sector needs to find new ways to increase profitability but also long-term sustainability of harvesting operations. In Swedish forestry, differences in terms and conditions between contractors and clients is often described. There is a general perception that the client dictates the terms, which contractors must adapt to.

Previously a survey was made to identify the most urgent development needs for strengthening logging contractors' firms in Sweden. Among the identified needs were improved leadership and managerial skills, better business finance skills and improved practical workmanship of employees. The contractors also identified untimely and unclear communication with their clients as a common obstacle for improving precision and efficiency of their operations.

As a response to the identified needs to study the communication process correlated to business agreements between contractors and their clients, the research area SESAM (Swedish contractor forestry in joint action) was formed. In previous studies of contractor forestry focus has mainly been on either the contractor or the client company. The aim of SESAM is therefore to broaden the view to include both parties.

Within SESAM, a study has been made with the objective to describe how business agreements are perceived at different levels of a client company and among its contractors. The purpose was to describe the underlying factors of the respondent's perceptions. The hypothesis to be tested was that we would get different answers depending on where we would ask in the organization. The study would both describe problems and offer an opportunity to strengthen the relationships between contractors and clients.

Method

The study was hosted by Mellanskog which is a Swedish forest owners' association. Within the association four districts out of eleven were selected as study objects. In each district, interviews

were made with two contractors, one forest professional (managing production) and the district manager. Interviews were also made with the COO and the CEO. 18 persons in total were interviewed. The contractors were randomly chosen among all contractors within each district.

Each respondent was asked to fill in a questionnaire before the in-depth interviews started. They were structured according to a framework based on five stages in the process of business agreements. These stages were; 1) The client's selection of contractors, 2) The process and situation of the negotiation, 3) The model of agreements, 4) The business situation after the agreement, 5) The business relationship. For each of the five stages, statements were made and the respondent was asked to rate his level of agreement with each statement. The following statement is an example concerning the client's selection of contractors. "Contractors within Mellanskog are chosen with a long-term perspective to benefit the forestry sector". The final statement was a summary of the framework where the respondent answers and explains the statement "The business relationship is characterized by a mutual respect for the other parts conditions".

Results

The tested hypothesis was proven both right and wrong. We did get different answers depending on where we asked in the organization. However, the perception of the business agreements also differed between districts. The COO's perceived business agreement were at the same level as in the districts with a more positive perception. The CEO's answers could be divided into two parts where the first part was correlated to the two districts with a more positive perception and the second part to the districts with a less positive perception. The results from the in-depth interviews were correlated to the respondents' answers from the questionnaire.

The results show that the experiences of business agreements differ more between the different districts (geographical locations) than between different functions (forest professionals and contractors), see Figure 1. District A and C had a minor difference in perception between contractors and forest professionals, while in district B and D, the differences was significantly larger.

The communication process seems to be less optimal in district D but working best in district C. This is illustrated in Figure 1 where the bars in the C diagram have a fairly high y-value and the contractors and forest professionals are almost at the same level. The contractor bars are also at a higher level for three of the five statements. Within district D, on the other hand, perception of the contractors and clients differ the most. In this case, the contractors seems to have a more negative perception of the business agreements compared to the forest professionals.

The geographical location of the districts is most likely an impacting factor. The districts which are closer to urban areas have problems with selecting contractors as there are most general less contractors to choose from. Some districts have areas where several contractors operate in the same area while in others, district C for example, the contractors operate in separate geographic areas.

In districts with a more positive perception of business agreements the leadership and management model is consistent across all levels in the organization. This is depending on the

district manager. Regular business meetings, not only focusing on the price negotiation, between the contractors and forest professionals also seems to contribute to a better communication process.

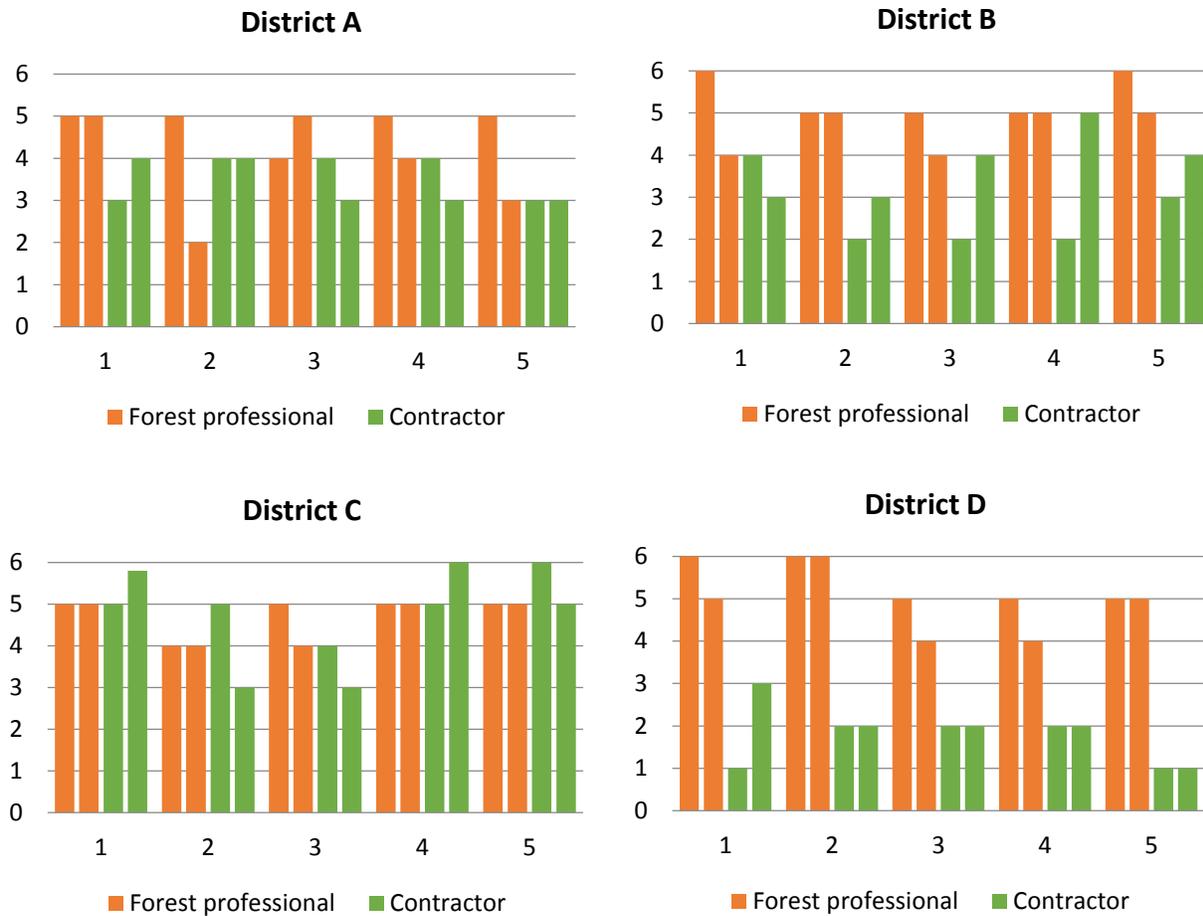


Figure 1. The figure shows the results from forest districts A, B, C and D. The categories on the x-axis relate to the five stages in the process of business agreements, as described in the method section. The y-axis shows how well the respondents agree with the statements in each category. A high level, number 6, denotes a positive perception, while a low number denotes the opposite.

The operating profit per forest professional has been compared with the results from the interviews within each district. The comparison clearly indicates that the district with the most positive perception of business agreements also has the highest profits. In district D were the perceptions differs the most, show a negative result. In district A and B there were economic profits but significantly less compared to district C. The conclusion is therefore that the communication process also is important for the economic results of each district.

For Mellanskog the study has provided the top management with information about strengths and weaknesses in the organization. Based on this information, measures can be taken within districts to improve operations.

Keywords: Contractor forestry, productivity in forest work, business agreements