

BARRIERS IN PUBLIC-PRIVATE COOPERATION AS VIEWED BY POTENTIAL SUPPLIERS – A CASE STUDY OF FOOD SUPPLY NETWORKS

Anne-Maria Holma
Assistant Professor, Ph.D. (Econ.)
University of Vaasa, Department of Management
P.O. Box 700, FI-65101 Vaasa, Finland
Email address: anne-maria.holma@uva.fi
Tel. +358 29 449 84 78

Anne Söderman
University Lecturer, Ph.D. (Econ.)
University of Vaasa, Department of Management
P.O. Box 700, FI-65101 Vaasa, Finland
Email address: anne.soderman@uva.fi
Tel. +358 29 449 85 56

ABSTRACT

Public-private partnerships have been discussed widely in the literature, but less explicit attention has been paid to the relationship initiation process between municipalities and SMEs. The purpose of this working paper is twofold: to examine the barriers in cooperation between municipalities and local and regional SME foodstuff suppliers, and to find ways of how to enhance their cooperation. Our focus is on the supplier side of public procurement. A number of practical barriers are discovered, and suggestions of actions to promote the relationship development are discussed. As such the findings contribute to the research of building and developing relationships between buyers in the public sector and SME suppliers in the private sector.

Keywords: inter-organizational relationships, public procurement, supplier, SMEs, initiation, barriers

Work-in-progress paper

INTRODUCTION

Surprisingly often, only few local and regional small and medium-sized suppliers take part in competitive tendering processes arranged by public buyers. This paper addresses this problem by focusing on the barriers of relationship initiation between a public actor and private local SME food suppliers, seen from the suppliers' perspectives.

Traditionally, public sector has relied on arm's length relationships (Eriksson, 2008; Erridge and Greer, 2002), meanwhile in the private sector, the efficiency and effectiveness of an organization is defined by its operations in the supply side (Gadde, Håkansson and Persson, 2010; Håkansson and Snehota, 1995; Dyer and Singh, 1998). Many public purchases would benefit of such relational purchasing. For example in occupational health services relational approach could be used as a basis for risk reduction (Lian and Laing, 2007). Also in construction projects increased cooperation can help in reducing the risk of cost overruns (Eriksson, 2008). Therefore, there is a growing tendency to employ private contractors' experiences of strategic purchasing and outsourcing practices also in the public sector (Karjalainen and Kempainen, 2008; Padovani and Young, 2008; Knight, Caldwell, Harland and Telgen, 2003). However, the buyer needs to be attractive to be able to cooperate with the best suppliers (La Rocca, Caruana and Snehota, 2012; Schiele, Calvi and Gibbert, 2012). In prior studies, SMEs' limited resources and legal expertise has been found to restrict their involvement in public supply (Karjalainen and Kempainen, 2008). Furthermore, even though public buyers would prefer using public procurement practices for socio-economic purposes, such as enhancing local employment and local production, it is not always possible within the frames of EU legislation.

Research on relational practices in public sector is scarce. Relationship initiation specifically is an under researched area, also in the private sector (Edvardsson, Holmlund and Strandvik, 2008). In prior studies in public context, the focus has been, for example on differences in private and public sector procurement practices (Eriksson, 2008; Roodhooft and Abbeele, 2006; Woolthuis, 2005), dynamics of contractual and relational governance (Zheng, Roehrich and Lewis, 2008), and involvement of SMEs in public procurement (Karjalainen and Kempainen, 2008). Erridge and Greer's (2002) study focused building social capital through supply relationships. Research of effective ways to manage relationships between the public and private sector (Tang, Shen and Cheng, 2010), and on key supplier relationship management is needed (Caldwell, Walker, Harland, Knight, Zheng and Wakeley, 2005). Bovaird (2006, p. 99) demands systematic studies on the integration mechanisms that rely on collaborative relationships between wide varieties of stakeholders in the public sector. Furthermore, small and medium sized suppliers have obtained limited attention in the public procurement research (Karjalainen and Kempainen, 2008). Thus, *the purpose of this working paper is twofold: to examine the barriers in cooperation between municipalities and local and regional SME foodstuff suppliers, and to find ways of how to enhance their cooperation.* Our focus is on the supplier side of public procurement.

The data is gathered with the help of action research with two Finnish cities and their potential local and regional foodstuff suppliers. Arbjörn and Freytag (2012), for example, argue that private sector purchasing and public procurement can learn from each other, therefore, we rely also on research conducted in the private sector. Network approach is applied to understand the context of the foodstuff supply and its actors, the resources they possess, and the activities

(Håkansson and Snehota, 1995) that are needed to provide citizens with the needed services and products.

Public-private partnerships (PPPs) have been discussed widely in the literature, but less explicit attention has been paid to the relationship initiation process between municipalities and SMEs. As such the findings contribute to the research of building and developing relationships between buyers in the public sector and SME suppliers in the private sector.

The paper is organized in the following way. First, we will discuss the challenges of a public actor to initiate and develop relationships with private suppliers. Thereafter we will describe the context of the study and explain the research method. Next follows the analysis of the two cases. The final section concludes the paper and presents the avenues for further research.

RELATIONSHIP INITIATION IN PUBLIC PROCUREMENT CONTEXT

Awareness is a pre-condition for contacts that can lead to a potential business relationship (Ford, 1980; Dwyer, Schurr and Oh, 1987). Also the supplier's knowledge of the buyer's needs has been noticed to be important (Schiele et al., 2012) and a relationship can start when a potential partner is seen as a feasible exchange partner (Dwyer et al., 1987). Studies of relationship initiation have typically used the three dimensions of social exchange theory: "expectations", "comparison level" and "the comparison level of alternatives" (Thibaut & Kelley, 1959) to describe the cycle of relationship initiation. Positive expectations will lead to relationship initiation, and comparison level denotes comparing outcomes with expectations. Comparison level of alternatives refers to the supplier's decision to award a customer status, or to end the relationship (Schiele et al., 2012).

Supplier's decision to initiate a relationship with a customer is influenced by the perceived attraction level of the potential relationship (Dwyer, Schurr and Oh, 1987; Mortensen, Freytag and Arlbjörn, 2008). Being attractive may be important for the buying firm's future success, for example, successful manufacturers are often seen as preferred customers by their innovative suppliers (Schiele, 2012). Awareness can be one-sided (Edvardsson et al., 2008), but, a relationship can only be initiated and developed if both buyer and supplier perceive the relationship attractive (Mortensen et al., 2008). A well-known customer can be unattractive if there are negative expectations, or there is lack of positive expectations associated with the buyer (Schiele et al., 2012). In the public sector – SME-supplier relationships, for example, the requirement of reciprocal benefits and power-dependence relation (e.g. Jacobs, 1974; Baker, 1990) are seldom in balance.

There are different purchasing conditions for private and public enterprises (Arlbjörn and Freytag, 2012). In the private sector, various purchase situations exist. Typically, cooperation is based on trust and shared risks. Further, in the private sector, it is often the supplier who offers its products and services to buyers (Hedaa, 1996). Public sector buyers seek to include as many vendors as possible in order to increase competition, whereas in the private sector, the number of suppliers turns to be fewer in order to reduce risks (Vaidya, Sakeev and Callender, 2006) or transaction costs (Williamson, 1985), and in order to create long-term relationships (Ford, 1980;

Gulati, Nohria and Zaheer, 2000; Saccani and Perona, 2007; Ivens, Pardo, Salle and Cova, 2009). Competitive tendering process creates formal and inflexible relationships with suppliers (Erridge & Greer, 2002), and makes it difficult to establish strategic long-term relationships. Relationships are episodic, i.e. established for a certain time period (Halinen and Tähtinen, 2002). Competitive bidding is claimed to lead to inflexible application of tendering procedures for low-value items, involving too many suppliers, and applying short-term contracts (Erridge and Nondi, 1994). Public buyers are concentrating primarily on defining the objectives to be achieved in terms of public interest, quality of products or service, and pricing policy (Erridge and Greer, 2002; Erridge and McIlroy, 2002; Essig and Batran, 2005; Lian and Laing, 2004). Furthermore, the public sector culture is risk averse, bound to rules, and featured by resistance to change. Yet, suppliers, and public actors as well, have to be extremely careful with the competitive tendering legislation on public purchases (Nielsen, 2000).

Public actors are also claimed to lack purchasing skills. In the private sector, buyers are more likely to engage professionals and administrative managerial staff, meanwhile public sector buyers have mainly administrative managerial staff in the procurement group (Lian and Laing, 2004). Public buyers need training and professional development in market management, specification, tendering process, negotiations regulation and monitoring (Roodhooft and Abbeele, 2006). Further, Erridge and Greer (2002) emphasize the development of social capital in order to weaken the culture of distrust, and to provide a more supportive environment for cooperation, because of growing need for communication and feedback mechanisms (Caldwell et al., 2005).

CONTEXT OF THE STUDY – CASE DESCRIPTIONS

This paper reports findings of an exploratory case study with two Finnish municipalities' (here called city A and city B) pursuit to find the best local and regional foodstuff suppliers. Both cities have as an objective to develop their procurement processes, and they are especially interested in developing the pre-procurement phase to get more local and regional enterprises to take part in the competitive tendering process. In both the cities, only few SMEs and only a couple of large companies had been interested in taking part in the earlier tendering processes. This is considered as surprising, because there are quite many local enterprises in the region, which could, in principle, qualify as food suppliers. As a long-term target, the cities have set the development of the supply relationships during the complete procurement and supply process. Both cities have a head of procurement responsible for the development and monitoring of the city's procurement as a whole. The heads of procurement cooperate with managers of different departments or units of responsibility in the cities. Furthermore, in both cities, there are personnel to take care of legal aspects, agreements, documentation, and other issues with respect to supply relationships.

In the city A, the procurement of foodstuff from the local and regional SMEs is the focus of investigation. City A is preparing a new, wide competitive tendering process concerning foodstuff for the central kitchen. The central kitchen serves the municipal schools and kindergardens, and also the sheltered homes and nursing homes. City A has about 60 000 inhabitants, and it is surrounded by municipalities with strong roots in agriculture. Food

production has a great potential to employ people in this area. City B's number of inhabitants is about 200 000. City B is planning to corporatize the municipal central kitchen. The goal in the city B is to organize the municipal food service activities in a more profitable and cost-effective way.

RESEARCH METHOD

A qualitative approach is used in this study, in which the design is grounded in action research. Action research is intended to be a developmental tool and method hence it could give contribution in the challenging situations in the case cities. Participants are seen as experts on their own needs and preferences, and action research gives the possibility for creating new knowledge and learning. Researchers support participants to extend their understanding of their situation and find solutions to problems through a systematic process to lead to changes of practice (Stringer, 2007). Thus, expert research knowledge and local knowledge are shared (Brydon-Miller, Greenwood and Maguire, 2003; McKay and Marshall, 2001; Gummesson, 2000).

Appendix 1 shows the first three stages of the currently ongoing research process, which started in August 2014. In line with the action research approach, the look, think, act spiral (Stringer, 2007) was continuously applied in the different stages of the process. The sequential research process and the involvement of the two cities enabled the cities to learn from each other. Thus, change does not happen at the end of a project, based on action research, but it happens throughout the project (Harrison and Callan, 2013). The starting points for the cities' procurement processes were different, and their needs changed during the process. The action plan was revised stage by stage together with the heads of procurement and the researchers. Hence, the model of processing was found challenging: it was neither linear or static, nor similar in the two cities. New actions were implemented during the forthcoming intervention sessions.

Two main data sources comprised the data set for this study: first, workshops and meetings, and second, interviews. Appendix 1 presents detailed information of the data collection methods and their outcome. Data collection is divided into three phases: (1) internal workshops, (2) workshops and interviews with cities and their potential suppliers, and comparing the findings of the two cities, and (3) implementing relational practices into the cities' purchasing processes. The purpose of *the first phase* was to collect background information, and to discuss the challenges in the cities' procurement processes. The heads of procurement, managers, and staff members, working with foodstuff ordering, were invited to the workshops. Targets of the workshops were to exchange information and to motivate the participants to commit to the development process. The participants mapped the main external and internal actors in their foodstuff network. Also, as well major challenges in procurement and competitive tendering processes, as experiences of cooperation with suppliers were shared. For the heads of procurement, the workshops provided valuable information of the daily practices inside the cities, and of the number and quality of suppliers in the network.

In *the second phase*, ten managers within private sector suppliers in city A were interviewed. These interviews were arranged to find out, why suppliers were not interested to take part in the

workshop with city A as the suppliers with city B did. Nine of the interviewees were city A's current or potential SME foodstuff suppliers. They represented local and regional bakeries, butchers, and greengrocers as well as a company producing convenience food and a company which produces mash from vegetables. Also manager of a local association for promoting the interests of foodstuff entrepreneurs was interviewed. Face-to-face semi-structured interviews lasted from one to two hours, and were recorded and transcribed. Telephone interviews lasted for 20–30 minutes. One interview was arranged by an e-mail discussion. In city B, researchers observed the technical dialogue and meetings with the invited suppliers.

The purpose of the *third phase* of the data collection (which is still ongoing) is to implement relational practices into the cities procurement practices. Proposition of how to implement these were discussed in workshops.

In the following chapter, we will analyze the actual data that was collected in the second phase of the study with the help of interviews in city A and in workshops with city B. The data were analyzed applying qualitative content analysis. The answers to the questions of semi-structured interviews were grouped question by question and coded. Different themes were formed and analyzed further into findings. Citations from the interviews are used to show the connection between our interpretations and the data.

PUBLIC BUYER – SME FOODSTUFF SUPPLIERS COOPERATION

We will first discuss the cities attempts to get in contact with the potential suppliers. Secondly, we will analyze city A's potential suppliers perceptions of cooperation. Thirdly, observations from city B's competitive tendering process and meetings with suppliers will be analyzed. Finally, request for proposal will be discussed.

Getting in contact with the suppliers

By inviting suppliers to the workshops and meetings, the cities intended to create an arena for information sharing and social exchange. City A aimed to present the tentative development plan for the procurement, and city B arranged a technical dialogue to present the tentative plan for corporatizing the municipal central kitchen. However, the suppliers' lack of interest to cooperate with the cities was evident, when only few suppliers took part in the workshop in city B. Furthermore, no discussions rose, but the suppliers primarily listened to the information and did not comment the plans or pose questions. Even worse was the situation in city A, where the planned workshop had to be cancelled because of a total lack of participants from the supply side. Time constraints were the reason, which most of the suppliers informed as an obstacle to join the workshops.

The aim of city B's face-to-face meetings with potential suppliers, which were arranged after the technical dialogue, was to discuss the details of food services purchases. The discussion focused mainly on the technical details and requirements of the services, and the details of the contract. However, suppliers could also ask questions, and share information about their own companies. Yet, the meeting did not enhance relationship development as much as expected.

Potential suppliers' perceptions of cooperation with city A

The interviews with city A's potential suppliers revealed that the suppliers were well aware of the city, but did not see it as an attractive customer. Majority of the interviewees referred to logistical problems. Another reason was price competition. The interviewees stressed the lack of profitability in selling and delivering products to public actors. City A was even less attractive than a few years ago, because the city area has grown remarkably due to mergers of smaller municipalities into city A. Further, city A and other municipalities in the region have established a cooperative for public procurement of foodstuff, which has made it even more difficult for SMEs to take part in the competitive tendering process. Several small units with long distances (approx. 50–100 km) cause problems in delivery times and, thus, high costs of transport, as the following citations show.

“We decided not to leave an offer, because we found it too challenging after the public actor has grown so large and the delivery area so wide. It isn't profitable anymore...” (supplier A)

“There should be more flexibility in terms of delivery from the buyers' side too...” (supplier B)

“Even though some of the units are really small, they insist transport and in a predetermined time” (supplier C)

“It is not profitable to sell products to a considerably lower price to public actors, and you should even arrange the transport...” (supplier B)

Lack of resources and capacity, and also the risk of becoming too dependent on a large customer were barriers for offering to a public actor. Three of the interviewees sold their products to wholesale or retail companies which cooperate with city A. However, they didn't know if their products were used in city A's central kitchen or food service units.

“Due to the lack of resources, we have to choose between public actors and retail companies and we have chosen retail companies. I'm not specifically interested in public actors, because it has become so impossible to start cooperation with them... There would be too large risks to sell all our capacity to one single customer and the contract wouldn't continue after one or two years.” (supplier E)

Moreover, the competitive tendering process and preparing the offer were seen very difficult and time-consuming:

“Public sector is more troublesome than private customers. Demands a lot more papers” (supplier H);

“I cannot devote a week of my time to write an offer...” (supplier E)

Suppliers would like to have mutually satisfying relationship with city A, and they expect city A to change its purchasing behavior. Instead of strict product requirements, the city should accept alternative products, which are complementary to the required brands, but locally produced. Local production should be more important than the price:

“Public actors have got used to the same titles of products and won't try to use local products which are very near, but not the same as those large brands.” (supplier F)

“The process is terribly fragmented. They have to simplify the competitive tendering process a lot, and the chain of the contact persons is many times too long ... fewer people to conduct the process.” (supplier D)

Table 2 concludes the main barriers and expectations for cooperation with city A as viewed by the interviewees.

Table 2: Potential supplier’s perceptions of barriers and expectations for cooperation.

Barriers for cooperation with city A	Expectations for cooperation with city A
<ul style="list-style-type: none"> -more profitable to sell products to wholesale companies, which sell them further to e.g. public actors - low prices, price is too important criterion - irregular orders during contract time - delivery amounts too small that cooperation could be profitable - logistical problems with small delivery amounts, large areas, and exact delivery times - difficult regulations, troublesome to write an offer 	<ul style="list-style-type: none"> -buyer has to change its behavior that local entrepreneurs can serve it -get a win-win situation: effective, efficient, and profitable cooperation -regular orders in contract time and more flexibility in terms of delivery - fewer contact persons, more compact competitive tendering process -support for personal relationships, dedicated contact persons

Competitive dialogue as a means to initiate relationship

As prior research demonstrates, the complex framework of legal regulations and laws complicate open information sharing in public procurement processes in the two case cities of this study. Competitive dialogue, which is a tool created by the EU “to enhance new public management”, allows the integration of suppliers in the purchasing process at a very early stage, and moves public procurement towards public supply chain management (Essig and Batran, 2005). The aim of competitive dialogue is to make it easier to create public-private relationships. However, in city B, the competitive dialogue did not enhance relationship development, because no genuine dialogue existed. In other words, the buyer did not obtain any suggestions of how to develop the purchasing process.

Competitive dialogue does not offer the flexibility required for complex projects, and it is perceived as a costly procedure for bidders. Specifically SMEs see the cost so high that it hinders fair competition. Furthermore, it is difficult for the contracting authorities to specify all their needs and requirements in the initial contract notice, and other needs may appear in the course of the dialogue (Lian and Laing, 2004). In the private sector, dialogue is seen an important interactive process of learning together. The obtained relationship specific knowledge is constantly updated and constructed into an iterative learning cycle (Ballantyne, 2004; Walter, 1999). A more effective way to obtain knowledge of suppliers’ perceptions would be face-to-face discussions.

Request for proposal

The analysis of city B's tentative request for proposal reveals the public procurement culture explicitly. The number of sanctions and control measure included in the proposal has no potential to create trusting relationships. A paragraph where the winners of the tendering are invited to discussion is included, but no concrete structure of how it will be implemented exists. In the workshop (the third phase), propositions of how to formulate the actual request for proposal to include realizable relational practices were made.

CONCLUSIONS AND FURTHER RESEARCH

This paper presented initial findings of an ongoing research project of two cities' desire to initiate relationships with the best local and regional foodstuff suppliers, and thereby enhance positive social aspects of public procurement. The purpose was to find out how cooperation in this specific context could be initiated and developed. Network approach was applied to understand the context of the food supply and its actors, their resources, and the activities that they perform to provide services to the citizens.

The study revealed that the suppliers in both the cities were well aware of the buyer (Dwyer et al., 1987). However, the case cities' expectations about their attractiveness (Thibaut and Kelley, 1959; Schiele et al., 2012) as customers might have been too optimistic, specifically in the city A. Local and regional potential suppliers found the case cities interesting, but in many respects, challenging customers when compared to private sector customers. For example, one of city A's long-term supplier had decided not to take part in the previous competitive tendering, and thus end the relationship with the city. This is an observation that highlights the importance to continue the development of the competitive tendering process and the attempts to create a dialogue with the suppliers in order to find out potential ways to cooperate and create mutual benefits (Walter, 1999).

Our study confirms the prior research findings, which have revealed a number of barriers in public-private relationships initiation. The findings are mainly related to public sector culture; the lack of flexibility and the complicated tendering processes (Andrew Erridge and Greer, 2002). Two main barriers are highlighted in our study.

First, there is no structure or platform where information and communication could be shared. This study was the first attempt to create the platform and to solve the problem. City B used the technical dialogue to reach the suppliers. However, technical dialogue tends to be too formal, and it concentrates on the details of the contract (Essig and Batran, 2005), and does not enhance relationship development. The way city A approached its current and potential suppliers, after unsuccessful effort to arrange a networking workshop, was face-to-face interviews which were conducted by the researchers. The interviews did not focus on details of the offerings, but only on relational aspects, thus providing city A suggestions of how to develop its procurement processes.

This research project enables the cities to learn together and find solutions to change their behavior towards mutually satisfying supply relationships. Development of a structured dialogue model, applied from private sector research, will be applied in the case cities with selected suppliers to develop relationships and trust (Ring and Van de Ven, 1994). Furthermore, another question that arises from the results of the study concerns the level of inter-organizational networking capabilities (Batt and Purchase, 2004; Vesalainen and Hakala, 2014) of the cities, and municipalities in general. This could be a fruitful object to discuss in more detail in further research.

REFERENCES

- Arlbjörn, J. and Freitag, P., 2012. Public procurement vs private purchasing: Is there any foundation for comparing and learning across the sectors? *International Journal of Public Sector Management* 25, 3, 203–220.
- Baker, W., 1990. Market networks and corporate behavior. *The American Journal of Sociology* 96, 3, 589–625.
- Ballantyne, D., 2004. Dialogue and Its Role in the Development of Relationship Specific Knowledge, *Journal of Business and Industrial Marketing* 19, 2, 114-123.
- Batt, P., and Purchase, S., 2004. Managing collaboration within networks and relationships, *Industrial Marketing Management* 33, 3, 169–174.
- Bovaird, T., 2006. Developing New Forms of Partnership With the “Market” in the Procurement of Public Services. *Public Administration* 84, 1, 81–102.
- Brydon-Miller, M., Greenwood, D. and Maguire, P., 2003. Why action research? *Action Research* 1, 1, 9–28.
- Caldwell, N., Walker, H., Harland, C., Knight, L., Zheng, J. and Wakeley, T., 2005. Promoting competitive markets: The role of public procurement. *Journal of Purchasing and Supply Management* 11, 5-6, 242–251.
- Dwyer, F., Schurr, P. and Oh, S., 1987. Developing buyer-seller relationships. *The Journal of Marketing* 51, 2, 11–27.
- Dyer, J. and Singh, H., 1998. The relational view: Cooperative strategy and sources of inter-organizational competitive advantage. *The Academy of Management Review* 23, 4, 660–679.
- Edvardsson, P., Holmlund, M. and Strandvik, T., 2008. Initiation of business relationships in service-dominant settings. *Industrial Marketing Management* 37, 339–350.

- Eriksson, P., 2008. Procurement effects on co-competition in client-contractor relationships. *Journal of Construction Engineering and Management* 134, 2, 103–112.
- Erridge, A., and Greer, J. 2002. Partnerships and public procurement: building social capital through supply relations. *Public Administration* 80, 3, 503–522.
- Erridge, A., and McIlroy, J., 2002. Public Procurement and Supply Management Strategies. *Public Policy and Administration* 17, 1, 52–71.
- Erridge, A., and Nondi, R., 1994. Public procurement, competition and partnership. *European Journal of Purchasing and Supply Management* 1, 3, 169–179.
- Essig, M., and Batran, A., 2005. Public–private partnership—Development of long-term relationships in public procurement in Germany. *Journal of Purchasing and Supply Management* 11, 5-6, 221–231.
- Ford, D., 1980. The development of buyer–seller relationships in industrial markets. *European Journal of Marketing* 14, 5/6, 339–354.
- Gadde, L.-E., Håkansson, H., and Persson, G., 2010. *Supply Network Strategies*. John Wiley & Sons Ltd.
- Gulati, R., Nohria, N. and Zaheer, A., 2000. Strategic networks. *Strategic Management Journal* 21(3), 203–215.
- Gummesson, E., 2000. *Qualitative Methods in Management Research*. Second ed., Sage Publications. Thousand Oaks. California.
- Halinen, A. and Tähtinen, J., 2002. A process theory of relationship ending. *International Journal of service industry management* 13, 2, 163–180.
- Harrison, L., and Callan, T., 2013. *Key research concepts in politics and international relations*. London: Sage.
- Hedaa, L., 1996. Customer acquisition in sticky business markets. *International Business Review* 5, 5, 509–530.
- Håkansson, H., and Snehota, I., 1995. *Developing Relationships in Business Networks*. UK: Routledge, London.
- Ivens, B., Pardo, C., Salle, R. and Cova, B., 2009. Relationship keyness: The underlying concept for different forms of key relationship management. *Industrial Marketing Management* 38, 5, 513–519.
- Jacobs, D., 1974. Dependency and vulnerability: An exchange approach to the control of organizations. *Administrative Science Quarterly* 19, 1, 45–59.

- Karjalainen, K., and Kemppainen, K., 2008. The involvement of small- and medium-sized enterprises in public procurement: Impact of resource perceptions, electronic systems and enterprise size. *Journal of Purchasing and Supply Management* 14, 4, 230–240.
- Knight, L., Caldwell, N., Harland, C., and Telgen, J., 2003. Academic report from the 1st International Research in strategic Purchasing and Supply. University of Bath, UK.
- La Rocca, A., Caruana, A., and Snehota, I., 2012. Measuring customer attractiveness. *Industrial Marketing Management* 41, 8, 1241–1248.
- Lian, P., and Laing, A., 2004. Public sector purchasing of health services: A comparison with private sector purchasing. *Journal of Purchasing and Supply Management* 10, 6, 247–256.
- Lian, P. and Laing, A., 2007. Relationships in the purchasing of business to business professional services: The role of personal relationships. *Industrial Marketing Management* 36, 709–718.
- McKay, J., and Marshall, P., 2001. The dual imperatives of action research. *Information Technology & People* 14, 1, 46-59.
- Mortensen, M., Freytag, P., and Arlbjørn, J., 2008. Attractiveness in supply chains: a process and maturity perspective. *International Journal of Physical Distribution & Logistics Management* 38, 10, 799–815.
- Nielsen, R. P., 2000. The politics of long-term corruption reform: A combined social movement and action-learning approach. *Business Ethics Quarterly* 10, 1, 305–17.
- Padovani, E., and Young, D., 2008. Toward a framework for managing high-risk government outsourcing: Field research in three Italian municipalities. *Journal of Public Procurement* 8, 2, 215–247.
- Ring, P. and Van de Ven, A., 1994. Developmental processes of cooperative interorganizational relationships. *Academy of Management Review* 19, 1, 90–18.
- Roodhooft, F., and Abbeele Van Den, A., 2006. Public procurement of consulting services: Evidence and comparison with private companies. *International Journal of Public Sector Management* 19, 5, 490–512.
- Saccani, N. and Perona, M., 2007. Shaping buyer–supplier relationships in manufacturing contexts: Design and test of a contingency model. *Journal of Purchasing and Supply Management* 13, 1, 26–41.
- Schiele, H., 2012. Accessing Supplier Innovation By Being Their Preferred Customer. *Research-Technology Management* 55, 1, 44–50.

- Schiele, H., Calvi, R., and Gibbert, M., 2012. Customer attractiveness, supplier satisfaction and preferred customer status: Introduction, definitions and an overarching framework. *Industrial Marketing Management* 41, 8, 1178–1185.
- Stringer, E., 2007. *Action research*. Third ed. London: Sage.
- Tang, L., Shen, Q., and Cheng, E., 2010. A review of studies on Public–Private Partnership projects in the construction industry. *International Journal of Project Management* 28, 7, 683–694.
- Thibaut, J., and Kelley, H., 1959. *Social exchange theory*. John Wiley & Sons, New York, NY.
- Vesalainen, J. and Hakala, H., 2014. Strategic capability architecture: The role of network capability. *Industrial Marketing Management* 43, 6, 938–950.
- Walter, A., 1999. Relationship promoters. Driving forces for successful customer relationships. *Industrial Marketing Management* 28, 537–551.
- Williamson, O., 1985. *The economic institutions of capitalism*. New York: The Free Press.
- Woolthuis, R., 2005. Trust, contract and relationship development. *Organization Studies* 26, 6, 813–840.
- Zheng, J., Roehrich, J., and Lewis, M., 2008. The dynamics of contractual and relational governance: Evidence from long-term public–private procurement arrangements. *Journal of Purchasing and Supply Management* 14, 1, 43–54.

Appendix 1: Details of data collection.

1. Phase: Collecting background information in Internal workshops in cities A and B				
	Participants	Purpose	Method	Outcome
City A 29 Aug 2014 3 hours	Material procurement -food, labour, social services units -12 persons	To map -the main actors in the network -the major challenges in procurement	Workshop	-Maps of the different units' internal and external actors -List of major challenges
City B 4 Nov 2014 3 hours	Foodstuff procurement and logistics -10 persons	To map -the main actors in the network - challenges in procurement	Workshop	-Map of the internal and external actors -List of major challenges
2. Phase: Workshops/interviews with cities and their potential suppliers				
City A 19 Nov 2014	Buyer and suppliers	To open the dialogue between -buyer and suppliers	Workshop	No interest from the suppliers' side => cancelled
City A Jan-Feb 2015 1-2 hours interviews	Potential local and regional suppliers -9 SME suppliers -1 association	To map potential suppliers and their resources To find out attractiveness	7 face-to-face interviews 2 telephone interviews 1 e-mail discussion	Understanding of -suppliers' resources -suppliers' thinking of public buyer as a customer
City B 16 Sep 2014	Invited foodstuff suppliers and related interest groups	To present and discuss city B's bidding process	Technical dialogue	One-way communication
City B Nov-Dec 2014	Suppliers -5 companies -11 persons	To discuss details of the purchased services	City-supplier face-to-face meetings	Information of services and the contract model Feedback from technical dialogue
City A City B 4 Feb 2015 2 hours	-City A and B: the heads of procurement - Researchers -Association of Finnish Local and Regional Authorities	-To present the findings of the workshops etc. -Forum for benchmark	Workshop	-Concluding the current findings -Further research -Implementation plan

3. Phase: Implementing relational practiced into the cities procurement processes				
City B 8 April 2015	-Procurement personnel involved in a current tendering process -Researchers	-To investigate the tentative request for proposals from a relational perspective	Workshop	-Adding relational aspects to the request
Forthcoming: City A 24 April 2015	-Head of procurement - procurement personnel	-To discuss the application of different levels of partnerships in foodstuff procurement -To map relational behavior in daily interactions	Workshop	Intended outcome: -To create a structured dialogue and common targets for cooperation (in the frames of legislation)