

**MANAGING PUBLIC–PRIVATE PARTNERSHIPS IN
CENTRALIZED PUBLIC PROCUREMENT:
FACTORS INFLUENCING RELATIONSHIP INITIATION AND TERMINATION**

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ABSTRACT

The trend towards the centralization of public procurement has given rise to public procurers performing an intermediary role between public and private organizations, thus initiating the need to consider public–private partnerships (PPPs) from triadic perspective. This research pursues to increase understanding from managing PPPs in centralized public procurement by identifying the factors that contribute to the initiation and termination of triadic PPPs at home nursing setting. Drawing on a qualitative single case study that illustrates the termination of home nursing-related triadic PPP by replacing the initial private home nursing provider with a new private organization and the initiation of triadic relationship with this private partner, the research distinguishes the factors underlying the relationship of two parties and how they engender or intensify the termination of triadic PPPs. Furthermore, the research detects the shared understanding from jointly agreed relationship goals to promote the triadic trust that help parties initiate and manage their triadic relationship. Managerial implications are offered for public and private organizations that desire to initiate stronger PPPs and manage them during centralized public procurement.

Keywords: relationship dynamics, triadic relationship, public procurement, public–private partnership, PPP, home nursing

INTRODUCTION

Public–private partnerships (PPPs) have increasingly caught the interest of researchers and practitioners. This interest emerges from the lack of effectiveness of traditional procurement practices that induces public organizations to implement new methods, borrowed primarily from private organizations (Essig & Batran 2005). If properly managed, PPPs that refer to collaborative institutional arrangements between public and private organizations (Hodge & Greve 2007) help reduce transaction costs, provide more reliable public utilities, mitigate risks, promote innovation and intensify local economic growth and the rate of employment (Erridge & Greer 2002; Kwak et al. 2009).

PPPs are different from relationships between private organizations (Bovaird 2006), which makes them challenging for both public and private organizations to manage (Schotanus et al. 2011; Smyth & Edkins 2007). For example, PPPs are governed by the regulatory framework of public procurement and impacted by the culture of public organizations (Erridge & Greer 2000) that engender divergent barriers for PPPs (e.g., Klijn & Teisman 2003; Zhang 2005^b). Furthermore, PPPs are criticized from their complexity and inability to increase transparency and cost savings (Kwak et al. 2009).

Regardless of disadvantages, public organizations are increasingly engaging in these long-term relationships with private organizations (Bovaird 2006), therefore generating scholarly interest towards their success and failure (e.g., Jacobson & Choi 2008; Jamali 2004; Li et al. 2005; Zhang 2005^a; Zhang 2005^b; Zheng et al. 2008; Zou et al. 2014). The centralization of public procurement (Karjalainen 2011) has though given rise to public procurers performing an intermediary role between public and private organizations and initiated thus the need to consider PPPs from triadic perspective. In this type of public procurement setting, PPP exists between the public procurer drawing up the contract and performing varying tasks during the procurement implementation, the public unit managing this implementation and the private organization. The roles of the parties and the relationships between them change during the public procurement process (Li & Choi 2009) and that makes triadic PPPs unstable (Guttek et al. 2002) and alterable. That is, the complexity of centralized public procurement has changed the requirements how public and private organizations interact (Lawther & Martin 2005) and thus research on managing the dynamics of ongoing tri-partite interaction between public and private organizations is required.

The purpose of this research is to increase understanding from managing PPPs in centralized public procurement. A qualitative single case study that illustrates the termination of home nursing-related triadic PPP by replacing the initial private home nursing provider with a new private organization and the initiation of new triadic relationship with this private partner is introduced to identify the factors contributing to the initiation and termination of triadic PPPs. Examining these factors increases the knowledge from how parties can successfully initiate and manage their triadic PPPs. This purpose is addressed by stressing two research questions:

What are the factors that contribute to the initiation of triadic PPPs?

What are the factors that contribute to the termination of triadic PPPs?

This paper is structured as follows. First, brief introductory is given to the research related to triadic relationships and the construct of triad is brought to the setting of centralized public procurement. Then the literature from factors influencing PPPs is presented to identify the tentative factors contributing to the initiation and termination of triadic PPPs. Thereafter the

research methodology and key findings are discussed and restated. Finally, the theoretical and managerial implications, reliability and limitations of this research and suggestions for future research are provided.

RESEARCH RELATED TO TRIADIC RELATIONSHIPS

Triadic relationship exists when three parties interact repeatedly to form a group that strives for reaching shared goals (Madhavan et al. 2004; Simmel 1950; Thibaut & Kelley 1959). The interaction between the three parties is highly interlinked (Caplow 1956) and if A interacts with B, it restricts the possibilities of A to interact with C (Havila et al. 2004). Moreover, the interaction between two parties is impacted by their respective interaction with third party and the roles they perform within the triad (e.g., Havila et al. 2004; Holma et al. 2009). This generates the ongoing change and instability of the relationship structures between the three parties (Guttek et al. 2002; Li & Choi 2009), thus making the triad difficult to manage from relationship dynamics perspective.

Triadic relationships have been detected to exist between a buyer and two suppliers (e.g., Dubois & Fredriksson 2008; Madhavan et al. 2004), a supplier and two buyers (e.g., Choi & Kim 2008) and between the members of network (e.g., Anderson et al. 1994). In particular, triadic approach has been used to illustrate service triads (e.g., Choi & Kim 2008; Guttek et al. 2002; Holma et al. 2015; Li & Choi 2009; Nätti et al. 2014; Salo et al. 2009; van Iwaarden & van der Valk 2013; Wynstra et al. 2015), third-party logistics (e.g., Gadde & Hulthén 2009; Hertz & Alfredsson 2003) and international relationship settings involving intermediaries (e.g., Havila et al. 2004). The increasing trend towards centralized public procurement has also created triadic PPPs that exist between the public procurer drawing up the contract and performing varying tasks during the procurement implementation, the public unit managing this implementation and the private organization. In this setting, the three parties collaborate under particular governmental contract to provide better and more reliable public utilities that meet explicitly determined public needs (Kwak et al. 2009; Wynstra et al. 2015). Aligned with van Iwaarden and van der Valk (2013), this is suggested to diminish the direct control of public organizations from the quality of public utilities and increase thus the importance of managing related triadic PPPs. In this research, the centralized public procurement of home nursing is explored to identify the factors intensifying the termination of home nursing-related triadic PPP by replacing the initial private home nursing provider with the new private organization and the factors promoting the initiation of new triadic relationship with this private partner, therefore reflecting the dynamics of PPPs.

FACTORS INFLUENCING PUBLIC–PRIVATE PARTNERSHIPS

Stronger relationships between public and private organizations are recognized to contribute to public procurement (Kumaraswamy et al. 2007) because they supplement contractual ties (Brown et al. 2007) and foster interorganizational collaboration between the parties (Smyth & Edkins 2007) by creating trust and knowledge exchange (Erridge & Greer 2002). Regardless of their managerial importance, public and private organizations tend to confront problems to initiate and manage PPPs (Schotanus et al. 2011; Smyth & Edkins 2007) that suffer from the instability and inadequate relationship quality (Zou et al. 2014), thus promoting them to break down prematurely.

In public setting, emerging from their contractual nature, PPP is considered terminated when activity links, resource ties and actor bonds related to the contract are broken (cf. Halinen &

Tähtinen 2002). Halinen and Tähtinen (2002) propose three groups of factors that impact the probabilities of relationship breakage either at task, actor, dyad or network level. First, *predisposing factors* relate to the relatively static and structural factors underlying the relationship and increasing its vulnerability (Halinen & Tähtinen 2002). In PPP research, the lacks of expertise to build stronger relationships (e.g., Erridge & Greer 2002; Zhang 2005^b) and implement public procurements (Young 2008) are recognized to promote the termination of PPPs. Hence, choosing reliable and 'right' partner that has strong technical expertise (e.g., Jacobson & Choi 2008; Lawther & Martin 2005; Li et al. 2005; Zhang 2004; Zhang 2005^a) and good reputation is highly stressed (Parker & Hartley 2003). In particular, high strategic, institutional, organizational and interpersonal differences between the relationship partners hinder the establishment of shared understanding and generate therefore PPP failures (Jamali 2004; Klijn & Teisman 2003).

Furthermore, PPPs require political support, public outreach, stable investment surrounding, effective regulatory framework and organizational culture and feasible financing programme (Erridge & Greer 2000; Erridge & Greer 2002; Jacobson & Choi 2008; Jamali 2004; Li et al. 2005; Zhang 2005^a; Zhang 2005^b). These 'facilitators' permit public and private organizations to build reciprocally rewarding relationships that otherwise are rather sensitive matter and governed by public procurement regulations (Wang & Bunn 2004; Zou et al. 2014), and consequently the lack of them is suggested to predispose PPPs to their breakdown.

Second, *precipitating factors* establish tension between the relationship parties by creating dramatic or unexpected events that generate changes to the relationship during its life time (Halinen & Tähtinen 2002). Reijniers (1994) presents PPP problems to relate at root to the organizing and managing of public procurement. For example, poor quality of performance is linked to create challenges for effective monitoring (Young 2008). Moreover, risk sharing between the organizations is extensively researched (e.g., Jacobson & Choi 2008; Lawther & Martin 2005; Li et al. 2005; Young 2008; Zhang 2005^a) and recognized as an important, but difficult task (Kwak et al. 2009). That is, problems related to risk sharing might generate quandaries that induce relationship to break.

Third, *attenuating factors* moderate the effects of predisposing and precipitating factors on the relationship (Halinen & Tähtinen 2002), thus facilitating relationship management. In the social exchange theory, these factors explain how parties weight the results of their exchange relationship and determine whether they remain in that relationship (Lambe et al. 2001; Thibaut, Kelley 1959), that is, the relational exchange rests on how functional the relationship is (e.g., Anderson & Narus 1990; Dwyer et al. 1987; Wilson 1995). In PPP literature, the relationship quality is emphasized to contribute to public procurement (Zou et al. 2014). In particular, the trust impacts the relationship and helps build bridges between the parties (e.g., Erridge & Greer 2002; Jacobson & Choi 2008; Jamali 2004; Lawther & Martin 2005; Rees & Gardner 2003; Smyth & Edkins 2007) by improving interorganizational collaboration (Jacobson & Choi 2008), helping control risks and other uncertainties (Lawther & Martin 2005) and establishing interpersonal relationships (Erridge & Greer 2002). Hence, by relying more on relational norms of flexibility, solidary and high knowledge exchange (Zheng et al. 2008), the trust moderates the effects of factors that might otherwise terminate the PPP.

As trust emerges from the honest dialog between the partners from their expectations and mutual adaptations, knowledge exchange nurtures PPPs (e.g., Jacobson & Choi 2008; Jamali 2004; Lawther & Martin 2005). In public setting, negotiating and jointly agreed relationship goals (e.g., Jacobson & Choi 2008; Jamali 2004; Lawther & Martin 2005; Zou et al. 2014)

increase commitment between the parties (e.g., Jacobson & Choi 2008; Li et al. 2005; Zou et al. 2014) and help them manage the relationship. This rests on explicit, but rather flexible coordination of responsibilities and roles and finding shared working practices to implement public procurements (e.g., Jacobson & Choi 2008; Jamali 2004; Young 2008). Table 1 categorizes the factors influencing PPPs.

Table 1. The categorization of factors influencing PPPs.

Factor group	Themes recognized from PPP research	References
Predisposing factors	Inexperience related to relationship development or public procurement implementation	Erridge & Greer 2002; Zhang 2005 ^b ; Young 2008
	Partner selecting methods and challenges	Jacobson & Choi 2008; Lawther & Martin 2005; Li et al. 2005; Zhang 2004; Zhang 2005 ^a
	Strategic, institutional, organizational and interpersonal differences	Jamali 2004; Klijn & Teisman 2003
	Inadequate political support or public outreach	Jacobson & Choi 2008; Li et al. 2005; Zhang 2005 ^b
	Ineffective regulative framework or unfavourable culture of public organizations	Erridge & Greer 2000; Erridge & Greer 2002; Jamali 2004; Li et al. 2005; Zhang 2005 ^b
	Unfavourable investment conditions and unfeasible financing plan	Jamali 2004; Li et al. 2005; Zhang 2005 ^a ; Zhang 2005 ^b
Precipitating factors	Management problems	Reijniers 1994; Young 2008
	Performance failures	Young 2008
	Risk sharing	Jacobson & Choi 2008; Lawther & Martin 2005; Li et al. 2005; Young 2008; Zhang 2005 ^a
Attenuating factors	Trust	Erridge & Greer 2002; Jacobson & Choi 2008; Jamali 2004; Lawther & Martin 2005; Rees & Gardner 2003; Smyth & Edkins 2007
	Cooperation and coordination	Jacobson & Choi 2008; Jamali 2004; Young 2008
	Interpersonal relationships	Erridge & Greer 2002
	Knowledge exchange and communication	Jacobson & Choi 2008; Jamali 2004; Lawther & Martin 2005
	Jointly agreed goals	Jacobson & Choi 2008; Jamali 2004; Lawther & Martin 2005; Zou et al. 2014
	Commitment to partner or joint efforts	Jacobson & Choi 2008; Li et al. 2005; Zou et al. 2014

As shown, PPP research has extensively explored the factors that either facilitate or inhibit the relationship between public and private organizations and it presents number of examples from factors influencing PPPs. Nevertheless, the purpose of this research is to understand which of them are the most relevant at the home nursing context and particularly how they impact the management of triadic PPPs.

RESEARCH METHODOLOGY

A qualitative single case study design is used to create holistic understanding from managing PPPs in centralized public procurement and explore thus the interaction between public and private organizations engaging in triadic PPPs (Halinen & Törnroos 2005). This method is suitable to examine thoroughly the complex and contemporary phenomenon of relationship dynamics (Yin 2003: 18).

This research draws attention towards Finnish public procurement of home nursing at the European Union (EU) context, implemented therefore by adhering to the public procurement legislation of EU (Directive 2004 / 18 / EC¹). The research introduces the outsourcing of two home nursing districts in town X, initiated by the public procurement unit specializing for the procurements of public utilities that are intended for elderly persons. The public procurement unit performed the bidding stage by organizing first a technical dialog² to improve the rigor of their tendering reports and develop the new incentive system, destined for the monitoring of performance of private partner, and then employing the open procurement procedure that permits potential private organizations to receive tendering reports and submit their offers freely (Lindskog et al. 2010). Consequently, the public procurement unit formed the contract with the initial private home nursing provider for delivering home nursing services to town X and initiated the home nursing-related triadic PPP between them, the public home nursing unit managing the procurement implementation and the private organization. Rather shortly from the beginning of this triadic relationship, insuperable problems and tensions started to emerge between the parties that led the initial private home nursing provider to sacrifice their contract for a new private organization that took the charge from delivering home nursing with the existing provisions and staff. This initiated the new home nursing-related triadic PPP between the two public units from town X and the new private home nursing provider. The selected case permits exploring the events triggering the termination of home nursing-related triadic PPP and the replacement of initial private home nursing provider with the new private organization and examining the initiation of new triadic relationship with this private partner. Therefore, it is selected to increase understanding from this particular public procurement and related triadic PPPs and to stress learning from triadic relationship dynamics (Stake 2005: 451–455).

The primary data is gathered through 11 thematic interviews (Arksey & Knight 1999). The interviewees consisted of 13 key informants primarily from the two public units and the new private home nursing organization, taking either part of the bidding stage or procurement

¹ Directive 2004 / 18 / EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts.

² Before launching a procedure for the award of a contract, contracting authorities may, using a technical dialogue, seek or accept advice which may be used in the preparation of the specifications provided, however, that such advice does not have the effect of precluding competition (Directive 2004 / 18 / EC).

implementation (Table 2). Furthermore, the interviewees included town's higher management giving general insights from the public procurement organization and culture and two private organizations helping the public procurement unit prepare their tendering reports. Selecting the interviewees rested on snowball sampling (Biernacki & Waldorf 1981) and it pursued to explore the interaction between the three parties during the life time of triadic PPPs. The web pages of researched organizations, reports including the request for quotation (RFQ) and the permission for partial outsourcing of two home nursing districts and multiple local newspaper articles were utilized to increase understanding from home nursing context and support and triangulate (Denzin 1978) the interviews. Moreover, the information from public procurement regulations and from four public procurement-related seminars and lectures held by national EU procurement professionals were explored to understand public procurement procedures of EU.

Table 2. The primary data of the research.

Organization	Interviewed informant(s)	Motivation for interviews	Occasion & duration
Public Procurement Unit	Manager of Public Procurement Unit	Insights from bidding stage and monitoring home nursing implementation	23.10.2014, 1 hour 45 minutes
Public Home Nursing Unit	Manager of Home Nursing Unit	Insights from managing home nursing implementation	23.10.2014, 1 hour 45 minutes
	Service Manager I	Insights from implementing home nursing	13.11.2014, 50 minutes
	Service Manager II	Insights from implementing home nursing	10.12.2014, 1 hour 15 minutes
New Private Home Nursing Provider	Regional Manager & Team Leader	Insights from implementing and monitoring home nursing and its R&D	12.11.2014, 1 hour 50 minutes
	Sales Analytic	Insights from bidding stage and monitoring home nursing implementation	11.11.2014, 1 hour
	Chief Executive Officer	Insights from bidding stage and R&D	9.12.2014, 50 minutes & 9.1.2015, 20 minutes
Public Procurement Specialist I	Procurement Manager	Insights from bidding stage	24.10.2014, 50 minutes
Public Procurement Specialist II	Development Manager	Insights from bidding stage and its innovativeness	12.11.2014, 1 hour 5 minutes
Town X	Development Manager	Insights from procurement culture of public organizations	24.10.2014, 35 minutes
	Town Manager	Insights from public procurement organization and culture	11.11.2014, 50 minutes

The research has an abductive strategy (Dubois & Gadde 2002) and therefore it stresses the interaction between theory and empirical data. The empirical data was analyzed thematically with the help of theoretical framework (Miles & Huberman 1994), although new results were permitted to emerge from the data. The contents of interviews were first analyzed separately to detect the chain of events and to recognize the factors contributing either to the initiation or the termination of triadic PPPs. Then the findings from individual interviews were compared to identify the similarities and differences between them and to categorize the results into the three factor groups that were theoretically recognized to impact the relationship initiation and termination. Thereafter the findings were confirmed by the information gathered from local newspaper articles that kept carefully track of problems with the initial private home nursing provider. Furthermore, insights from tendering reports and the interviews of town's higher management supported the interpretations from network-related factors generating problems during home nursing implementation.

The empirical findings are written to the form of 'stages' introducing (1) the bidding stage of home nursing procurement and the predisposing factors underlying related relationships, (2) the precipitating factors intensifying the termination of home nursing-related triadic PPP with the initial private home nursing provider during the procurement implementation and (3) how new triadic relationship with the new private partner is initiated after that, therefore indicating the attenuating factors between the three parties that help them manage their home nursing-related triadic PPP.

EMPIRICAL FINDINGS

Everything starts from bidding

Home nursing is a new territory for public procurement and its markets are just emerging in Finland as traditionally home nursing is perceived as something that is produced by public organizations instead of private markets. The public procurement unit that is responsible for procuring public utilities intended for the elderly persons of town X required therefore local politics to support their plans when they started preparing the partial outsourcing of home nursing at 2011. Different political organs impacted the public procurement of home nursing by setting guidelines for the procurement and by giving the permission to it.

The town council has decided on this and it is a political organ. Then through town board, their thoughts are brought forward to these committees and these are both political organs. -- Managers of public procurement units must bring their plans to their committees and then the committee agrees those explicit procedures. (Town Manager, Town X)

This type of political influencing is induced by the organizational structures of town's public procurement where public procurement units specialize for particular types of procurements. These procurements must adhere to town's public procurement strategy that emphasizes the public procurement units to procure differently and more innovatively. The procurement strategy permits the utilization of new methods that stress better dialog between public and private organizations and support the initiation of stronger PPPs, although the development of town's procurement culture towards this is still in its infancy.

They prefer doing it according to the traditional model... There should be though more dialog with entrepreneurs to bring something new to procurements. -- To give truly the role for private organizations that they deserve. (Development Manager, Town X)

Thus, the researched public procurement unit took part of the innovative procurement pilot that helped them improve the quality of their home nursing procurement by emphasizing the results instead of input and the dialog between them and potential home nursing providers to reform their tendering reports. Furthermore, the dialog promoted the development of new incentive system that rests on the promises of private home nursing provider from their future performance and its purpose relate to improving the monitoring of that performance, even though it required the public procurement unit and the public home nursing unit to build intensive interaction and knowledge sharing routines with their private partner.

Other big thing is this bidding, the technical dialog that is now taken as an integral part of our procurement practices. -- At the same time the new incentive system, the interaction and knowledge sharing that it requires, are different from traditional procurement practices. (Manager of Public Procurement Unit, Public Procurement Unit)

The novelty of partial outsourcing of home nursing and utilization of new public procurement methods created though problems during the bidding stage. For example, the organizational structures of town's public procurement are recognized to keep its public procurement units at isolation and prevent knowledge sharing between them. This hindered the sharing of good experiences and information from partial outsourcing between the public procurement units. That is, the public procurement framework suffers from internal incongruence that impacts the leveraging of important procurement expertise.

There is no dialog. Those public procurement units are rather independent. -- Perhaps we could create sort of shared template for some procurements so that it is not always necessary to start from the scratch. (Development Manager, Town X)

Moreover, the emerging nature of home nursing markets created the lack of good examples from home nursing procurements, which manifested itself through pricing difficulties. The lack of knowledge related to the total costs established challenges for the public procurement unit to form effective and rigor RFQ, although they did organize for the first time a technical dialog and tried to exploit the expertise of potential private organizations and prevent their pricing difficulties to become a real problem. Home nursing is nevertheless problematic for both public and private organizations and thus their inexperience related to organizing the technical dialog and thereafter forming proper RFQ and offers engendered mistakes that led first to the interruption of bidding stage and then to the predisposing problem of selecting a private home nursing provider with an under-priced offer.

Potential private home nursing provider from town Y gave ridiculous prices and ridiculous promises. They played which forced us to interrupt the bidding and organize a new technical dialog. -- Then we got new offers and we considered whether the selected offer is under-priced and now that I have discussed with multiple private service providers, home nursing is rather strange for us and them... There is not that much of experience from partial outsourcing of home nursing and that is the reason why we did not have any good examples from RFQs and at the same time from partial outsourcing. (Manager of Public Procurement Unit, Public Procurement Unit)

From the perspective of initial private home nursing provider, submitting the under-priced offer originated from their inexperience related to the home nursing procurement and the new incentive system that required them to give specific promises from their future performance.

This new incentive system requires lot from private home nursing provider, procurement expertise. (Manager of Public Procurement Unit, Public Procurement Unit)

The competitive atmosphere surrounding public procurements, reflecting the strong threat of legal acts, increased further the motivation of public procurement unit to select the 'wrong' private partner and their under-priced offer, even though they had strong hesitations.

I think we should have more boldly rejected the offer as under-priced. -- We consulted the lawyers that is it possible to reject this offer and they said that do not reject that or you will be in the Market Court. (Manager of Public Procurement Unit, Public Procurement Unit)

Figure 1 presents how the inexperience of public procurement unit and initial private home nursing provider from the partial outsourcing of home nursing and new procurement methods engendered challenges to exploit the potential of technical dialog and to select the 'right' private partner. The predisposing problems, underlying primarily the relationship of public procurement unit and initial private home nursing provider, originated from the emerging nature of home nursing markets, the organizational structures and procurement culture of town's public organizations and competitive atmosphere surrounding public procurement. The local politics impacted too the initiation of home nursing-related triadic PPP by guiding the efforts of public procurement unit to outsource home nursing.

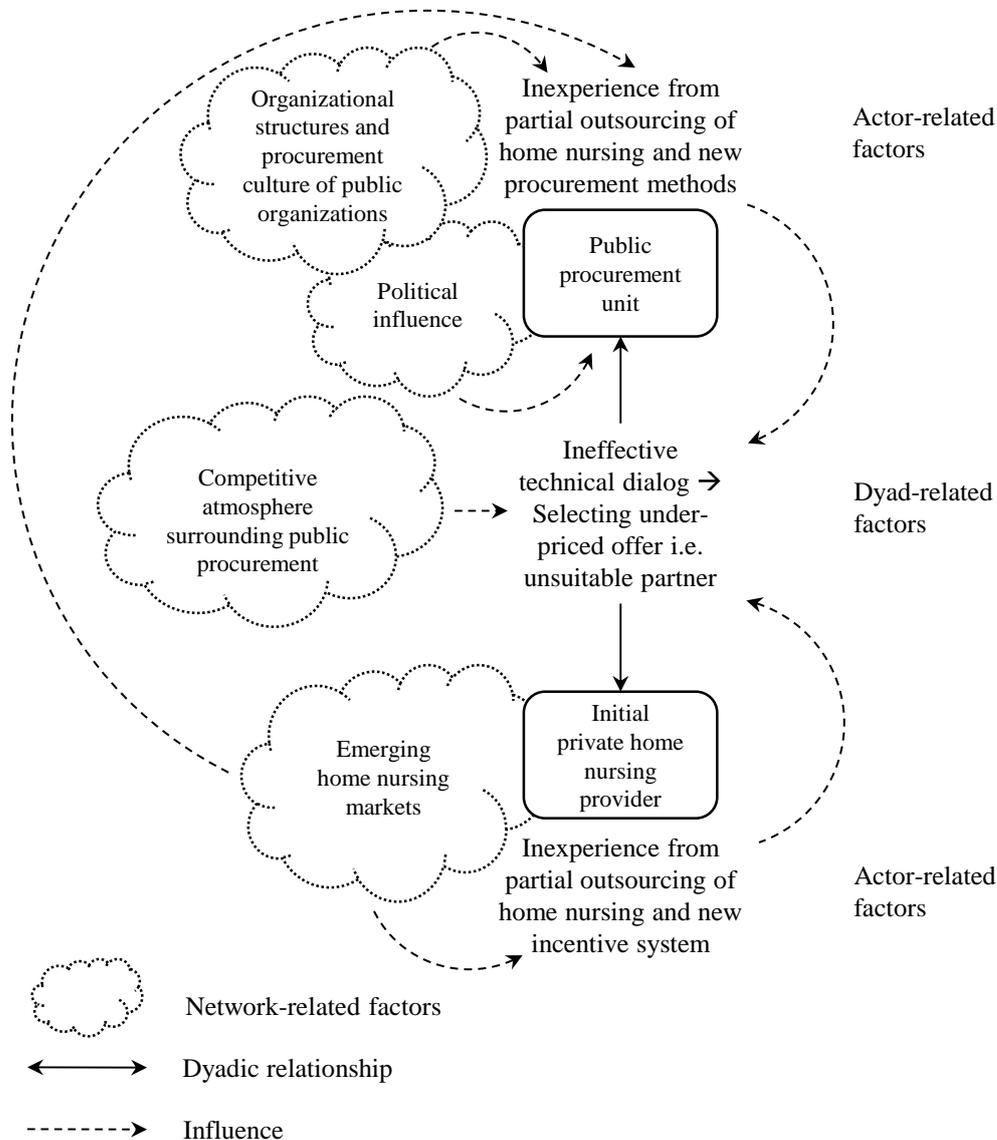


Fig. 1. Predisposing factors underlying the home nursing-related triadic PPP.

Factors intensifying the termination of initial home nursing-related triadic PPP

The precipitating problems of initial home nursing-related triadic PPP started primarily from selecting the 'wrong' private partner and their under-priced offer. That is, shortly after starting their home nursing at the beginning of 2013, the initial private home nursing provider ran up against big challenges to bring the contract into effect and fulfil their promises with the given price.

Now this initial private home nursing provider, they step into the mine by giving an under-priced offer and continued stepping into the mine by doing it poorly. (Manager of Public Procurement Unit, Public Procurement Unit)

The initial private home nursing provider delivered poor home nursing quality that generated the extensive range of reclamations from elderly persons and their relatives from different kinds of neglects and deficiencies. For example, the reclamations related to the inadequate visits to elderly persons' homes or they did not meet the requirements of their home nursing plans.

They had problems to adhere to the contract. -- I remember that lots of reclamations emerged and I guess there is a limit for reclamations too. -- Lots of deficiencies and neglects occurred. (Service Manager II, Public Home Nursing Unit)

Feedback related to the undone tasks and inadequate home visits, the hastiness of nurses, the availability of private home nursing provider, knowledge sharing problems and that the private home nursing provider did not nominate nurses to their patients. (Newspaper 20.3.2013)

The problems of initial private home nursing provider emerged from internal recruitment and HRM problems because they had difficulties to hire good nurses and keep them, particularly as they tried to perform home nursing arguably with too remote number of nurses.

The recruitment of new staff must have been a stumbled process. It was still evident as I started at this position. -- When this new private home nursing provider started, they took the existing staff and with this staff it was hard. Altogether the recruitment and how it was managed must have been the main reason for the initial private home nursing provider to fail. (Manager of Home Nursing Unit, Public Home Nursing Unit)

At the beginning, we increased clearly the number of nurses. That was the first thing what we did. They clearly did not have enough nurses because they did morning visits still at the evening time. (Team Leader, New Private Home Nursing Provider)

The staff members of town's home nursing hampered too the private organization's efforts to perform high-quality home nursing by resisting sharing their tacit knowledge. This type of knowledge exchange is important as home nursing nurses must know the patients and their individual habits. The strong resistance towards the partial outsourcing existed particularly at the beginning as it required strong adjustments to public home nursing.

At the beginning, the faltering did not just emerge from the badness of initial private home nursing provider. There was also our own public home nursing staff, their sort of inability to collaborate. -- I think the staff of public home nursing was displeased and they were not happy to transfer these two home nursing districts to them. (Manager of Public Procurement Unit, Public Procurement Unit)

Nonetheless, although harmful, the reclamations and the performance failures itself did not terminate the triadic relationship, but the inability and attitude of initial private home nursing

provider to rectify them. During the procurement implementation, to resolve the unexpected tensions between the two parties of triadic PPP and improve the quality of home nursing, the public procurement unit that monitored the contract started particularly to negotiate with their private partner. Instead of resolving the reclamations and other problems, the initial private home nursing provider denied the problems to exist and they constantly broke their promises to rectify them. Furthermore, the new incentive system included high penalties from breaking the given promises, for which the initial private home nursing provider argued highly against off, therefore reflecting their inability to collaborate. This impacted the trust and working atmosphere between the three parties and it forced the public procurement unit to give strong threat for the notice of rescission.

Nothing that they promised was kept. The staff was extremely distressed with that constant customer feedback. The monthly meetings with them were chaotic and they admit nothing. They did not see anything wrong in their performance and they tried to contest the penalties all the time. (Manager of Home Nursing Unit, Public Home Nursing Unit)

The town has asked reports from these reclamations and how they are fixed. Reports from reclamations have been received but the private home nursing provider has not been capable of realizing these required improvements that impact the quality of home nursing. (Newspaper 14.6.2013)

There was just too much reclamation. -- It was crushing and so true that we could not listen that anymore. Therefore this notice of rescission... Giving this type of notice is truly exceptional... (Manager of Public Procurement Unit, Public Procurement Unit)

The explosive situation between the three parties got aggravated by external parties as local politics started to receive feedback from their community. The poor quality of home nursing established critical writings at the newspapers during the spring 2013 and created pressure for politics and the public procurement unit to remedy the existing problems. Regardless of the restoring efforts of public procurement unit, the initial private home nursing provider was incapable of delivering feasible plan to resolve the problems and thus the public procurement unit nearly terminated the home nursing contract. As this presented though rather undesirable result for either party, to retain their reputation, the initial private home nursing provider sacrificed the contract to a new private organization at the end of 2013.

Figure 2 demonstrates how the problems within and between the initial private home nursing provider and the public home nursing unit precipitated the initial home nursing-related triadic PPP to its breakage. It shows performance failures, emerging from the internal resistance of public home nursing towards the outsourcing and the recruitment and HRM problems and poor conflict solving of initial private home nursing provider, together with the unsuccessful restoring efforts and the pressure from the network level, to increase the lack of trust between the three parties and intensify the termination of initial triadic PPP.

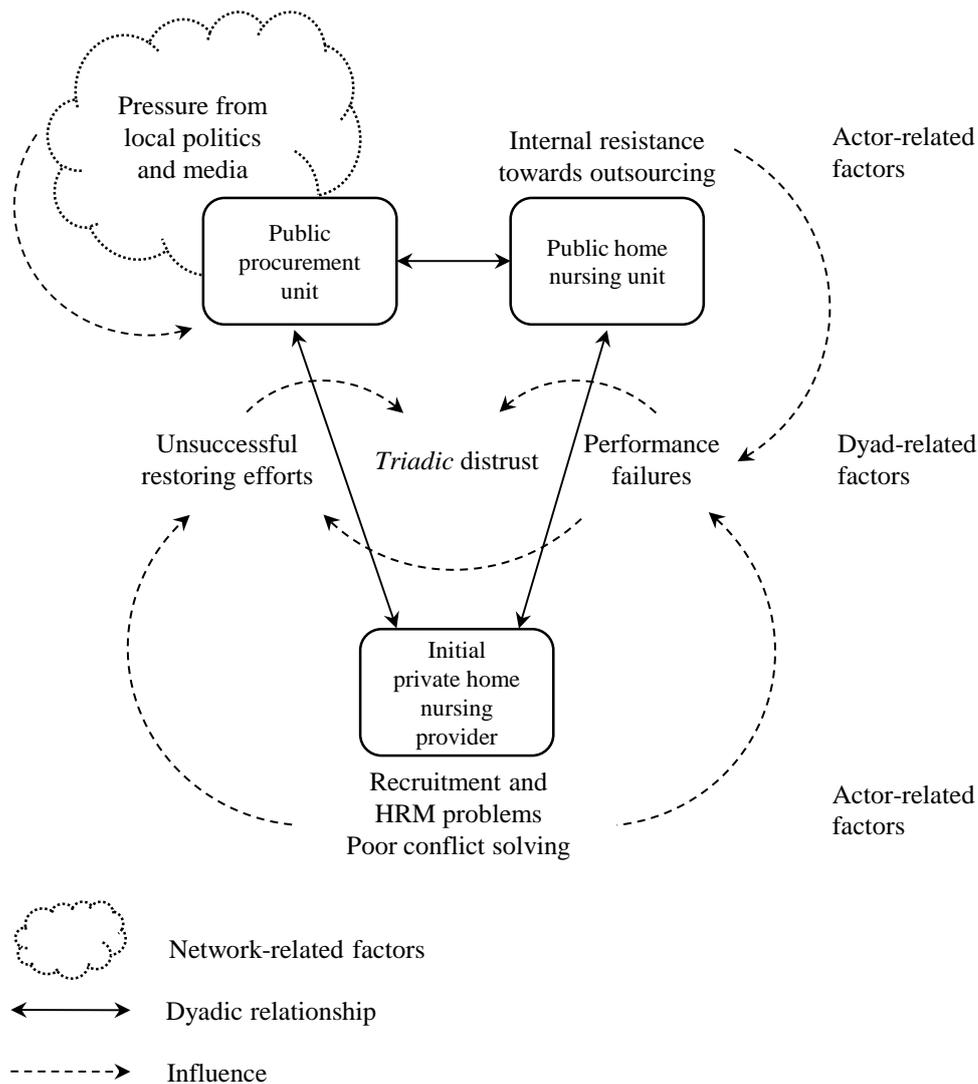


Fig. 2. Precipitating factors intensifying the termination of initial home nursing-related triadic PPP.

Life with the new private home nursing provider

The new private home nursing provider took the charge from the two home nursing districts of town X at the end of 2013 through transaction. Although the new private home nursing provider recognized this transaction unprofitable, their interpersonal relationships with the public procurement unit and prior failures at emerging home nursing markets tempted them to help their long-term public partner and learn more from home nursing.

There were multiple things that needed considering. First, town X is an important customer for us and we appreciate the work that this particular public procurement unit has done... -- I thought that this is a good test field for us to see whether we have learned anything from the past, whether home nursing markets has developed somehow and this is a good test laboratory for us to see whether we can do this (Chief Executive Officer, New Private Home Nursing Provider)

The local politics and the inhabitants of town X impacted the initiation of the new triadic relationship by pressuring the public procurement unit to remedy the problems related to the home nursing. Particularly the inhabitants had strong reservations whether anything is going to change just by substituting the initial private home nursing provider with the new private organization. Therefore, the two public units had strong need to succeed and learn from the

mistakes with the initial private partner. This impacted the working practices within the new home nursing-related triadic PPP.

They took our message seriously that it is not possible to fail at customer level. -- Therefore those pretty heavy structures emerged and they have been really useful that they emerged at that point of time... -- If we would have failed, we would have received lot of feedback from multiple directions. (Manager of Public Procurement Unit, Public Procurement Unit)

This type of background for relationship initiation facilitated the public procurement unit and the new private home nursing provider establish shared understanding and jointly agree on relationship goals. The parties share their responsibility from the rehabilitation of elderly persons and particularly the interest to improve home nursing and the emerging home nursing markets, which has led to the strategic level knowledge sharing routines between the public procurement unit and the new private home nursing provider. The jointly agreed goals and knowledge sharing between the two parties reflect their efforts to reach mutual learning and joint satisfaction.

Together we have tried to improve home nursing as a business. They have interest towards it and we have interest towards it. -- We have shared information for example from the processes of public home nursing, financial figures. They have done that as well, they talk openly about these things. -- We have tried to create win-win situation that with the same information, they can improve their business and we can improve our own home nursing. (Manager of Public Procurement Unit, Public Procurement Unit)

The shared understanding between the two parties from relationship goals has supported the implementation of high-quality home nursing and trust development within the three parties of triadic PPP. It helped the parties understand the expectations that their partners have towards them and how their individual efforts contribute to these jointly agreed goals.

If you have shared understanding from key things, you trust that you pay attention to those things and then again the private home nursing provider pays attention to them. (Manager of Home Nursing Unit, Public Home Nursing Unit)

I know what they are expecting from us... We understand their strategy and they are pretty open about what is our role in that. (Chief Executive Officer, New Private Home Nursing Provider)

The unexpected problems with the initial private home nursing provider during the spring 2013 gave though rise to the tighter monitoring of new partner, for which the new private home nursing provider has responded by supervising carefully the good quality of their home nursing and the interaction between them and the two public units. At length, they encourage their staff members to impact the practices how home nursing is implemented and nominated the specific nurse to coordinate the home nursing within the two outsourced districts and to enrich their day-to-day communication to the public home nursing unit. The empowering and trustful organizational culture facilitates this effort by stressing the internal entrepreneurship, revealing new methods to perform home nursing resiliently, but effectively. This has had effects to the home nursing-related triadic PPP as the internal practices of private partner has improved further the quality of home nursing.

Furthermore, the intensive interaction and knowledge sharing routines between the private home nursing provider and the public home nursing unit include taking part of monthly meetings to settle different kinds of problems and to react to the required changes at home nursing. In these meetings, the parties resolve reclamations and other problems professionally through open discussions and the new private partner confronts problems proactively, instead

of hiding things embarrassing for them. That is, the new private home nursing provider brings initiatives unpleasant things forward to improve their performance and build the trust of two public units towards them.

It feels that with this private home nursing provider it is possible to develop mutual trust. -- Through their monitoring, they bring forward these unpleasant things and they do not try to hide them. Those things are talked freely. -- It affects as then it is not necessary to doubt. (Manager of Home Nursing Unit, Public Home Nursing Unit)

Things that they are not even familiar with are brought forward. -- No matter what those things are, we respond to them properly and we always try to improve our performance. -- Communication between us is open and I do not feel that if something happens that I cannot say anything or that I cannot tell that something happened. -- They have given us constructive criticism, but I have never felt that they think that we cannot do this. (Regional Manager, New Private Home Nursing Provider)

The parties are thus drawing a trustful working atmosphere that permits them to give honest and constructive feedback back and forth and it has partly reduced the need to monitor home nursing at different organizational levels.

Now that this trust has emerged and everything has progressed well, I have taught that as a manager I could step aside from these operational level monthly meetings. (Manager of Home Nursing Unit, Public Home Nursing Unit)

Figure 3 shows that the high-quality home nursing is the result of shared understanding from jointly agreed relationship goals, emerging from the need to repair the problems within the home nursing of town X and the interest to develop the emerging home nursing markets, and it rests on reciprocal knowledge sharing routines to coordinate the implementation of home nursing and the monitoring and proactive conflict solving of new private home nursing provider. This engenders the trust between the three parties of home nursing-related triadic PPP and reflects the trust to attenuate the effects of predisposing and precipitating factors and help parties manage their triadic relationship. The shared understanding and jointly agreed relationship goals existing initially between the public procurement unit and the new private home nursing provider impacted thus the quality of home nursing and triadic trust.

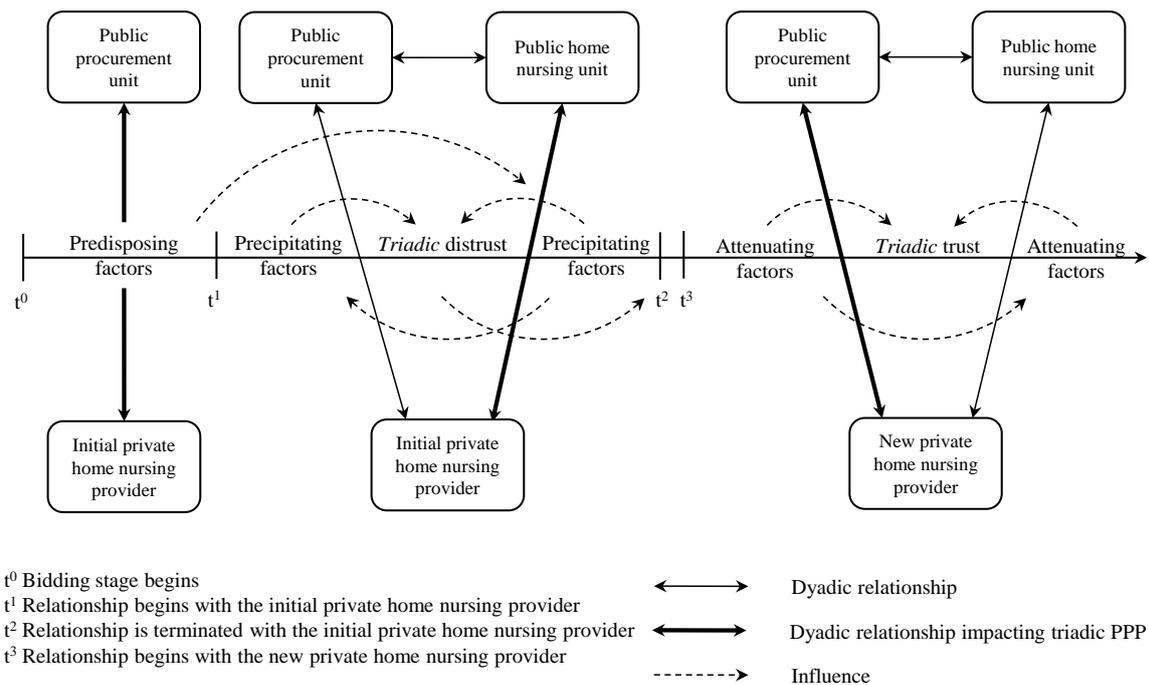


Fig. 4. The initiation and termination of home nursing-related triadic PPPs within the time frame.

DISCUSSION

With the purpose of understanding the managing of PPPs in centralized public procurement, this research explored the factors contributing to the initiation and termination of home nursing-related triadic PPPs, thus unfolding the dynamics of triadic PPPs. First, the research presents the *predisposing factors* underlying the relationship of public procurer and private organization to engender problems between the parties of triadic PPP during the procurement implementation. The *inexperience* of public and private organizations related to the public procurement (Young 2008) predisposed the triadic PPP to break by establishing challenges to exploit new public procurement methods and inducing the public organization to award the contract to an *unsuitable private partner*. Private organizations hold therefore an important and influential role in public procurement (Zhang 2005^a), but choosing the 'right' partner can be challenging (Lawther & Martin 2005).

Traditional public procurement tends to produce ineffective results and thus new procurement methods are needed to permit negotiations between public and private organizations (Lawther & Martin 2005). In this research, the exploitation of these methods is perceived difficult for multiple reasons. For example, the *competitive atmosphere surrounding public procurement* is found to impact the bidding stage and tempt public procurer to initiate relationship with the lowest bidder by increasing the threat of complaints. Instead of strict bureaucratic public procurement framework that is known to establish hesitation to employ innovative public procurement (Erridge & Greer 2002), private organizations and particularly rivalry between them impact the efforts of public organization to procure differently.

Interestingly, the inexperience related to the partial outsourcing of home nursing originated primarily from the *emerging nature of home nursing markets*. That is, the public procurement unit and potential private organizations suffered from the lack of good examples related to the home nursing procurements, which established challenges to estimate the total costs of home nursing and form rigour RFQ and offers. Public organizations are recognized to shape private

markets through their procurement procedures (e.g., Edler & Georghiou 2007; Ulkuniemi et al. 2015). The markets and how they shape PPPs and public procurements has nonetheless remained unexplored. This research suggests that the state of private markets impact public procurements and bring divergent types of challenges to the initiation of PPPs. In particular, the characteristics of emerging markets complicate the preparation of tendering reports and emphasize the public procurer to determine the needs and tools to remedying them together with private organizations.

The research at hand shows the *organizational structures* and *procurement culture of public organizations* to hinder the effective interaction and knowledge sharing within and between public procurers and private organizations and generate problems to utilize new interactive procurement methods. Erridge and Greer (2002) characterize the culture of public sector to promote organizational authority that creates strong resistance towards collaboration between public and private organizations and challenges to manage PPPs (e.g., Schotanus et al. 2011; Smyth & Edkins 2007; Zhang 2005^b). This research detects therefore *political influencing* necessary to impact the culture of public organizations and to motivate them to procure more innovatively. The finding reasserts the view of Jacobson and Choi (2008) proposing political support important for PPPs.

Second, the research demonstrates the *precipitating factors*, existing primarily between the private organization and the public unit managing the public procurement implementation, to intensify the termination of triadic PPPs. At length, the *performance failures* (Young 2008) emerging from the *internal resistance* of public home nursing towards the outsourcing and the *management problems* (Reijniers 1994; Young 2008) and *poor conflict solving* of private partner that together with the *unsuccessful restoring efforts* and *network-related pressure* established distrust between the three parties and precipitated the initial triadic PPP to its termination. The distrust between the two parties influenced the triadic trust (Svensson 2004), which is critical for relationship existence as it tends to direct partners towards constructive solutions (Håkansson & Snehota 1995). Furthermore, the research finds local politics and the inhabitants of municipalities to function as network-related factors that intensify the tensions within PPPs and hasten their termination because public organizations possess liabilities towards political authorities and their local communities (Erridge & Greer 2002; Wang & Bunn 2004).

Third, the *attenuating factors* between the public procurer and the private organization are identified to contribute to the initiation of triadic PPP. The *shared understanding from jointly agreed relationship goals* (e.g., Jacobson & Choi 2008; Jamali 2004; Lawther & Martin 2005; Zou et al. 2014) support the public procurement and the development of *triadic trust* (Svensson 2004) between the parties (e.g., Erridge & Greer 2002; Jacobson & Choi 2008; Jamali 2004; Lawther & Martin 2005; Rees & Gardner 2003; Smyth & Edkins 2007) by facilitating reciprocal knowledge sharing, tight monitoring and proactive conflict solving. The shared understanding functioned as a mechanism to establish trust and control service quality (see van Iwaarden & van der Valk 2013). The goal setting between the parties of triadic PPP is influenced by the state of *home nursing markets*. The three parties shared their interest to impact the emerging home nursing markets, which underlines the parties to shape the market structures together (Håkansson 1982). Hence, the challenges that emerge from the market characteristics are suggested not just to complicate the initiation of triadic PPPs, but to glue parties together, if potential threats are recognized and considered as an opportunity, instead of problem.

CONCLUSIONS

This research contributes to the PPP literature by employing triadic perspective to understand how relationships between public and private organizations are managed in centralized public procurement. The purpose of this research related to identifying the factors contributing either to the initiation or termination of triadic PPP at the home nursing context. This extends the understanding from triadic PPPs by addressing the perspectives of three parties on the public procurement process and exploring the ways through which these factors impact the triadic relationship. The research distinguishes both the factors engendering and intensifying the termination of triadic PPPs and the factors promoting the initiation of triadic PPPs, thus increasing the knowledge from managing triadic relationships between public and private organizations. A further contribution of this research emerges from its research setting that explores the multiplicity of influencing factors by examining the contextual and temporal embeddedness of triadic relationship within its network structure.

The research investigates the ongoing tri-partite interaction at service outsourcing context, which permits contributing to the research on triadic relationships and their dynamics. In particular, the research identifies the factors underlying the relationship of two parties to impact the triadic relationship. It shows that service relationship structures between the three parties are dynamic (e.g., Li & Choi 2009; Holma 2012) by underlining the events of dyadic relationship and its external network to either promote or inhibit the initiation and termination of triadic PPP. Furthermore, although there are few research examples related to service triads (e.g., Choi & Kim 2008; Gutek et al. 2002; Holma et al. 2015; Li & Choi 2009; Nätti et al. 2014; Salo et al. 2009; van Iwaarden & van der Valk 2013; Wynstra et al. 2015), research on triadic relationships at service context, particularly at public setting, is still rare.

Implications are provided for managers of public and private organizations seeking to initiate and manage PPPs in centralized public procurement. The research provides tools to recognize factors that might impact public procurements and related triadic relationships. Analysing the effects of these factors helps specify the factors promoting the initiation and intensifying the termination of relationship and develop solutions to strengthen and restore the relationship. The trust is stressed to moderate the underlying and unexpected problems between public and private organizations and help parties manage PPPs. To establish trust, managers should take notice to their honesty and establish shared understanding and jointly agree on relationship goals between the three parties. In public procurement setting, this requires the movement away from traditional regulating procedures to more collaborative negotiations at the bidding stage. The findings of this research suggest that managers must also understand how their dyadic relationships impact the management of triadic PPP. This requires the three parties to communicate and coordinate their collaboration strongly as it permits them to create shared understanding and establish triadic trust.

The reliability of the research is increased by choosing thoroughly the research setting and its interviewees. Moreover, utilizing different data types triangulates the data and describing the research design helps reader to understand and repeat the research. The primary limitation of this research relates to the data set that for sensitive reasons captures the perspective of initial private home nursing provider merely indirectly. By taking the responsibility from the contract, the new private partner agreed though to perform home nursing with the existing provisions and staff. This helped them understand the internal problems that the initial private home nursing provider had and suggest how they impacted the initial home nursing-related triadic PPP. The interpretations related to the termination of initial triadic PPP are supported

by local newspaper articles, confirming the chain of events that happened with the initial private partner.

Aligning with Havila et al. (2004) that suggest triadic perspective useful for relationships involving intermediaries, research that explores centralized public procurement and related relationships as triads is recommended. The future research should include different kinds of public procurement contexts to increase the understanding from the complexity of triadic PPPs and identify thoroughly the reasons for other relationships to fail while others success. Additionally, research on how the characteristics of private markets impact the managing of PPPs is needed too.

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