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**PREPARING FOR COMPETITIVE TENDERING:
LEARNING OPPORTUNITIES FOR PUBLIC PROCURERS**

Anne-Maria Holma, University of Vaasa
anne-maria.holma@uva.fi

Anne Söderman, University of Vaasa
anne.soderman@uva.fi

Johanna Sammalmaa, University of Turku
johanna.sammalmaa@utu.fi

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ABSTRACT

The preparatory phase of public competitive tendering (actions taken before the contract is signed) lacks the same stringent regulations that restrict public procurement practices in general. However, the possibilities to develop this phase together with suppliers in order to find the best solutions to the end-customers' needs may not be fully exploited. By applying inter-organizational learning theories, we set out to investigate the opportunities for learning that the preparatory phase provides. Our qualitative research is based on longitudinal case studies and action research approach. We explore and compare preparatory phases of six different competitive tenderings in three Finnish municipalities, and suggest joint activities that would promote learning.

Keywords: public procurement, preparatory phase, competitive tendering, inter-organizational learning.

INTRODUCTION

The importance of public procurement markets to the economy at the EU level is significant: public procurement (excluding utilities and defense) accounted for approximately 13 % of EU GDP in 2014. In Finland the percentage was 18,5 %, and the estimated value of total public procurement continues its increasing trend at the EU wide level (EU Commission, 2016). Legally public procurers are expected to organize their procurement processes economically and systematically (Act on Public Contracts 348/2007, 2§). In addition, they are expected to use the possible partnership opportunities when possible (Erridge and McIlroy, 2002). However, EU directive on public procurement (Directive 2004/18/EC) and national law (the Act on Public Contracts 348/2007) that control public procurement are often seen as reasons for lacking collaboration. Moreover, the operating framework and culture of the public sector have hindered the development of inter-organizational relationships between public and private sector (Erridge and Greer, 2002).

Public procurers buy an increasing number of goods and services from the private sector suppliers (Arnbjørn and Freytag, 2012), a fact that calls for research and tools to develop public procurement processes and cooperation between procurers and suppliers. An important phase in buyer-supplier relationships, both in public and private sector, is the “pre-relationship phase” (Ford, 1980), or the “initial phase” (Edvardsson et al., 2008), which has obtained only limited attention in academic research (Perna et al., 2015). Relationship lifecycle studies in the private sector typically include relationship development phases during which relationship begins, develops and terminates. Dwyer, Schurr and Oh (1987) discuss the initial phase as “the awareness phase”, which refers to “party A’s recognition that party B is a feasible exchange partner” (p. 15). Also Heide’s model (1994a) starts from a phase named awareness. Noble and Jones (2006) have conducted a study of roles and behaviors of boundary spanning managers in voluntary partnership establishment during different stages of relationship initiation, which they name: “pre-contract, trawling, sizing-up and structuring the partnership stages”. In the public sector, Lowndes and Skelcher (1998) use the term “pre-partnership” in their study of multi-organizational partnerships involving business, community, non-profit agencies and government bodies.

The focus of our study is on the actions that public procurers take before launching the formal competitive tendering process. We use the term “*preparatory phase*” for these activities. The preparatory phase lays the foundations for a successful procurement and mutually beneficial contract period. Prior research has noticed the importance, and at the same time the scarce research on the activities during this phase. For example, the process of identifying a partner calls for more research (Kadefors et al., 2007; McCutcheon and Stuart, 2000). It has also been noticed that selecting the best possible supplier in terms of their capabilities may be one of the most important functions in strategic purchasing (De Boer et al., 2001; Kannan and Choon Tan, 2006).

Public procurement in general is strictly regulated. However, the preparatory phase is an exception. Studying the preparatory phase in public procurement is topical, because the New EU directive on public procurement (Directive 2014/24/EU), which was published in 2014 and came in force in April 2016, include for the first time specific articles (Articles 40 and 41) concerning the possibility to enter into a dialogue with potential suppliers during the preparation phase. Thus, the Finnish national law currently does not regulate the interactions before publishing the contract notice or before launching a procurement procedure, as long as the general legal principles of EU law i.e. principles of equality, transparency, proportionality and non-discrimination are followed, and competition is not distorted. The observation that law as it currently is does not regulate the

preparatory phase of competitive tendering (considering the above mentioned) motivates us to study how public procurers and suppliers could take advantage of this phase to develop public services and procurement processes. More precisely, *the purpose of our research is to investigate the opportunities for information exchange and learning during the preparatory phase.*

Studies of learning in public procurement and particularly learning related to the preparatory phase are lacking. Existing studies have their focus rather on complex long-term public-private partnership (PPP) projects (see for example Zheng and Caldwell, 2008, for a study of a 30-year contract) than on regularly occurring procurement processes, such as our cases. In contrast to private sector tenderings, there is necessarily no particular event or dissatisfaction with the present supplier as a motivation to change a supplier and initiate a new relationship (Andersen, 2001). Competitive tenderings of procurements exceeding the national or EU threshold are compulsory even though the buyer would be satisfied with the current supplier.

The preparatory phase of competitive tendering process is challenging from the learning perspective. It is difficult to build trust and share information when the potential cooperation is determined by compulsory and bureaucratic competitive tendering process and the ex-ante contract period for cooperation is relatively short (Erridge and Greer, 2002). Therefore, it is important to exploit the opportunities to develop the preparatory phase, and apply the learning in the frequently occurring tenderings. Our qualitative and exploratory research is based on longitudinal case studies, where we apply action research approach. We explore and compare six competitive tendering processes in three Finnish municipalities. The data consists of observations, interviews, workshops, documents related to the tendering processes, and EU directives concerning the preparatory phase. We will draw upon inter-organisational theory and in particular theoretical notions on business relationships and networks (see e.g. Gadde, Håkansson and Persson, 2010; Håkansson and Snehota, 1995) and inter-organizational learning (Dyer and Singh, 1998; Selnes and Sallis, 2003).

The study contributes to the research on purchasing and supply management in the public procurement context, focusing especially on the preparatory phase of the competitive tendering process. Our findings offer a number of managerial implications of how to develop the preparatory phase, and how to exploit the opportunities for inter-organizational learning.

The paper is structured in the following way. First, we discuss the theoretical foundations of the research: learning in the early buyer-supplier interaction, and the challenges of learning in the public context. Second, we explain the research methodology. Third, we describe the case organizations and the preparatory phases of the competitive tenderings that are the subjects of our study. Thereafter follows analysis of the cases and summary of the findings. Finally, we conclude the study and suggest avenues for further research.

LEARNING IN EARLY BUYER-SUPPLIER INTERACTION

Knowledge and information sharing enables the generation of resources and skills crucial for product and service co-development (Littler et al., 1995; Luzzini et al., 2015; Schiele, 2006; Zhao and Lavin, 2012) and product innovation (Sjoerdsma and van Weele, 2015). Consequently, inter-organizational learning in existing relationships has been widely studied in several contexts, for example, in buyer-supplier relationships (Selnes and Sallis, 2003), strategic alliances (Larsson et

al., 1998), inter-organizational networks (Håkansson et al., 1999; Johanson and Vahlne, 2003; Knight, 2002), and supply chains (Spekman et al., 2002). In buyer-supplier relationships, learning capability has been recognized to provide collaborative advantages both to buyers and suppliers (Dyer and Singh, 1998; Easterby-Smith et al., 2008; Håkansson et al., 1999). Inter-organizational learning is a desired extension of organizational learning; learning about partners allows organizations to respond better to each other's needs and to markets' demand (Mohr and Sengupta, 2002). Suppliers' involvement in the buying firm's product/service design will help buyers to improve their services, especially at the early phases of the relationship (Carr and Kaynak, 2007; Gentry, 1996), and suppliers' knowledge about their customers helps to provide and develop valuable products and services, and to select the best solutions to meet the customer's needs (Selnes and Sallis, 2003). The motives for creating strategic alliances are often linked to the partner organizations learning of how to improve their operations through cooperation (Larsson et al., 1998). In inter-organizational networks, companies have built special relationships with universities and other knowledge institutes to form special knowledge networks (Håkansson et al., 1999). Learning is found to be also a key component of supply chain competence in gaining sustainable competitive advantage (Spekman et al., 2002).

Information sharing, dialogue, and the integration of knowledge related to specific relationships are the prerequisites for learning (Selnes and Sallis, 2003). *Information sharing* in customer-supplier relationship is a starting point for learning: two organizations must exchange information to coordinate and plan their cooperation to achieve operational productivity (Anderson and Narus, 1990). Willingness to exchange information may be a key criterion also when screening for potential suppliers (Dyer, 1997). *Dialogue* within the relationship allows interpretations and sense making of the shared information and prevents misunderstandings and wrong expectations (Kwon, 2008). Ylimäki and Vesalainen (2015) highlight the importance of timely, goal-oriented and thematically bounded conversations that merge the knowledge of the involved parties. *Knowledge is integrated* in relationship-specific memories both at individual level and organizational level. A firm's capacity to learn from its partners is affected by its ability to integrate the information, and to transform and transfer it internally among organizational members as knowledge (Spekman et al., 2002). Individuals preserve information based on their direct experiences and observations, which they store in their memories as cognition, beliefs, and values. At the organizational level, memory is decentralized and manifest in several places throughout the organization. This memory includes organizational beliefs, behavioral routines, and documentation of information (Lukas et al., 1996; Moorman and Miner, 1997).

The buyer needs both direct and indirect capabilities to be able to specify the needed products or services, and to know about the suppliers' possibilities to provide these services (Loasby, 1998). Indirect capabilities are linked to network capability, i.e. the ability to build, handle and exploit relationships (Lambe et al., 2002; Lorenzoni and Lipparini, 1999; Ritter and Gemünden, 2003). However, learning capabilities in inter-organizational relationships vary due to, for example, the level of trust, organizational culture, and governance mechanism. First of all, a certain level of *trust* is needed before any deeper learning can take place. Open communication and information exchange enhance trust building and commitment, and the willingness to knowledge sharing and close interactions (Håkansson et al., 1999; Slater and Narver, 1995). Trust develops over time, which is a challenge for learning in the early buyer-supplier interactions. Fear of knowledge spillover that could turn a partner to a competitor can hinder collaboration (Melander and Lakemond, 2015; Melander, 2014; Mohr and Sengupta, 2002). Thus, ensuring potential partners

that knowledge will be protected, and at the same time enhancing partners to contribute valuable knowledge to the collective good is a key challenge. The importance of trust may be difficult to understand if buyers and suppliers have traditionally engaged in arm's length relationships, because of potential risks connected with knowledge transfer (Mohr and Sengupta, 2002; Spekman et al., 2002). Rules may be created to restrict the engagement in behavior where little or no valuable knowledge is shared (Dyer and Nobeoka, 2000; Dyer and Singh, 1998; Janowicz-Panjaitan and Noorderhaven, 2009).

Second, inter-organizational learning capability ascends from intra-organizational *learning oriented culture*. Loasby (1998) discusses direct and indirect buyer capabilities, and “knowing what” and “knowing how” to buy. Direct capabilities refer to what the buyer knows and can produce within own organization. Indirect capabilities refer to knowing where to find knowledge and how to get things done in the external organization or network (Loasby, 1998; Wynstra et al., 2015), referring thus to the capability to select the best suppliers, and to assess and utilize their capabilities in the context of outsourced services. A culture that is supportive to trusting behavior, openness, and experimentation is more disposed to learning than a culture with more arms-length interaction (Selnes and Sallis, 2003; Spekman et al., 2002; Wathne et al., 1996). Easterby-Smith et al. (2008) argue that inter-organizational knowledge transfer is more difficult than intra-organizational knowledge transfer. However, these two are related (Easterby-Smith et al., 2008; Holmqvist, 2003), and interactions within and between organizations should be the units of analysis when studying organizational learning processes (Holmqvist, 2003).

Third, *governance* mechanism has an essential role in inter-organizational learning (Hernández-Espallardo et al., 2010). Mohr and Sengupta (2002) highlight the need for correct understanding of the link between governance mechanism and the underlying conditions for inter-organizational learning, and the importance of matching the governance mechanism with the learning intentions of the partners. Unilateral governance, which is based on one party's controlling authority, inhibits inter-organizational learning. Bilateral governance, which is based on mutual relational norms, in turn, facilitates learning. Mohr and Sengupta (2002) distinguish between two distinct views of inter-organizational learning. The “rosy view” focuses on the potential benefits and overlooks the risks that relational partnership may cause. The more “risky view” sees the risks in inter-organizational learning and may adopt arms'-length governance structures to limit unintended information leakage (ibid).

Also the features of the purchased product or service have an impact on learning and the type of information that is exchanged. Less learning is presumed to occur if the product or service is standardized (Araujo et al., 1999; Bångens and Araujo, 2002; Håkansson et al., 1999). Standardized product knowledge includes mainly explicit knowledge that can be written down, encoded, replicated and explained (Mohr and Sengupta, 2002). More specialized and complex products, services or solutions need to be discussed in detail, which enhances learning (Bångens and Araujo, 2002; Håkansson et al., 1999). The knowledge needed in complex solutions is generally tacit knowledge which is related to the ways of approaching and solving problems and continuous improvement techniques (Mohr and Sengupta, 2002). Explicit knowledge is more dangerous to transfer than tacit knowledge, because explicit knowledge can be replicated more easily (Becerra et al., 2008).

In sum, finding suppliers that are organized to meet the buyer's requirements for quality, delivery, flexibility, and cost reductions is a challenge. Furthermore, building trusting relationships that

enhance inter-organizational learning already in their early phases is demanding, because learning also includes risks, for example, the fear of losing important knowledge to competitors. To maximize the benefits of learning and to minimize the risks, the learning organizations' governance mechanisms must be matched. In the following, we will focus on the public sector, and the opportunities and challenges of learning at the preparatory phases of competitive tendering.

CHALLENGES TO LEARNING AT THE PREPARATORY PHASE

In public procurement context, the EU directive that control public procurement may motivate procurers to apply the “risky view” in inter-organizational learning to ensure that no unintended information leakage occur (Mohr and Sengupta, 2002), and thereby guarantee that the principle of equality is fulfilled. In the private sector, early interaction with potential suppliers has been noticed to be important for several reasons, for example, to obtain and transfer new knowledge, and to gather relevant information about new businesses (Corsaro et al., 2012), available markets, product innovations and quality improvements (Uyarra and Flanagan, 2010; Walker et al., 2013). In public context, interaction before the launch of the procurement procedure has been acknowledged to help the contracting authority to prepare for the specifications and conditions for procurement, and to ensure that a supply market exists, and that the specifications and terms are appropriate (Arrowsmith, 2014). Moreover, dialogue between the public buyer and suppliers during the preparation phase is important since the regulation provides no or only limited possibilities to do so during the competitive tendering process, and there are few possibilities to adjust the contents of the contract after it has been signed (Directive 2014/24/EU Article 72; Rönnbäck, 2012). It has also been argued that discussions with suppliers during the preparation phase not only contribute to the development of the details of the contract, but also contribute to other national procurement objectives, including value for money and integrity (Arrowsmith, 2014).

However, prior research on public procurement addresses a number of concerns that may prohibit information exchange and learning. These concerns are related mainly to corporate culture and lacking buying capabilities and skills (Erridge and Greer, 2002; Lian and Laing, 2004; Rönnbäck, 2012). *Public sector culture* is claimed to be risk averse, bound to rules, and featured by resistance to change. Also, competitive tendering is claimed to lead to inflexible application of tendering procedures for low-value items, and to involve too many suppliers (Erridge and Nondi, 1994). Competitive tendering and short-term relationships exist also in the private sector, but cooperation tends to be more often long-term and based on trust and shared risks (Ford et al., 2009; Gadde and Snehota, 2000). A number of studies argue that public procurers are concentrating primarily on defining the objectives to be achieved in terms of public interest, quality of products or service, and pricing policy (Bergman and Lundberg, 2013; Erridge and Greer, 2002; Erridge and McIlroy, 2002; Essig and Batran, 2005; Lian and Laing, 2004).

Public actors are claimed to lack *purchasing skills*, since they often have only administrative managerial staff in the procurement group. In the private sector, buyers are more likely to engage professionals to discuss the practical needs with administrative managerial staff (Lian and Laing, 2004). In buyer-seller interactions, the role of border agents (Cabanelas et al., 2013), boundary spanning agents (Hald, 2012; Zhang et al., 2015, 2011), and boundary spanning managers (Noble and Jones, 2006) working at the interface of the two organizations, is important in inter-organizational learning and in capability building. Furthermore, in the public sector (in long-term

projects), compared to the private sector, the expertise is more often tied to key individuals (Zheng and Caldwell, 2008). Hence, Williams (2002) highlights the abilities and personal characteristics such as building and sustaining relationships, managing with non-hierarchical environments, managing complexity and understanding motives, roles and responsibilities.

Public buyers have extensively initiated in getting training and professional development in market management, specification, tendering process, negotiations regulation and monitoring (Roodhooft and van den Abbeele, 2006). However, Errigde and Greer (2002) emphasize the need to develop social capital in order to reduce the common culture of distrust. Social capital provides a more supportive environment for cooperation, because of growing need for communication and feedback mechanisms. For example, positive social values, such as supporting local and domestic entrepreneurs would require deeper buyer-supplier relationships and knowledge of these suppliers' resources (Karjalainen and Kempainen, 2008; Loader and Norton, 2015; Walker et al., 2008). Most local entrepreneurs are small and medium sized companies with limited resources and legal expertise to be able to involve in public supply (Karjalainen and Kempainen, 2008). Also Caldwell et al. (2005) suggest new skills for procurers, such as team working and dissemination skills, highlighting softer rather than technical skills. Public actors increasingly collaborate together to buy services and products by forming purchasing groups to develop the services and service processes (Schotanus et al., 2011). Yet, the development targets in these groups are not typically related to interaction and learning from or with suppliers.

In sum, the conditions for learning at the preparatory phase of the competitive tendering process may not be favorable. However, this phase is of utmost importance, because tendering processes occur regularly. Early information exchange and learning would help both procurers and suppliers to fulfill better each other's, and also the end-customers' needs. We will approach this challenge by first unfolding the preparatory phases of our case municipalities' competitive tendering processes. Thereafter, we will analyze information exchange and learning opportunities during the preparations. However, before going deeper into the analysis, we will explain the methodology and the data collection procedures of the study.

METHODOLOGY

Our research approach is qualitative and we apply action research (AR) to study information exchange and learning between the public procurers and suppliers during the preparatory phase of tendering processes. Longitudinal studies are called for by several inter-organizational researchers (Dubois and Gadde, 2002; Ford and Redwood, 2005; Smals and Smits, 2012), and we had the opportunity to collect longitudinal data due to continuous access to the case organizations in the frames of a large research project. Case study method is recommended when little is known about a phenomenon, or the current perspective seems inadequate (Eisenhardt, 1989a; Ghauri et al., 2002), such as in our study, where the focus is on the early phase of buyer-supplier interaction. Both private sector and particularly public sector procurement lacks sufficient understanding of how the early interactions could be developed in order to improve the procurement. Case research can lead to new and creative insights and development of new theory and new knowledge (Mckay and Marshall, 2001), and AR is recommendable in issues such as organizational learning and change management (Coughlan, 2007; Coughlan and Coughlan, 2002).

Our research team consists of management researchers and a researcher specialized in procurement law. This constellation enables applying theories from private sector to public procurement, and within the limits of laws and regulations. A group of researchers with complementary knowledge has been noticed to be the best composition for an AR project, because the researchers are able to observe day-to-day practices and contextualize the collected data from different perspectives (Coughlan and Coughlan, 2002; Gebauer, 2011).

Using cases and AR has high validity for practitioners (Coughlan and Coughlan, 2002). Researchers support practitioners to extend their understanding of their current situation, and to find clarifications to problems through an organized process, which leads to changes in practices (Stringer, 2007). Change does not happen only at the end of an AR project, but also throughout the project (Harrison and Callan, 2013). AR process creates new organizational capabilities by combining competences, skills and knowledge within an organization (Roth et al., 2007). Thus, in an AR process, professional research knowledge and local knowledge are shared to solve problems (Brydon-Miller et al., 2003; Gummesson, 2000; Mckay and Marshall, 2001).

AR is not compatible with the criteria for scientific explanation, which is required in positivistic science (Coughlan and Coughlan, 2002; Gummesson, 2000; Susman and Evered, 1978). Therefore, the criteria have moved from the traditional notions of scientific validity to trustworthiness, authenticity and quality (Martí and Villasante, 2009). Interpretation of the results and the implications based on the research involve those that are best positioned to understand the processes, i.e. the members of researched organizations (Brydon-Miller et al., 2003; Coughlan and Coughlan, 2002). Thus, Brydon-Miller et al. (2003: 25) claim that AR is more able to produce 'valid' results than ordinary or conventional social science. The validity and reliability of our research is supported by iterative AR cycles throughout the research process, in which researchers and practitioners had frequent meetings and workshops to exchange information and to evaluate the findings. Furthermore, common workshops were arranged where the three municipalities had the opportunity to learn from each other's experiences of the different ways to prepare for the competitive tendering, and to apply these practices in their forthcoming procurements.

During our research process, theories of inter-organizational learning were applied to improve innovative thinking. The action plan was reviewed stage by stage together with the procurement personnel and the researchers (cf. Harrison and Callan, 2013). The analysis was conducted in an abductive way by integrating theories with our empirical findings. Holmqvist (2003) recommends using interactions within and between organizations as units of analysis when studying organizational learning processes. Therefore, our units of analysis were the interactions between the procurement units of the municipalities and potential suppliers (inter-organizational interactions), and also interactions between the procurement units and internal units that were involved in the preparatory phase (intra-organizational interactions). We related these interactions with the theories of learning, and applied within case analysis and cross-case analysis (Eisenhardt, 1989b) to interpret the findings. Quotations from the interviews are used to indicate the connection between the data and the analysis.

Data collection

The preparatory phases of the six competitive tendering processes of the three municipalities were followed, and matched data from both sides of the interacting dyads, i.e. from the procurer and from the suppliers (cf. Zhang et al., 2015), was gathered by observations, interviews and by

studying documents and EU directives. Firstly, we observed interaction in the *information sessions* arranged by the municipalities to the potential suppliers and other actors interested in the forthcoming tendering. We were also observing *technical dialogues* between procurement units and potential suppliers. Due to the confidential nature of the dialogues, the observations were conducted without tape-recording or videotaping, by taking notes. Secondly, semi-structured face-to-face interviews and telephone interviews were conducted with suppliers that had taken part in the information sessions and technical dialogues with the municipalities. Some of the suppliers had extensive experience of competitive tenderings with a number of other public actors, and could therefore provide us with insights from different practices. We also conducted semi-structured face-to-face interviews with the municipalities' procurement personnel. Some of the interviews were conversational, and information was also gathered in connection of several workshops and meetings with the municipalities' procurement personnel. The interviews with the suppliers and procurement personnel focused on the outcomes of the information sessions and technical dialogues and on interactions in these occasions. All the interviews and the most important workshop discussions were audio recorded and transcribed for the analyses. Clarifying questions were asked by using e-mail and telephone.

We studied also numerous documents related to the tendering process, such as the Request for Proposal (RFQ; the tentative RFQ and the final RFQ) including technical and qualitative requirements of the purchased products and services, and attachments of the RFQ including, inter alia, service definition and minimum requirements and draft agreement. EU directives related competitive tendering and to the preparation phase specifically were studied to understand the limits in which the preparation phase can be developed. The details of the most important observations, interviews and the documents that we studied are listed in the Appendix 1.

In the following, we will first describe the subjects of the procurements and how the municipalities organized their tenderings. Second, we divide the activities of the preparatory phase to intra-organizational and inter-organizational activities, and analyze the opportunities for learning during each preparatory phase. Third, we integrate our findings with the theoretical framework.

PREPARING FOR COMPETITIVE TENDERING IN THE CASE MUNICIPALITIES

The focus of our study has been on the preparatory phases of six tendering processes in three mid-sized Finnish municipalities. In the following, we will analyze these processes: firstly, two large-scale tenderings concerning the catering services of the Town 1 (hereafter: Catering Town), secondly, two tenderings concerning procurement of food products of the Town 2 (hereafter: Food Town), and thirdly, one tendering process concerning procurement of building material, and one concerning occupational healthcare services of the Town 3 (hereafter: Building & Health Town). Details of these tenderings are summarized in the table 1 and described more in detail below.

In the three case municipalities, the procurement processes are managed by an internal unit (hereafter: Procurement Unit), which both prepares and calls for tenders for the town's procurements of goods and services and monitors the contracts. The value of all the other procurement contracts subject to the study, except for the procurement of building materials, exceeded the so called EU-thresholds set for public service contracts and public supply contracts. Consequently, the competitive tendering of the procurements that exceeded EU-thresholds was organized by following the EU directive (2004/18/EC) and the national law (Act on Public

Contracts 348/2007). In the procurement of building materials only national law was applied. In both situations, however, the current procurement regulation regulates in detail the type of procedures that can be applied in the competitive tendering.

In the cases subject to the study, excluding the procurement of healthcare services, the competitive tendering was conducted by using an open procedure, which refers to a procedure where all interested suppliers may submit a tender after the contracting authority has published a contract notice. From the perspective of our study, it is important to note that when the competitive tendering is conducted by using the open procedure the law does not enable the buyer to engage into dialogue with the suppliers once the formal procurement procedure has been launched. The competitive tendering in the case of healthcare services was conducted by using a procedure called negotiated procedure, which allows the buyer to negotiate – to some extent - with the selected suppliers during the procedure. During the preparatory phase the dialogue is also possible.

In cases where the value of the contracts exceeds the EU-threshold, contracts are required to be advertised EU wide and contract notices are therefore published in the Official Journal of the European Union and in an electronic database called Tenders Electronic Daily (TED). In addition, contract notices are published nationally (Arrowsmith 2014). In Finland all the contract notices are published in an electronic database called HILMA. The purpose of the contract notice is to advertise the contract and to inform the suppliers sufficiently about the contract so that they can decide whether they are interested to submit a tender or not.

Table 1. Summary of the cases.

<i>Town</i>	<i>Subject of competitive tendering</i>	<i>First time / repeated tendering</i>	<i>Length of the preparatory phase</i>	<i>Length of the contract: years (+ option year)</i>	<i>Value</i>
Catering Town	Special Catering	First time	c. 12 months	5	Over EU threshold
Catering Town	Hospital Catering	First time	c. 6 months	5	Over EU threshold
Food Town	Milk & Bread	Repeated Modified	c. 6 months	2 (+1)	Over EU threshold
Food Town	Vegetables & Fruits	Repeated Modified	c. 6 months	2 (+1)	Over EU threshold
Building & Health Town	Building Material	Repeated	c. 2 months	1 (+1)	Under EU threshold
Building & Health Town	Healthcare Services	First time	c. 10 months	2 (+1)	Over EU threshold

Procurement of municipal food services – Catering Town

In 2014 the Catering Town started an outsourcing process of all of the town's food services that were then provided internally by a limited company owned by the town. The goal was to organize the municipal food services in a more profitable and cost-effective way without sacrificing quality.

The Procurement Unit was expected to find innovative suppliers with whom to develop the food delivery processes and the quality of food. The town chose to carry out the competition in four phases so that each phase would amount to 25 % of the total amount of the food services that the town provides. The subject of our study has been limited to the first two phases: Special Catering and Hospital Catering.

Special Catering: The first tendering concerned food services for special groups such as senior citizens, disabled persons, and persons with substance abuse. The contract was divided into lots so that the first lot consisted of food services provided in the units of Welfare Division and the second lot consisted of home meal services. The duration of the contract was at maximum five years. The preparation phase of the procurement started in the autumn 2014. Contract notice together with the Request for Proposal (RFQ) was published in the spring 2015 and the contract was signed in the autumn 2015. *Hospital Catering:* The second tendering concerned food services for patients and visitors of a municipality hospital and food services for the town's staff. The contract was divided into lots so that the first lot consisted of food services of the municipality hospital's units and of staff restaurants. The second lot consisted of hospital canteen services. The duration of the contract was also five years. The preparation of the procurement started in the autumn 2015 and contract notice and RFQ were published in the beginning of 2016.

Procurement of food products – Food Town

The Food Town's procurements were repeated purchases. The first tendering concerned products such as for example milk, meat, bread and flakes (hereafter: Milk & Bread), and the second tendering for vegetables and fruits, potatoes, lettuce (hereafter: Vegetables & Fruits). *Milk & Bread:* The competitive tendering included a large amount of products (c. 500), and the tendering was divided into three entities. The products are delivered to day care centers, municipal schools, sheltered homes and nursing homes in the Food Town. The information notice of the forthcoming procurement was released in May 2014, and the actual RFQ was announced in the beginning of October 2014. The final decision was made in November 2014 and the contract was signed at the end of 2014. *Vegetables & Fruits:* A contract with the current supplier has been valid since June 2014 and the plan is to launch the next competitive tendering in the autumn 2016. The preparations for the tendering started in the spring 2016. The duration of the contract is planned to be two years with an option of one year.

Procurement of building material and healthcare services – Building & Health Town

In the Building & Health Town, we studied two different procurements: the first was a repeated purchase of Building Materials, and the second was a first time purchase of Healthcare Services. *Building Materials:* In the winter 2015 the Building & Health Town began to prepare the procurement of building materials needed for example in construction and renovation (construction materials, concrete, insulating materials etc.). The competitive tendering included tens of different products, which were specified in detail in the RFQ. The duration of the contract was one year with an option for one year. An open tendering was announced in April 2015 and the contract was signed in June 2015. *Healthcare services:* In the autumn 2015 the Building & Health Town started to plan to outsource the Town's occupational healthcare services. The buyer in this case consisted of the Building & Health Town, which handled the competitive tendering, and 3 other municipalities. The competitive tendering was conducted by using the negotiated procedure. The contract notice was published in April 2016, and four suppliers sent their request for

participation. Three suppliers were selected to negotiations, held in May 2015. The aim is to select the supplier by the end of June 2016.

ACTIVITIES IN THE PREPARATORY PHASE

Based on our empirical findings, we divide the preparatory phase into following activities: (1) Mapping the internal actors, (2) Service or product definition, (3) Mapping suppliers, (4) Information session, (5) Technical dialogues, and (6) Commenting the preliminary RFQ. The activities during the preparatory phase are summarized in the table 2, and explained more in detail subsequently.

Table 2. Activities in the preparatory phase of competitive tendering.

	<i>Activity</i>	<i>Purpose</i>	<i>Applied in</i>
Intra-organizational activities	Mapping the internal and external actors related to the procurement	Finding and engaging the internal key actors	All the cases
	Initial service/product definition	Defining the service or product together with the key actors	All the cases
Inter-organizational activities	Mapping suppliers	Screening the market for potential suppliers	All the cases
	Information session	Informing suppliers about the forthcoming tendering and the tentative plans regarding the content of the service	Special Catering Hospital Catering
	Technical dialogues	Discussing with the potential suppliers about the tentative plans	Special Catering Hospital Catering Vegetables & Fruits Healthcare Services
	Commenting the preliminary RFQ	Co-developing the RFQ	Special Catering Building Material

Intra-organizational activities

Mapping the internal and external actors related to each of the studied procurements in municipalities and engaging them in the preparations, was the starting point in all the studied

preparatory phases. Especially Catering Town's network of internal and external actors related to food services was extensive. External actors, such as different interest groups (for example customer and entrepreneur associations), owners of the kitchens, safety, health, employment services, and politicians have to be taken into consideration (see Figure 1 as an example of Catering Town's food service network). Within the Procurement Unit the main team responsible for the preparation of procurements of Special Catering and Hospital Catering consisted of Service Manager, Project Manager, Procurement Specialist, Procurement Manager, and City Counsel. In addition, in both of the Catering Town's cases the Procurement Unit engaged also a number of municipality's different units that are involved in the procurement.

In the Special Catering the actors that were identified to have been involved in the preparation phase were, among others, health officer, head of departments of different service sectors (e.g. welfare for the disabled and welfare for intoxicants), it-services, and janitorial services.

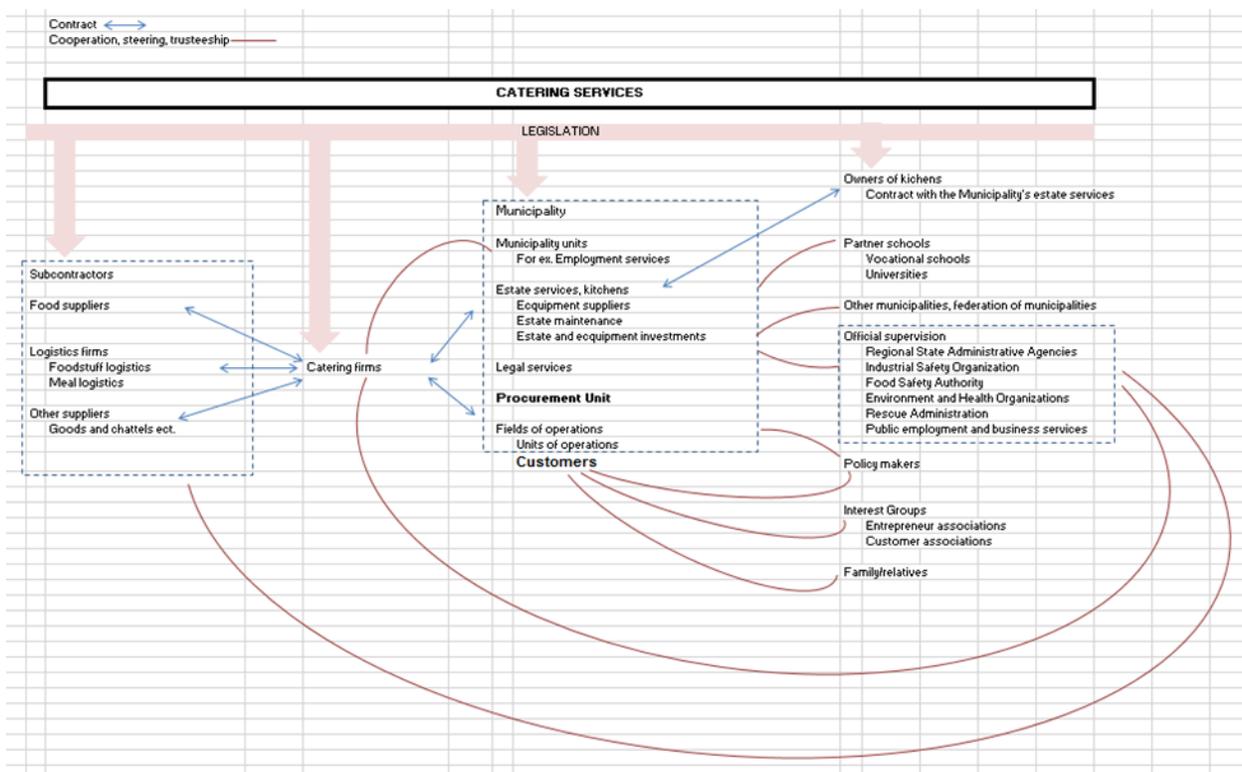


Figure 1. An example of the key actors related to food services (Catering Town).

In the Food Town the Procurement Unit employs procurement experts who are specialized in procurement of different products or services. The procurement experts prepare the procurement of food products with the personnel of the Town's Food Service Unit. In the Building & Health Town the personnel responsible for organizing procurement prepared the competitive tendering of building material in co-operation with technical service center and representatives of three other towns involved in the contract. Concerning the procurement of occupational healthcare services, other actors and experts from the Town's internal units were also engaged in the preparatory phase.

Defining the service or product requires all the key actors' knowledge about the subject of the procurement. Hospital Catering, Special Catering and Healthcare Services tenderings were first

time tenderings, and required thus considerable time and effort to define the services. In Fruits & Vegetables, Milk & Bread, and in Building Material preparations, defining the products and services was a routine, and the Procurement Units followed mainly the contents of the earlier contract. However, in the Food Town, the Procurement Unit together with the Food Service Unit planned some modifications in the RFQ, which concerned reduction in the total number of the products in the preliminary RFQ, and request for healthier alternatives (low-fat, low-salt, and low-sugar) of Milk & Bread products. Also, the logistical aspects were linked in the tendering of Vegetables & Fruits, because the Food Town tried to chart new possibilities to organize the logistics of the products to reduce costs and to increase the social impact of the procurement. The Building & Health Town's goal was to find a supplier with a proactive approach to occupational health care services so that the buyer's needs regarding both preventions of sick leaves and promotion of the welfare of the employees are fulfilled. Also increasing the effectiveness of the process by using digital innovations was important.

Inter-organizational activities

Mapping the suppliers is primarily the procurement unit's task. In the PPP context, Noble and Jones (2006: 906) discuss this phase as a phase where the boundary spanners resolve the question of "who is out there". The Procurement Unit of the Catering Town conducted extensive supplier mapping during the preparation phase of the Special Catering since it was a first time tendering. In addition to the most prominent companies, the Service Manager strived purposely to map also suppliers that were less familiar on the national level, e.g. SMEs, by relying on internet and the help of the regional entrepreneur organization. During the preparation phase of the Hospital Catering similar actions were executed. Moreover, Catering Town was able to utilize the information it gathered during the preparation of Special Catering since the potential suppliers were for the most part the same.

As the Food Town's procurements were repeated purchases, the Procurement Unit was aware of the scarce amount of potential suppliers which were able to fulfill the requirements of the products and the associated logistical requirements. This notion related especially to Vegetables & Fruits procurement, where only three suppliers were acknowledged to have the resources to provide the required products and services. Concerning Milk & Bread, the Procurement Unit knew from the former experience that there were few large suppliers who could tender milk and meat products. The Food Town, however, had tried to attract also the local and regional SMEs to take part in the tendering of Milk & Bread by inviting all potential suppliers to an informal workshop, where the Town intended to share information and listen to the suppliers' expectations for potential cooperation. The aim was to provide the small suppliers an opportunity to meet each other, and to enhance them to unite their resources to be able to deliver their products to the Food Town. However, no suppliers registered for the workshop and it had to be cancelled.

In the Building Material tendering, the Building & Health Town faced similar problems as the Food Town. Information about the open tendering was sent directly to several contact persons in four supplier companies, and procurement unit's personnel used also their own channels to inform about the tendering. There was a reason behind paying this much attention on communicating the tendering and activating the potential suppliers: the previous tendering was responded only by three suppliers, of which one had to be rejected. Despite all the efforts, this time as well, the Building & Health Town obtained tenders only from two suppliers, of which only one fulfilled the

requirements. Lack of competition, due to only one relevant tender, was a reason to get worried about the price level of the purchased building materials. Furthermore, the supplier interviews revealed that there were purchases also outside the established contract, which did not motivate the suppliers to tender.

Information sessions were organized to inform the suppliers about the forthcoming tendering and the tentative plans regarding the content of the service. The sessions were organized for potential suppliers only if there were special reasons for this procedure. For example, in the Food Town's procurements and in the Building Material procurement, information sessions were not organized, because the procurements were repeated and the suppliers were familiar. In both the Special Catering and Hospital Catering, which were first time purchases, the Catering Town decided to organize an information session to inform the potential suppliers about the forthcoming tendering and to discuss the tentative plans and details of the services. In Healthcare Services procurement, no information session was arranged, instead, the emphasis was on the technical dialogue.

The purpose of a *technical dialogue* is to discuss with the potential suppliers about the tentative plans concerning, for example the content or the service, contract clauses, and award criteria. In the Special Catering, technical information about the tendering and the Catering Town's requirements were sent to the potential suppliers before the meeting. The technical dialogue lasted 1.5 hours with each tenderer. The personnel in the Procurement Unit changed in between the two tenderings, and the preparation of the Hospital Catering differed slightly from those of Special Catering. These technical dialogues lasted only one hour, and the Procurement Unit also chose, due to lack of time and resources, not to prepare separate pre-dialogue material to be sent to the participants. Otherwise the actions taken during the preparation of this case were the same as in the first case.

In the Vegetables & Fruits procurement, the Food Town's Procurement Unit conducted technical dialogues with the two potential suppliers of which the Food Town had previous experience. One supplier of these two was the current supplier. The purpose of the technical dialogue was to discuss the Food Town's tentative plans regarding pricing and the cost-effects of alternative ways to arrange the logistics, and also to discuss how to increase the social impact of the procurement. The technical dialogues lasted 1.5 hours. Before the dialogues, the Procurement Unit had sent the participants a list of questions that were to be discussed during the dialogue. In the Milk & Bread procurement, and also in the Building Material procurement, the towns chose not to use technical dialogues in the preparation phase. In Healthcare Services the Procurement Unit conducted technical dialogues with five suppliers, each dialogue lasting for one hour. Before the technical dialogue the Procurement Unit sent a list of questions to the participants in order to enable the suppliers to prepare for the technical dialogue.

Commenting the preliminary RFQ is a written procedure, where the purpose is to develop the RFQ in cooperation with the potential suppliers. In the Special Catering, based on the technical dialogues, the Procurement Unit reformulated the RFQ, and sent it to the suppliers for comments. After receiving the comments, the final RFQ was formulated. In Hospital Catering, the Procurement Unit chose not to send the initial RFQ to potential tenderers. The Procurement Unit in the Food Town did not send the initial RFQ for commenting, because of the repeated nature of the competitive tenderings. In the Building Material procurement, the initial request for proposal was carefully formulated, and it was sent, before publishing, to current suppliers for comments. However, only two comments were received, and they were related to the products defined in the

request for proposal. In the case of Healthcare Services, no opportunity for commenting on the preliminary RFQ was arranged which was due to the fact that the competitive tendering was conducted by applying the negotiated procedure, which allows for further negotiations also in the competitive tendering phase.

LEARNING OPPORTUNITIES AND CHALLENGES

Unfolding the activities during the preparatory phase of competitive tendering allows us to investigate information exchange and learning in the interactions during this phase. The procurements in the focus of our analysis differ in their nature, which has an impact on how the preparatory phase of the competitive tendering is arranged (see table 1) and what kind of learning opportunities it provides. First time procurements required more profound preparations and more interaction, which provides more learning opportunities (cf. Bångens and Araujo, 2002). Adding the importance of the preparations, these procurements also included complicated service processes, and they had a high monetary value for the municipalities. Less complicated product/service procurements, such as Building Materials and food products procurements attained less attention in the preparatory phase due to their more standardized RFQs (cf. Mohr and Sengupta, 2002). However, the requirements of Fruit & Vegetables procurement were updated, which was a reason for deeper information exchange.

The most rewarding avenues for inter-organizational learning that we discovered are the technical dialogues and information sessions with face-to-face meetings. However, before the opportunity to meet a supplier, the supplier's awareness has to be achieved (cf. Dwyer et al., 1987). In Building Materials case, where a major problem was the lack of tenders, some dissenting opinions about information exchange existed. The suppliers found it difficult to know when the tendering process starts because all the information was on the municipality's public procurement website (and in HILMA), and "*if you are not awake all the time, you might miss the information*" (Building Material, supplier 2). However, the procurement unit ensured that the suppliers were contacted personally to deliver the information:

Every known supplier was contacted, emailed and even called after... But they did not reply! And, in the competitive tendering phase we informed them that the competition is open now. (Procurement Manager, Building & Health Town Interview 20th May 2016).

However, before getting into contact with the possible suppliers, a number of intra-firm activities are required. In the following, we will first point out the importance of intra-organizational and inter-organizational learning, and the Procurement Unit's role as an intermediary integrating these two levels of learning. Thereafter, we will discuss learning opportunities and how they were utilized in the technical dialogues and information sessions arranged by the Procurement Units.

Opportunities for intra-organizational and inter-organizational learning

Intra-organizational activities are essential in order to know the subject of the procurement (Lambert and Cooper, 2000; Loasby, 1998). Hospital Catering is a good example of a complicated service process, where a number of internal actors' knowledge is integrated: The suppliers must be fully informed of dietary requirements and preferences of the different hospitals, in order to

provide the right meals to each of the municipality's hospitals. Moreover, they must be informed of all the logistic details, in order to plan their deliveries efficiently. The planning of menus, meals and their ingredients is important due to patients' dietary requirements. Moreover, some of the hospitals have a central kitchen from where they distribute the meals to each department. In other hospitals the meals must be delivered directly to the different departments. This implies that planning of the timing of the transport and delivery is further complicated. The role of the Procurement Unit as an intermediary, and its employers as boundary spanners (Noble and Jones, 2006; Williams, 2002) who mediate the information inside and between the municipality units and between the units and external suppliers is critical (cf. Holma, 2012; Salo et al., 2009). Without being able to understand, translate and transfer the units' requirements to the potential suppliers, the procurement will not be successful (Wynstra et al., 2006).

In the inter-organizational activities, the procurer screens the market about the potential suppliers and the developments of the markets (cf. Dwyer et al., 1987; Heide, 1994b). In turn, the suppliers have the opportunity to consider if the municipality is attractive enough as a buyer (cf. Hüttinger et al., 2012), and if they have the needed resources to serve the client. Furthermore, the procurer learns about the external suppliers' capabilities to provide the needed services (Lambert and Cooper, 2000; Loasby, 1998).

We don't manage with just the information we have here (municipality's internal knowledge). There are two reasons. First we conduct competitive tenderings (of a specific procurement) rarely, so we fall behind and lack the information concerning the latest knowledge or know-how or product or service in the markets. Markets have the best knowledge concerning what is the most sensible thing to do, what is coming and what to tender. (Procurement Manager, Building & Health Town Interview 20th May 2016).

Technical dialogue enables us to tell the buyer what we can offer. (Area Sales Manager, Health Care Supplier 1).

Technical dialogues also provide an opportunity to build personal relationships with the suppliers, and to find out "how would the partner organizations work together" (Noble and Jones, 2006).

Technical dialogues give a picture about why a company operates or wants to operate in a certain way. These dialogues are never just about handling the issue but you also get to see the people and their way of working, because they are the ones you end up working with. (Head of Procurement, Food Town Interview 10th March 2016).

The primary purpose of the information sessions is to inform the suppliers about the forthcoming tendering, and to attract suppliers to tender:

The information session is more like that we tell about the upcoming procurement. (Project Manager, Catering Town Workshop 4th April 2016).

There (in the information session) the supplier can find out what the procurement is about and if it is what she (the supplier) thought it would be. (Service Manager, Catering Town Workshop 4th April 2016).

Our study shows that in the information sessions primarily explicit knowledge was shared by the Procurement Units, even though it would be possible for the suppliers to pose questions and exchange information. However, generally the suppliers are competitors with minimal or no interest to share information to each other in the fear of knowledge leakage (cf. Mohr and Sengupta, 2002; Spekman et al., 2002). This point was affirmed both by the suppliers and by the representatives of procurement units:

Nobody discusses anything there (in information sessions). (Project Manager, Catering Town Workshop 4th April 2016).

To discuss issues in-depth, requires that the procurer holds dialogues with one supplier at a time. The most critical issues are not revealed if competitors are present. (Business Development Manager, Hospital Catering Supplier 5).

A further purpose, expressed by the Catering Town, was to offer the suppliers the possibility to find cooperation partners or subcontractors. However, to our knowledge, this opportunity was not utilized for these reasons.

When asking the suppliers about the essential elements of a productive technical dialogue, preparations and pre-readings were mentioned which focused on the most important development targets. The Healthcare suppliers as well as the Vegetable and Fruit suppliers were sent a list of questions so that they could prepare for the dialogue. Both the Procurement Unit and the suppliers regarded this as a good practice. However, according to the Procurement Unit, some of the suppliers were well prepared, but some of them did not follow the list and wasted too much time on company presentation.

It was really good that they (Building & Health Town) had sent us questions in advance so we were able to see what they wanted to underline. This should be included in all processes. (Area Sales Manager, Healthcare Supplier 1).

We strive for that the supplier that comes to the technical dialogue knows what to expect. Otherwise, it is rare to reach a fruitful outcome. (Head of Procurement, Food Town Interview 10th March 2016).

In Special Catering dialogues, the suppliers were provided with some pre-readings and discussion topics, but in the Hospital Catering separate material was not prepared. The reason for differences in preparations were, due to change in personnel and fewer resources allocated to the tendering. Preparing for the dialogues, concerns also the Procurement Unit. In the latter dialogues, a number of technical details related to the RFQ were presented to the suppliers, which didn't either enhance presenting new ideas.

In general, I would say that technical dialogues are useful, but it can be possible that the buyer has not really prepared for the technical dialogue. They are more events where we are asked about different questions which leave us feeling that they are just asking and wanting us to do their work. (Key Accounts Service Manager, Special Catering Supplier 1).

Knowledge integration and storing (Selnes and Sallis, 2003) could help to learn from prior experiences and to keep an even quality in the preparations. In the context of public procurement, documentation of information that has been received and disseminated can also serve the purpose of securing the equality of the suppliers and transferability of the tendering procedure. However, our findings confirm prior research of for example Zhen and Caldwell (2008) who noticed that in the public sector, expertise is often tied to the key individuals. Consequently, it is important that the knowledge gained is stored in behavioral routines (Moorman and Miner, 1997) to be available in the regularly occurring tendering processes and, in particular, in situations where the key employee leaves the organization. The Procurement Units had documentation methods but, in general, the information was not easily accessible, as the following quote indicates:

We have a system where we store all RFQ's, preparatory materials and minutes. So we have a kind of a system for documentation. All the buyers have access to it and you can find all contract materials and everything there. (Service Manager, Catering Town Workshop 4th April 2016).

In cases of replacement of staff part of the information stays in people's mind. We have done summaries of these technical dialogues but it is still not easy when a new person comes along. (Project Manager, Catering Town Workshop 4th April 2016).

To be fruitful for all the parties, the competitive dialogues require engagement from the key actors (cf. Ylimäki and Vesalainen, 2015). In the Catering Town, only the Procurement Unit's personnel were attending most of the technical dialogues. Only in three technical dialogues (related to Special Catering) that we followed, a representative from the town unit that was ordering the service was present. The Procurement Unit had invited the most important buyer's units to take part in the dialogues, but for some reason they did not find it necessary to participate. According to some of the suppliers, also the town unit ordering the service/product should have been there to answer their questions:

Well, in this Hospital Catering dialogue we did not get to speak with anyone who actually works as a buyer and who is responsible on that side. That is one defect. (Account Manager, Hospital Catering Supplier 2)

Technical dialogues are platforms for structured discussions (Ylimäki and Vesalainen, 2015), where social capital can be developed to create mutual understanding and trust (Erridge and Greer, 2002; Tsai and Ghoshal, 1998). Some of the technical dialogues were well organized indeed with a friendly atmosphere. Creating trust and developing relationships was emphasized by the Catering Town's Procurement Unit:

Yes, one of the goals is to reach a mutual understanding on different things that concern the potential co-operation and, in general, to reach sort of a partnership even if that company won't win this time. (Project Manager, Catering Town Workshop 4th April 2016)

We noticed that the procurers often took the "risky view" (Mohr and Sengupta, 2002) to be sure that they fulfill the equality principle (Grudinschi et al., 2014), as the Service Manager of the Catering Town confirms:

I am always playing safe, if they (suppliers) tell about their own operations. Why take the risk and forward the information, if it does not have an impact on the RQF. (Service Manager, Catering Town Workshop 4th April 2016)

Some suppliers, as also prior research has noticed (see for example Dyer and Nobeoka, 2000), were reluctant to discuss sensitive issues because of the risk of knowledge spillover. However, this seemed to be true only in the events where competitors were present. Based on the conducted interviews, suppliers seemed to have a positive attitude towards sharing information during technical dialogues when they were discussing privately with the procurer. This could benefit public procurers in a similar way than in the private sector, i.e. getting new knowledge and relevant information about new businesses (Corsaro and Snehota, 2012), available markets, product innovations and quality improvements (Uyarra and Flanagan, 2010; Walker et al., 2013). However, if confidential information was obtained, the procurers faced difficulties in using the information in fear of breaking the general principle of equality in public procurement.

We let the customer know about these (trade secrets). But when the competitors are there next to you... It is like with any service or product. (Area Sales Manager, Healthcare Supplier 1).

When we made the summary that went to everyone, we excluded them (trade secrets) and they were left only to our knowledge. Thus, we can retain trust. (Service Manager, Catering Town Workshop 4th April 2016).

The good thing was that companies discuss things pretty openly. (Head of Procurement, Food Town Interview March 10th 2016).

SUMMARY AND CONCLUSIONS

In public procurement context, competitive tendering is argued to be bureaucratic and inefficient (Erridge and Nondi, 1994), and lacking mutual understanding and cooperation between the procurer and suppliers, which in turn has an impact on the services and products offered to the end-users (Erridge and Greer, 2002). Legal restrictions are seen as one of the main reasons for the absence of cooperation between private sector suppliers and public procurers (Erridge and Greer, 2002; Karjalainen and Kemppainen, 2008). However, the preparatory phase of public competitive tendering does not have the same strict regulations that restrict public procurement practices in general. Therefore, we set out to study how the preparatory phase could be developed by the means of information exchange and learning. The findings of our empirical research emphasize the importance of the preparatory phase in developing the procurement processes and to find better solutions to the end-customers' needs. We see the public procurement process as a cycle, where each preparatory phase sets foundations for successful procurement, and provides knowledge that can be utilized in the forthcoming tendering processes, provided that the information remains within the organizations and can be exploited by all the key actors.

A major and a commonly recognized problem (Karjalainen and Kemppainen, 2008; Loader, 2015) notices also in our study is the lack of tenders from small and local suppliers. Some of the small enterprises took part in the preparation phase because they expected to be able to provide smaller

parts of the required services. The SMEs also faced difficulties in answering to the detailed specifications in the RFQs. The procurers were aware of these problems but did not discuss about them with the suppliers before launching the RFQ. Thus, more discussion would be needed to solve these problems. The most fruitful arenas for information exchange and learning are the technical dialogues, which in our cases were conducted in the connection of complicated first time procurements. We suggest that these dialogues, and also information session directed to all interested suppliers, might be useful also in less complicated and smaller procurements in order to gain common understanding, to attract the suppliers, and to enhance trust building among the suppliers.

From learning perspective, however, purchasing standardized solutions require less learning (Bångens and Araujo, 2002), but more interaction might be profitable for the towns' reputation and it would enhance the municipalities' attractiveness as a buyer (cf. Schiele et al., 2011). Regular contacts would also create mutual understanding between the two different organizational cultures (cf. Mohr and Sengupta, 2002). Also disposing extensive bureaucracy and making the supplier aware of the attempts to simplify the processes may be a way to raise municipalities' procurement units' reputation.

The reason for the differing opinions indicates unsuccessful communication, or the suppliers' lack of interest in public procurements. To obtain the awareness of the suppliers, personal contacts are important in business-to-business context. Also in public context, the procurers could devote some resources for establishing personal contacts with suppliers in order to enhance cooperation. We are aware of the regulatory requirements surrounding the procurement process to avoid corruption and to ensure integrity and accountability, which result in a large degree of formalization and bureaucracy in the procurement process (Erridge and Greer, 2002). However, these issues have been found to be more important in public organizations than the standard goals of efficiency and profit maximization (Purchase et al., 2009). Furthermore, to attract suppliers, the cities (with similar industry relationships) could cooperate and benchmark each other's' practices. Many public organizations are encouraged to pool or share, not only purchasing volumes, but also information and resources (Schotanus et al., 2011, p. 265). Cooperation between public buyers may be fruitful, because public sector organizations have similar goals and objectives (Walker et al., 2013).

Another wide-ranging benefit of a successful preparatory phase could be network learning and better understanding of market situation for both procurers and suppliers (cf. Håkansson et al., 1999). During the preparatory phase, for example in information sessions, the potential suppliers meet, discuss and exchange information with each other and with the procurer, providing thus opportunities for network-wise information exchange and learning.

This study contributes purchasing and supply management research and organizational learning research by modelling the preparatory phase of competitive tendering process, and by investigating intra-organizational and inter-organizational learning. The findings may be applied by public purchasers when applying competitive tendering, and by public procurers when structuring and developing their activities when preparing for competitive tendering. The activities we discovered in our cases can be adapted to different procurements, depending on their scope, importance and whether the procurement is repeated or first-time. Specifically, our notions of the importance of

preparatory phase motivates in putting effort in the development of the actions taken before the actual competitive tendering.

We recognize the delimitations of our case study, which are based on a limited number of procurement subjects and the preparations of six different competitive tenderings in Finland. However, as an explorative study, these findings provide basis for development of competitive tendering processes, and public procurement in general, bearing in mind that, in the context of public procurement in the EU Member States, EU directives and the national laws provide the framework for interaction between buyers and suppliers. However, the findings are applicable also in countries outside the EU when paying attention to the impact of national legislation.

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APPENDIX 1: The most important information sources

FOOD TOWN

<i>Food Town workshops</i>		
<i>Participants</i>	<i>Date</i>	<i>Duration</i>
Representatives of different units of food town and researchers	29.8.2014	3 hours
Head of procurement and researchers	11.2.2015	3 hours
Representatives of different units of food town, including head of procurement and researchers	24.2.2015	3 hours
Head of procurement and researchers	10.12.2015	1 hour

<i>Food Town observations</i>		
	<i>Date</i>	<i>Duration</i>
Technical dialogue 1	10.3.2016	1 hour 30 min
Technical dialogue 2	10.3.2016	1 hour 30 min

<i>Food Town interviews</i>			
<i>Informant(s)</i>	<i>Date</i>	<i>Duration</i>	
Head of Procurement, Procurement Specialist	10.3.2016	53 min	Face-to-face

<i>Food Town Milk, Meat & Bread suppliers' interviews (duration 15 min. – 30 min.)</i>		
<i>Supplier</i>	<i>Date</i>	
Supplier 1	17.2.2015	Face-to-face
Supplier 2	28.1.2015	Face-to-face
Supplier 3	30.1.2015	Face-to-face
Supplier 4	21.1.2015	Face-to-face
Supplier 5	23.1.2015	Face-to-face
Supplier 6	22.1.2015	Face-to-face
Supplier 7	21.1.2015	Face-to-face
Supplier 8	30.1.2015	Face-to-face
Supplier 9	17.2.2015	Telephone
Supplier 10	26.11.2014	Telephone

<i>Food Town Vegetable & Fruit suppliers' interviews</i>				
<i>Supplier</i>	<i>Informant</i>	<i>Date</i>	<i>Duration</i>	
Supplier 1	CEO	18.3.2016	30 min	Telephone
Supplier 2	CEO	12.4.2016	40 min	Telephone

BUILDING & HEALTH TOWN

<i>Building & Health Town workshops</i>		
<i>Participants</i>	<i>Date</i>	<i>Duration</i>
Head of procurement, construction engineer, administrative manager and researchers	8.6.2015	2 hours
Head of procurement, procurement specialist, researchers	15.12.2015	3 hours

<i>Building & Health Town interviews</i>			
<i>Informant(s)</i>	<i>Date</i>	<i>Duration</i>	
Procurement Manager	20.5.2016	1 hours 25 min	Telephone
Procurement Manager	26.5.2016	48 min	Telephone

<i>Building Material suppliers' interviews (duration 15 min. – 45 min.)</i>		
<i>Supplier</i>	<i>Date</i>	
Supplier 1	8.9.2015	Face-to-face
Supplier 2	22.6.2015	Face-to-face
Supplier 3	6.7.2015	Face-to-face
Supplier 4	23.6.2015	Face-to-face
Supplier 5	6.7.2015	Face-to-face
Supplier 6	3.7.2015	Face-to-face
Supplier 7	8.9.2015	Face-to-face
Supplier 8	23.9.2015	Face-to-face

<i>Health Care Services suppliers' face-to-face interviews</i>			
<i>Supplier</i>	<i>Informant</i>	<i>Date</i>	<i>Duration</i>
Healthcare Supplier 1	Area Sales Manager	7.4.2016	1 hour
Healthcare Supplier 2	Finance Director & Chief Business Officer	20.4.2016	1 hour 18 min
Healthcare Supplier 3	Director	16.5.2016	1 hour 18 min

CATERING TOWN

<i>Catering Town workshops</i>		
<i>Participants</i>	<i>Date</i>	<i>Duration</i>
Representatives of the procurement unit and researchers	25.8.2014	11.00 – 16,00
Representatives of the procurement unit and researchers	8.4.2015	13.00 – 16.00
Representative of the procurement unit (Service Manager) and researchers	12.8.2016	12.00 – 16.00
Representatives of the procurement unit (Service Manager and Project Manager) and researchers	4.4.2016	12.00 – 15.00

<i>Catering Town interviews</i>			
<i>Informant(s)</i>	<i>Date</i>	<i>Duration</i>	<i>Face-to-face / telephone</i>
Service Manager	23.10.2015	25 min	Face-to-face
Service Manager, Project Manager, City Counsel	17.11.2015	45 min	Face-to-face

<i>Special Catering observations</i>		
	<i>Date</i>	<i>Duration</i>
Information session	16.9.2014	1 hour
	<i>Date</i>	<i>Duration</i>
Technical dialogue 1*	10.12.2014	2 hours
Technical dialogue 2	19.11.2014	1 hour 40 min
Technical dialogue 3	19.11.2014	2 hours
Technical dialogue 4*	26.11.2014	2 hours
Technical dialogue 5*	27.11.2014	2 hours
*Orderer present at the technical dialogue		

<i>Hospital Catering observations</i>		
	<i>Date</i>	<i>Duration</i>
Information session	29.10.2015	1 hour
	<i>Date</i>	<i>Duration</i>
Technical dialogue 1	12.11.2015	1 hour
Technical dialogue 2	12.11.2015	1 hour
Technical dialogue 3	13.11.2015	1 hour
Technical dialogue 4	13.11.2015	1 hour
Technical dialogue 5	16.11.2015	1 hour
Technical dialogue 6	17.11.2015	1 hour
Technical dialogue 7	19.11.2015	1 hour

<i>Special Catering suppliers' face-to-face interviews</i>			
<i>Supplier</i>	<i>Informant</i>	<i>Date</i>	<i>Duration</i>
Special Catering Supplier 1	Key Accounts Service Manager	22.9.2015	63 min
Special Catering Supplier 2	Sales Director	24.9.2015	51 min
Special Catering Supplier 3	CEO / Owner	5.10.2015	52 min
Special Catering Supplier 4	CEO	5.10.2015	19 min
Special Catering Supplier 5	Client Solutions Manager	14.10.2015	45 min

<i>Hospital Catering suppliers' face-to-face interviews</i>			
<i>Supplier</i>	<i>Informant</i>	<i>Date</i>	<i>Duration</i>
Hospital Catering Supplier 1	CEO	29.3.2016	29 min
Hospital Catering Supplier 2	Account Manager	6.4.2016	94 min
Hospital Catering Supplier 3	Sales Director	7.4.2016	55 min
Hospital Catering Supplier 4	Key Account Manager	18.4.2016	1 hour 26 min
Hospital Catering Supplier 5	Business Development Manager	28.4.2016	52 min

DOCUMENTS

<i>Documents relating to competitive tenderings</i>		
<i>Town</i>	<i>Competitive tendering</i>	<i>Document</i>
Catering Town	Special Catering	Initial RFQ including appendixes (draft contract, service definition, service processes, assessment of quality)
Catering Town	Special Catering	Pre-prepared material for technical dialogues
Catering Town	Special Catering	RFQ including appendixes (draft contract, service definition, service processes, assessment of quality)
Food Town	Vegetables and fruit	RFQ including appendixes (price setting, selection criteria). Documents concerned competitive tendering that was conducted 2013-2014.
Food Town	Milk, Meat & Bread	RFQ including appendixes (list of food products, price setting, selection criteria)
Building-Health Town	Building Material	RFQ and interim contract

<i>Legislative Documents</i>
<i>European Union Public Procurement Directives</i>
Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2005 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts
Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC
<i>National legislation of Finland</i>
Laki julkisista hankinnoista 30.3.2007/348 The Act on Public Contracts 348/2007 (Unofficial translation)