

Making procurements work in and for Häme University of

Applied Sciences

Development project of six strategic priorities of procurement



Master's thesis

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TIIVISTELMÄ

Tämän opinnäytetyön tarkoituksena oli tutustua Euroopan komission ”Julkiset hankinnat toimiviksi Euroopassa ja Euroopan hyväksi” -julkaisuun, jossa määritellään kuusi strategista painopistealuetta, joita EU:n jäsenmaiden tulisi kehittää. Julkaisu on niin sanottu soft law, jolla ei ole lain sitovuutta.

Opinnäytetyö toteutettiin, jotta toimeksiantaja yritys olisi valmis mukauttamaan toimintaansa, jos kuusi strategista painopistealuetta muuttuvat tulevaisuudessa laillisesti sitoviksi. Opinnäytetyössä havainnoitiin minkälaisia tukirakenteita toimeksiantajayrityksessä, Hämeen ammattikorkeakoulu Oy:ssä, on tällä hetkellä tukemassa kuutta strategista painopistealuetta. Lisäksi työssä haastateltiin kolmea johdon työntekijää, jotka ovat vastuussa hankintaprosessin toteuttamisesta ja kehittämisestä toimeksiantajayrityksessä. Haastattelussa selvitettiin, onko toimeksiantajan strategiassa ja visiossa yhtymäkohtia kuuteen strategiseen painopistealueeseen sekä onko painopistealueita huomioitu toistaiseksi hankinnoissa.

Haastattelut ja havainnot osoittivat, että vaikka kuuden painopistealueen arvot ovat johdon puolesta kannatettavia ja joiltain osin niitä on jo toteutettu Hämeen ammattikorkeakoulussa ei niiden noudattamista seurata tai aseta tavoitteita niiden toteutumiseen. Opinnäytetyössä esitettiin kehittämissuunnitelma, joka edistäisi kuuden strategisen painopistealueen implementointia hankintaprosessiin.

Avainsanat julkiset hankinnat, hankintaprosessi, hankintatoimi

Sivut XX sivua, joista liitteitä XX sivua

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ABSTRACT

The purpose of this thesis was to examine European Commissions publication "Making public procurement work in and for Europe" which defines six strategic priorities for procurements. Objective of the publication is to define areas which member states should develop further. Publication is a soft law. That means that it has no legal bindings to member states.

Thesis was made in order to ensure that the case company is ready to modify its activities if the six strategic priorities become legally binding in future. The case companies, Häme University of Applied Sciences Ltd, structures which support strategic priorities were observed in the thesis. In addition, thesis contains interviews of three managers of the case company who are responsible for execution and development of procurement process. The objective of the interviews was to understand is there any similarities in the six strategic priorities and in the strategy and vision of the case company and has the case company already exercised the activities mentioned in strategic priorities.

Interviews and observations pointed out that although the management saw the strategic priorities as relevant and that some of them have been already exercised, there is no follow up or targets regarding the strategic priorities. Thesis contains development plan which aims to implementation of strategic priorities to the procurement process of the case company.

Keywords public procurements, procurement process, procurement

Pages XX pages including appendices XX pages

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1 INTRODUCTION

Commission of European Parliament released in October 2017 soft-law, which is an initiative towards more strategic approach to public procurements. This publication is called “Making public procurement work in and for Europe” and main goal is that all the member states would create their own strategy regarding how public procurements should be done and focus to six strategic priorities which are:

1. Increasing value of ecological, innovative and social criteria in procurement process.
2. Strengthen the know-how of public buyers.
3. Improve the possibilities of small and medium-size companies to take part in procurement process. Also improve their possibilities to take part in public procurement processes in third countries.
4. Increasing transparency, integrity and better data.
5. Digitalized procurement process.
6. Co-operation between public buyers in European Union.
(European Commission, 2017a, p. 7–13)

Although the priorities were pointed to member states it does not mean that only states as a legal entity should follow them. These objectives should be objectives of all public contracting authorities, since much of the public money is used by an authority which is not the state itself although the funding is from central government.

1.1 Objectives of thesis

The objective of the thesis is to determine how well the case company, Häme University of Applied Sciences (later as HAMK), is following six strategic priorities currently and how the university could improve its operations in these six categories. The case company is the employer of the author. Outcome of this thesis is a proposition for management of the university how and why these six strategic priorities could be implemented to the procurement process of the case company. If objectives of this thesis would be turned into a question, those questions would be:

Is HAMK currently following the six strategic priorities?

Is there similar targets and values in six strategic priorities and in the new strategy and vision of HAMK?

What kind of changes should be made in order to comply better with six strategic priorities?

There are three reasons why university of applied sciences should pay attention to these matters. Firstly, although six strategic priorities were published as a statement, not as a directive, they could be a signal of the changes the legislation is going to go through next time it is under revision. Take for example e-procurements, which means that the whole call for tender's process in purchases valued over the EU-threshold must be digital. First there were strong statements that member states should develop digital solutions for public procurements and that the contracting entities should also start to digitalize their processes. This started a long process which ended in 18.10.2018 which was the first date when call for tender's process in purchases valued over EU-threshold has to be digitally published. In the same way these objectives can be a faint signal about the changes we are about to see in the legislation.

Secondly, HAMK has been in forefront of modern public procurement process. Maybe the process doesn't match efficacy of the private sector and on the other hand the comparing is unfair since the legislation and the mindset is completely different: public sector has to think about fairness and discrimination of companies in procurements. But it is worth mentioning that HAMK has had fully digitalized call for tender's process from the year 2014 and that is something that many Finnish contracting units don't match even now days. It has been clear for management of HAMK that digitalization will be a driving force in every sector and that is why the steps of e-procurements were taken far earlier than most of the contracting entities did. This thesis gives a great opportunity for management of HAMK to estimate and value the objectives set by European Commission. Author thinks that the university is in a two way a great place to implement new procedures: firstly, universities purchase variety is very broad, all the way from the construction projects and complex services to simple products like pens and paper. Secondly universities should be forerunners not only in research activities, but in all their activities, to maintain their high status in society. Highly sophisticated procurement process can also generate competitive edge against rival universities.

Thirdly, six strategic priorities are not guidelines which would concern only public procurements or public sector in general. These guidelines cover the same issues that are very hot topics in private sector as well as for consumers and politicians. Preventing climate change, reducing corruption and digitalisation for example are important globally. Six strategic priorities are embodiment of those same trends in public procurements. These reasons justify the subject of the thesis.

Author works as a risk manager in the case company and is responsible for executing the process of public procurements. Main benefit from this thesis is a roadmap for development. Public procurements are seen widely as a nonsense or as an extra work due misunderstandings or lack of

knowledge. Author thinks that there is lot of potential in public procurements, but in order to be accepted and valued as an important process, the benefits and generated added value should be presented to citizens. That won't happen unless ones who carry out those processes aim higher, develop the processes in their own contracting entities and finally present the results publicly.

Thesis will concentrate only to procurements which budgeted total value is over 10.000 euros. This is because of the internal rules of the HAMK: all the purchases under 10.000 euros can be made without any official procurement process. As a clarification, this threshold does not simply mean that all the single purchases which have estimated value under 10.000 are bought without competitive tendering. Purchases of the whole organisation must be treated as one purchase: for example, if service is being bought in several units in HAMK, total value is the total value of all the purchases which are made in one calendar year. There are other similar thresholds in legislation which start from the 60.000 euros and are counted as a four-year total value, but the most important thing is that all the purchases over 10.000 euros follow the same process flow: planning, call for tenders, processing the tenders and finally awarding the contract. Therefore, purchases under 10.000 euros are narrowed out of this thesis.

1.1.1 Research methods of the thesis, theoretical framework and structure

In this thesis the theoretical framework will consist of purchasing and procurement management. Theoretical framework of the purchasing and procurement management will explain the basic definitions of these processes, describes subprocesses and explains what strategic buying is. Material will be gathered from professional literature and articles. Thesis will also cover what the six strategic priorities mean and why European Commission has lifted them as important values.

Case study will be used as a research method in this thesis. As this thesis concentrates only to processes of case company and authors opinion is that result will be beneficial only in this company the case study is the most suiting qualitative method. Research material is gathered from interviews of the management level who are responsible for procurement process.

Thesis will consist of four main parts: theoretical framework, what are the six strategic priorities, empirical part of the study and the conclusion. In the empirical part of the thesis three managers responsible for procurement process are interviewed and the current relation of case company to six strategic priorities are observed by author. In the conclusion interviews are analysed and author presents development plan based on the material gathered in thesis.

1.1.2 Case company

At 1991 eight different schools formed union which were given a temporary permit from government to establish a university of applied sciences. At that time, it was called polytechnics instead of university of applied sciences, but the idea was the same: offer bachelor level study opportunities and carry out applied research. Temporary permit led to establishment of Häme University of Applied Sciences. HAMK was originally combined from 18 different schools who then united as one university of applied sciences. Company form was from 1995 to 2015 was federation of municipalities and it was established by all the municipalities which locate in the operation area of HAMK. Those municipalities were Forssa, Hämeenlinna, Hattula, Mustiala, Lammi, Riihimäki and Valkeakoski. After the year 2015 the parties of federation established a limited company and ended the federation of municipalities. Later years brought also master level studies to HAMK and now days there are approximately 7000 students who study at HAMK and about 700 employees.

Board of this limited company consist of representatives of the owners, from representative of employees, representative of companies located in the operation area and representative of students. HAMK has a rector who also works as a managing director. As a subordinate of rector works director of finance and administration who also is responsible about the procurement process in HAMK. He or she then names the employee who runs the daily activities, like call for tenders and ensures that all the procurement processed are carried out so that they comply with legislation and internal rules.

Current strategy of the case company is named as "HAMK 2030". The mission is to be the most inspiring and the most workplace-orientated university of applied sciences. The "2030" refers that year 2030 is the final year of the current strategy. Aim is to be internationally and nationally networked university of applied sciences and that the students of the HAMK are highly valued in the labor market. The other important core activity, applied research, aims to generate vitality, sustainability and wellbeing. The roadmap to that year is an essential part of the strategy. (HAMK, n.d.)

Roadmap, which is the vision of the HAMK, contains 4 paths which all of them contain multiple milestones. Milestone is a concrete target which should be achieved in order to achieve the last milestones of the roadmap. Milestones are scattered in the timeframe from 2019 to 2030. Four paths are competence, knowledge, internationalization and entrepreneurship and cooperation. (HAMK, n.d.)

The outlines of the strategy and vision was formed by the board and the management of the HAMK. Strategy was presented to employees of HAMK at the year 2019 and after that some of the employees have had

opportunity to develop strategy further and set more specific targets. Author has not participated in the development process of the strategy.

HAMK has been in forefront of digitalized purchasing for over ten years. Purchasing some product categories, like office supplies, is completely digital. Order is placed in software which then creates purchase order. Order is delivered to supplier via email or FTP-connection. Call for tenders are made nowadays completely in browser-based software solution.

2 THEORETICAL FRAMEWORK

2.1 Soft law in European Union

Legislation in European Union has three forms: regulations, directives and verdicts. This is enacted in article 288 of the Treaty on the Functioning of the European Union states which states that unlike recommendations or opinions these three are binding. Every member state must obey them and make the necessary changes to national legislation. In addition to this, European Union has another way to influence to member states, soft law. (Eurofound, 2011)

Soft law could be explained as a guideline or recommendation which aren't legally binding, but they still can have legal effects. There are at least two reasons why soft law is used. Firstly, European Union may want to show through examples why and how one particular policy or practise could be improved. For example, there might be pilot project where there has been recorded improvements and European Union wants to present those outcomes to member states. The second reason to use soft law is a situation where there is no consensus between member states and therefore no regulation, directive or decisions can be made. This gives opportunity to willing member states and institutions of European Union to follow new guidelines while reluctant ones can follow their own paths in that matter. (Eurofound, 2011)

It is justifiable to question why European Commission decided to create a soft law for these six strategic priorities. Six strategic priorities are global phenomena and some, like emphasizing ecological values, might decide what kind future we have in front of us. Public sector is big influencer in every member state of European Union even if it is defined by amount of spent money annually. Public sector can be the shining example for private sector, in good or bad, by which values they emphasize in their activities. Six strategic priorities are so important that it would be understandable if regulation or directive would regulate these matters, but for some reason European Union has decided to influence member countries through soft law.

Author thinks that although there might be some differences between member states about these matters, the core reason is something different. If we view for example ecological, innovative and social criteria two key questions raises. Firstly, it is not always possible to emphasize all of these criteria's in every possible procurement and secondly, is there objective way to measure whether or not was the product or service for example innovative. Author opinion is that for example when we determine whether or not the state has made progress in emphasizing ecological values, we should observe the overall progress in state and not a single procurement. For example, has the state lowered its CO2-

emissions and not judge single procurement as a failure if it didn't lower it.

Following all the priorities in a single procurement could also lead into a conflict between priorities. For example, if the requirements for ecological and social criteria are too strict it can lower the possibilities of small and medium-sized companies to participate whereas multinational companies have usually better changes to win the call for tenders. The requirements must meet the value of purchase since it is also the interest of contracting entity that the call for tender is seductive for multiple companies in order to ensure real competition between suppliers. This does not mean that following six strategic priorities is impossible: contracting entity must pick right tool for the matter at hand. There are always possibilities although the real impact of the purchase can be questioned.

Public sector can make value judgements which make difference. By emphasizing values of six strategic priorities it creates possibilities for suppliers to invent and make money from solutions which create better tomorrow. Support of public sector can be a crucial steppingstone for innovative companies.

2.2 Strategic approach to purchasing

2.2.1 What is purchasing?

First it is necessary to determine what is purchasing so that it is possible to understand the strategic approach to it. There is no simple one sentence answer to it, though it is about acquiring something.

If the process of the purchasing is observed, there is multiple perspectives that can be used to determine it. First purchasing as a function means that the unit or units and functions which make the purchases happen is observed. It can investigate single unit, for example the purchasing department or the whole purchasing function in company. Common problem, which can be approached though observing company's purchasing function, is that the purchasing unit is disconnected and external part of the whole process. It should be connected to for example design, source selection and logistics department. In order this to happen there must be structures which support this kind of activity. (Lysons & Farrington, 2012, p. 4)

Purchasing as a process is a set of sub-processes which eventually creates wanted outcome. If you observe purchasing as a process you try to determine to phases. "The adhesive material" in this process is information and trick to make the whole process work is to manage information in every step and confirm that every stakeholder has the valid

information throughout the process. Basic process is described below. (Lysons & Farrington, 2012, p. 4)

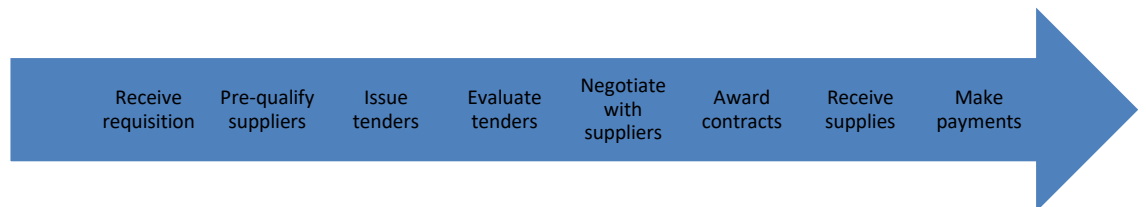


Figure 1. The purchasing process chain (Lysons & Farrington, 2012, p. 4)

Third perspective is that purchasing is viewed as a link in the supply or value chain and purchasing is seen as one of the four key support activities which can create competitive edge against rival companies (Lysons & Farrington, 2012, p. 4). This refers to value chain model created by Michael Porter which he mentioned first time in 1985 in his book *Competitive Advantage: Creating and Sustaining Superior Performance*. The value chain is a tool which can be used to analyse all the activities which are executed in a company. Aim is to understand which activities give competitive advantage against rivals. Company can perform strategically important activities better than rivals or be able to execute them at a lower cost. In this model procurement processes are one of the supporting services which can be a competitive edge for company. Procurement in this model refers to processes of purchasing and not into the products which company buys. (Porter, 2004, p. 33-34, 37, 41)

Purchasing can be also seen as a relationship. Those relationships can be divided in internal and external ones. If the internal relationships are well handled it helps to deal with negative mindsets towards pricing or process lead time. External relationships refer to good contract performance. (Lysons & Farrington, 2012, p. 5) Thinking relationships rather than purchaser-seller -relation is modern way to think communication between companies, or even with other stakeholders. It is more than just transaction of money and goods or services. Its mindset where two sides seek solutions which are beneficial for both sides.

Although relationships to suppliers are important, the purchase process is not about manufactures but rather about the products. Whole process starts from the need and purchases can be seen driven by problem that needs to be fixed. This point of view is in short purchasing as problem-solving. Sixth point of view is seeing purchasing as a sublevel of study, quite often of logistic management or operations management and marketing. Last standpoint is purchasing as profession. (Lysons & Farrington, 2012, p. 5)

In short, purchasing is controlling external assets as such that all the necessary products and services are available to company at the best possible terms. Very blunt definition is purchasing invoice: if it is generated the activity is called purchasing. Products and services acquired are needed to run the core and support activities of the company. Purchasing is support activity which mission is to ensure that core activities are running smoothly. (Nieminen, 2016, p. 10–11)

2.2.2 Five main categories of procurements

Purchasing can be observed also through the need or use of the object of purchase. It is important to understand that different rules apply when one is purchasing products or services outside the company rather than inside the company. Procurement process aims to acquire something outside the company and rules of the trading and legislation set the boundary condition in which those acquisitions happen. Traditional image of company buying raw materials and machinery to work them is outdated. More and more companies are concentrating to some area of products or single components rather than trying to cover vast product selection. Concentrating to core competence areas means also more complicated procurements and it seems that traditional straight forward purchasing does not suit for modern procurement processes. (Iloranta & Pajunen-Muhonen, 2015, p. 58–60)

In their book “Hankintojen johtaminen” (Procurement management) Kari Iloranta and Hanna Pajunen-Muhonen separate procurements in five different classes. The separation was done determining drivers behind the procurement:

- Why it is needed?
- What the company is expecting to gain from object of procurement?
- What kind of solutions are available?
- What kind of mode of operation is used in procurement process?

Iloranta and Pajunen-Muhonen (2015, p. 58-59) call these five categories as the main groups of procurement and differences of these groups can be determined by the questions which are presented above. None of the five

is more important than others, since the urgency depends greatly about the organizations needs and position in the market. Groups are observed only thought the factors which relate to company which is buying and does not observe the supplier market. These groups have different operating logic and therefore need different method of treatment. Groups are observed only through needs of purchasing company and does not observe market or the supplier. Five groups are:

1. Purchases related to repeating production
 2. Project type production purchases
 3. Investments
 4. Undirect procurements
 5. Brokered products
- (Iloranta & Pajunen-Muhonen, 2015, p. 59)

Purchases which are related to repeating production contain purchases such as materials, subcontracting and services which are linked directly to producing end products of the company. These purchases are repeated time after time, usually without interruptions. It is vital that supply chain is not interrupted since it can halt the production line and on the other hand these products can bind lots of capital to stock. In order to control these and to acquire as much as benefit from the purchases company must handle the flow of products as much as information flow. (Iloranta & Pajunen-Muhonen, 2015, p. 58–60)

Project type production purchases is subcategory which is quite similar to repeating purchases. Difference is that the purchases are made to a project which may not be done ever again in the same location but can be done for example in a different country or location. Usually in these cases the supply chain is completely different because of the change of location. It is quite common that in these projects time is a limited resource and decision making needs to be fast. It is very important to learn from the previous projects and therefore document the process. Misfortunes and bad decisions can be voided in the future and good decisions copied if there is proper documentation of the past processes. (Iloranta & Pajunen-Muhonen, 2015, p. 60)

Characteristics of investment is that it is made only once, amount of money spent is bigger than in other groups and it is dealt in accounting differently than other purchases. Also, the management is usually more interested about this kind of procurements. Investments create the playfield where company can operate without them the operating would be impossible. (Iloranta & Pajunen-Muhonen, 2015, p. 61)

Undirect purchases cover a vast range of products and services, but they have one common factor: they aren't linked to end product or service which company is offering to markets. Usually the responsibility about

these products or services is distributed in the different functions in the company and the overall management is missing. It is quite usual that the share of the undirect purchases from all the purchases is quite significant: half or even over the half of them. Iloranta and Pajunen-Muhonen have determined subcategories for undirect purchases as following: (Iloranta & Pajunen-Muhonen, 2015, p. 62-63)

- Properties and infrastructure
- Human resources
- IT and communication
- Office supplies
- Other services

(Iloranta & Pajunen-Muhonen, 2015, p. 62-63)

Between different industries there is lots of variation how big percentage undirect purchases is from total purchases. As it can be seen picture below, case company's industry (education) has very high level of undirect purchases, which is same level as municipal administration, civil service and services such as financing and insurance. They share one thing in common: creating intangible services which means that there are no direct purchases related to production. Lowest rates are in the industries which produce physical products: food industry, construction and motor vehicles. (Iloranta & Pajunen-Muhonen, 2015, p. 62–64)

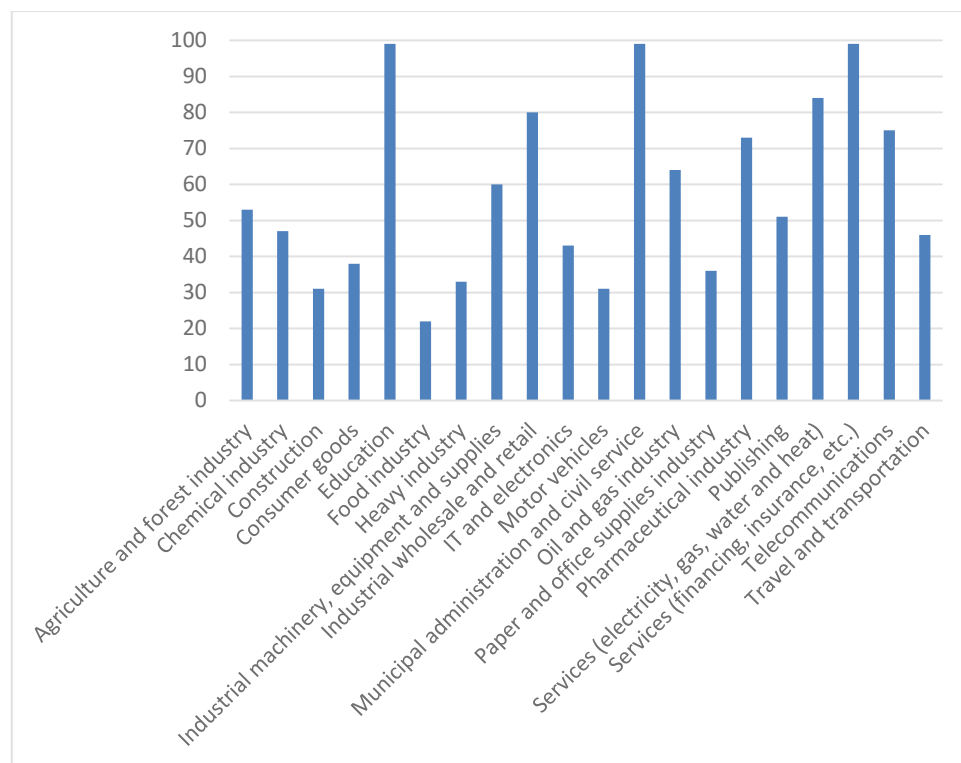


Figure 2. Percent of undirect purchases from total purchases (Iloranta & Pajunen-Muhonen, 2015, p. 64).

Brokered products refer to products which company acquires from other companies and then sells them onwards. Company can provide service where they search products for their customers from markets. Company can create added value to their customers for example by centralizing the purchases of customers to a single supplier. This kind of purchases can be done for example for a big chain of stores where single storekeeper can gain the benefits of the alliance. In this kind of situations, the know-how of procurements can be centralized in the supporting services. Procurement know-how of single storekeeper is not as important when purchasing is handled by centralized procurement unit. Import business is strongly based in this kind of purchasing. Acquiring products and services from supplier in order to complete their product range for the benefit of their customers by offering more comprehensive solutions does also belong to this group. (Iloranta & Pajunen-Muhonen, 2015, p. 65–66)

2.2.3 Differences of purchasing, buying and procurement

Some definitions can sharpen the idea of purchasing. Following definition is a classic definition of purchasing: it is reactive, not proactive, which means that purchasing is not instructive function. Purchasing aims to buy what it is instructed to buy, and it is more focused to placing an order rather than developing relationships to suppliers. Attention is more into instant buying and not achieving long-term strategic goals. (Lysons & Farrington, 2012, p. 6)

Purchasing is much wider and deeper term than buying which can be seen the lowest level of professional buying, yet sometimes there is still need for it too. Buying refers to ordering a product or service and that all the specification of the product or service comes from supplier or from inside the company, for example from R&D-department. (Iloranta & Pajunen-Muhonen, 2015, p. 49–50)

Procurement however is the broadest term and refers to full responsibility of the process. It covers buying from in-house providers or suppliers and includes the whole cycle of purchasing from arise of the need all the way to lifecycle of resource. It compares different options which are offered in market and decides will it be more profitable to manufacture product or service itself or buy it from third-party. Procurement also contains supplier management which is in short collaboration with suppliers. More precisely it is about making decisions about the supplier base and keeping track of their performance. Building long-term collaborative relationships with supplier can be worth of the effort. Professional titles usually contain the word “procurement”, for example chief of procurement officer (CPO). (Lysons & Farrington 2012, 6-8; Iloranta & Pajunen-Muhonen, 2015, p. 49–50)

2.2.4 Procurement process

Traditional purchase process starts from the point when company has already developed the product and is about to or already has sold it to customer. Task left for purchasing process is to ensure that everything necessary is acquired from the suppliers for manufacturing process. Modern procurement process does not settle for this minor role. It tries continuously find better solutions for customers and fit together company's own knowhow to external assets offered in market. Process itself is not constant, but its activity and actions vary depending on different factors: value, market, strategic importance, attributes of product, risk level and how big impact product or service will have on companies' activities. For example, it is very different to buy hand tools than medical services. Still after all needs of business lead the procurement process: aim of the procurement is to enable success of the core activities. (Nieminen, 2016, p. 54–55)

First stage of the process is to determine the needs: what needs to be acquired and for what purpose. It is very important to make very precise description of the purchase target. If this phase is done sloppy, it will have effects throughout the procurement process. It is very important to notice that if the description is too tight, for example the model and manufacturer of the product is already determined, it leaves very little space for new solutions. Best possible description contains only compulsory and significant requisites. This leaves some space for potential suppliers to offer solutions which could offer added value or completely different approach to procurement. Determination of services is harder than products. The minimum is to determine what is the desired outcome of the service. If only outcome is determined it leaves supplier vast opportunities to complete the task. Description should contain qualitative specifications which varies a lot depending what is the target of procurement. In products they are often technical features whereas services could contain qualitative measurement meters. Logistical aspects must be also taken into account: what is the desired delivery amount and time. Quantity effects on delivery time, for example if you order large amount of product it is possible that supplier must produce them first. Large quantities tend to have positive effect on price since if the order has significant value for supplier the buyer can receive discount for it. Lifecycle of the purchase is also important: how the maintenance is handled and what happens when the lifecycle of the product or service is at its end. (Nieminen, 2016, p. 56–58)

In order to find new solutions that can really offer added value requires some courage to think outside of the box. Usually choosing specific producer and product is due orthodox approach: product has worked before or the producer has good history. Sometimes it is chosen because there could be learning curve for new product. This approach halts the development. Old product of producer could be the best solution, but it is

necessary to compare it to other possibilities and make the decision based on facts and not solely on the basis of history. There are also other viewpoints, like financing: could it be more profitable finance the purchase instead of direct buying to companies own balance sheet. Financing can also open possibilities for lifecycle management and ensure that company is always using best possible products.

2.2.5 Strategic approach to procurement know-how

Percentage of resources bought outside of the company is on average 50 to 80 percent from total costs. This includes services, materials or products. The percent varies lot between different sectors of business and if the investments are included the percentage can rise above 80 percent in industry and commerce sectors. This cannot be seen straight from the income statement since purchases-section contains only purchases that relate direct to generating company's product or services which they sell to their customers. Most of the purchases are indirect purchases since they don't fall to that category. Yet they still have very important part in total cost structure which impacts to competitiveness and total efficacy. Overhead costs have effect to profit margins and in the same time some of them, like information systems, are vital to total efficacy of the company. Some costs are not always recognised as purchases, for example rent, financing and cash management services, insurances and personnel services. They are acquired through same processes as other purchases, follow the same logic of commerce and generate invoices to company: in other words, they are as much as procurements as those which are linked directly to producing the commodities of the company. (Iloranta & Pajunen-Muhonen, 2015, p. 21–22.)

These facts underline the importance of the procurements. It is very important part of the process which keeps the company operational. Procurement process done well can offer solutions to produce some functions more efficacy, for example through sub-contracting, and it provides support functions to primary functions. If done poorly it can tip the profit margins below the target or if the support functions are not working, it can have negative or even paralysing effect to primary functions. For these reasons it is obvious why there should be strategic approach to procurement process.

There are many reasons why purchasing (or procurement) process does not reach the potential it holds. One reason is that basic skills are lacking and purchasing only carries out only the simplest task: cost reduction. But there is one more basic task that must be handled: process should offer tools to prevent purchasing that is not performed by the rules of the company. It is not rare that company does not handle this part of the process and loses the benefits of the well managed process. This is due talent shortfall: employees don't have skills to handle these tasks. For example, professional purchaser should have marketing and negotiation

skills in order to create dialogue in their own company with other departments. Together different departments can develop the purchases to the benefit of the company. (Hardt, Reinecke & Spiller, 2007)

That is not the only reason behind it all. There is also lack of seeing the potential and that management gives procurement department only task of transactional activities, in other words handling just purchase orders. There should be room for more, like centralized outsourcing. It is crucial to understand that purchasing should be linked to the strategy of the company. The focus should not be just in the price because it might create tensions between customer and supplier. Also, it is not likely that new innovations, that could offer added value, are purchased from external suppliers if the focus is too strongly in lowering purchasing prices. (Hardt, Reinecke & Spiller, 2007)

Capable purchasers can add value to other departments with their analytics skills. For example, they can help to compare the costs now existing processes to other possible options, especially the cost structure, and help with their negotiation skills with suppliers and other stakeholders. This cannot happen if procurement department is not in the core of strategy. Companies should recognise the value of procurements similarly to other activities. (Hardt, Reinecke & Spiller, 2007)

3 SIX STRATEGIC PRIORITIES- HOW TO MAKE PROCUREMENT WORK IN AND FOR EUROPEAN UNION

This chapter explains what phenomena are behind the six strategic priorities. In other words, why they are important for European Union, public entities, taxpayers and to markets.

3.1 Increasing value of ecological, innovative and social criteria in procurement process

Responsibility for the world around us is new normal which is here to stay. People around the world are shocked about the consequences of global warming and overexploitation of natural resources. Scientists have got their message through and consumers are finally asking companies to produce sustainable products and services. But sustainable solutions are not enough: companies must come up with solutions which are same time sustainable and don't harm our lifestyle. Sustainability does not mean that only ecological values should be taken care of. It can mean that products and services are done also socially sustainable: for example, workers should have good conditions and fair salary. Companies should also improve the working possibilities for people with disadvantages, like handicapped workers. In order to climb this mountain innovative methods are required, and European Commission wants to highlight importance of all these megatrends. That's why it pushes contracting entities to create opportunities for companies who embrace the sustainability.

European Commission states in the Making Public Procurement Work in and for Europe that still majority of the procurements (55 percent) are awarded solely based on price competition. Although public buyers have freedom to choose from large range of quality-based criteria is using them still a minority in procurements. European Commission states that qualitative criteria's like environmental aspects, social criteria, accessibility and innovative approach are underused. Good example of this is that procurement directives, which were ratified in 2014, brought possibility to execute innovative procurements, but the number of such partnerships were only 17 at 2017. (European Commission, 2017a, p. 5)

In the publication, European Commission states that public entities should have more strategic approach to procurements and that the strategy itself should contain roadmap which would define how the strategic priorities will be implemented to processes of procurement. Commission states that executing such strategy, execution of pre-market analysis, quality assessment and innovative procurements requires competent public buyers, strong political ownership and vision. Some member countries have already made green criteria as a mandatory part of their procurement process and Commission suggest that others could set volunteer targets for tracking progress in these matters. The most important thing is that

such criteria is applied to procurements systematically, as part of the strategy. It is suggested implementing six strategic priorities to practice requires support from government or other similar instance, dissemination of standards, benchmarking or by establishing library of good practices. (European Commission, 2017a, p. 8)

In 2014 when the directives of public procurement were renewed European Union made possibilities to make innovative procurements or as it is officially called: innovative partnership. It simply helps in such cases where the product needed does not yet exist and it possible to make, but it requires research and development and it is not certain will the outcome of the development process create suitable product. Before the new regulation contracting entity had to have first call for tender for the development process: who will partner with them to develop the product. If the process was successful, the next step was a new round of tenders: who will be producer of the new product. This was seen to have a negative impact for these kinds of processes, since all the companies did not want to participate to development process if it was possible that they could end up in a situation where some other company was awarded the agreement of production of the end product. Now the possibility of innovative procurement process enables such procedure where contracting entity and supplier have right to continue to the phase of production if the development process is successful.

At 2008 European Commission released communication Public procurement for a better environment which aimed to a sustainable procurement process and stated that there are certain sectors where sustainable products are not more expensive than other non-green alternatives. This communication presented Green Public Procurements (later GPP) concept which aims to set common criteria for greener products, give information about life cycle costing of products, operational and legal support as much as political support for the cause. It also names priority sectors where the progress should be made. There are ten priority sectors, for example construction, energy sector and transport services. (European Commission, 2008, p. 2-4, p. 7)

Information about GPP can be found from their website and it is a voluntary instrument. Member countries can decide themselves what parts they implement to their processes. One key idea behind this is that public sector is major buyer in many of these industries, like construction, and can therefore have a great impact to the industry. In the GPP there are list of obstacles which prevent development. Lack of political support and false prejudices of that green-solutions cost more are listed there. Also lack of training and expertise as well as lack of information and co-operation between authorities. (European Commission, 2008, p. 4)

It is worth noting that many barriers which the Commission stated in 2008 and 2017 were exactly the same which indicates that progress is slow.

There are probably many reasons behind it, but maybe the political support has been lacking since the voters haven't seen these matters as important as the European Commission does.

3.2 Strengthen the know-how of public buyers

European commission states in the publication "Making Public Procurement work in and for Europe" that "people with the right skill-set are needed to drive the change (2017, p.9). In some way strengthening the knowhow of public buyers can be seen the very first step to be taken in order to achieve more progress in this matter. Understanding that legal skills is not enough, but there is room for improvement overall procurement skills, for example skills related to digitalization. European Commission sees that member countries need to make long-term plans how they are going to increase the know-how and professionalism. It should produce results in which the best possible outcomes are reached with skilled employees. (European Commission, 2017a, p. 8)

Recent study in Finland shows that median number of tenders received in public procurements is only two. Jan Jääskeläinen and Janne Tukiainen state in their study Anatomy of public procurement that more than a half of call for tenders receive tenders from zero to two. Even if those call for tenders which didn't receive any tenders are left out of the count, the median rises only to three. The data for the research was gathered during the time period June 2010 to September 2017 and it covers only Finland. Data was gathered from procurement software created by Cloudia Oy, which has market share near 90 percent in Finland. (Jääskeläinen & Tukiainen, 2017 3, p. 5–6)

Researchers compared the results to other similar studies and stated that Finland is no exception. For example, in Sweden more than half call for tenders received zero to three offers. Same kind of results have been discovered in European Union and it has been stated in the source of this thesis: Making public procurement work in and for Europe which is the document where the six strategic priorities are listed. Lack of bids result poor price competition and occasionally lack of suitable bidders. Results seem to imply that in those call for tenders where quality was measured and scored there were fewer bids. Study suggest that public entities must make quality requirements rather mandatory than rank the bidders by the quality of their product or service. Researchers stated a question in their paper that is the driver behind scoring quality really to find best supplier or are they rather trying to favour supplier which they think is the most suitable one for them. If later one is true, it is an implication of corruption or at least favouring one participant. As an improvement researches suggest that public entities should make easier for potential bidders to calculate their production costs. This might rise interest to participate. (Jääskeläinen & Tukiainen, 2017, p. 31)

Accusation of corruption or favouring one bidder is a strong claim by Jääskeläinen and Tukiainen. Only thing sure is that general opinion is that number of bids are very low and more would be better. Low number of bids are not necessary sign of corruption or lack of competition. There could there be a situation where one supplier has reached level of service that others can't match. In such cases public entities are not forced to accept bids from companies that for example are technically behind of the pole star of industry just in order to get more bids. Accepting lower standards will only emphasize price competition and in media governments and municipalities are often criticised from the fact that price tends to define who wins the bidding.

Still the results of the study cannot be ignored, and it implicates lack of know-how of the public buyers. Author thinks that market analysis made by public buyers is often made lightly or there even is no real market analysis. There are lot of cases were public buyers' favour one bidder, but the core reason is not corruption. Author thinks that public buyers are making too hasty decision of which supplier would be best for them and don't even give others a change. Adding all the quality measurements that they think are crucial to them isn't wrong and the solutions suggested by Jääskeläinen and Tukiainen does not solve the core problem. If the bidder can't match the offer it does not matter if the quality criteria is mandatory or if the contracting entity scores them. Problem is that potential cannot be measured by only looking the current qualities of the product or the service. Public buyers should do thorough market analysis in order to understand what kind potential there might be in future and analyse the performance of the bidder and not just the product or the service.

3.3 Improve the possibilities of small and medium-size companies

This section in the soft law covers two perspectives: improving the possibilities of small and medium-size companies to take part in procurement process and improving possibilities of companies established in EU to take part in public procurement processes in third countries. European Commission sees that small and medium-sized companies are in key role for creating new job opportunities, financial growth and new innovations. The market penetration to public sector is still fairly low because small companies tend to face problems in taking part for call for tenders in EU and outside EU. Currently SMEs tend to win 45 percent of the total value of contracts. Increasing this percentage is the driver behind this main priority. (European Commission, 2017a, p. 9–10)

The most effective way to ease the possibilities of SMEs is to split big contracts to smaller pieces and latest renewal of directives tries to highlight this possibility. Agreement, which requires rapid growth, is usually very hard or even impossible for SMEs and leads to situation where small or medium-sized company can't take part to competition. This can be bad solution also for contracting unit. There are reasons why public

entity should improve possibilities of SMEs. Sometimes contracting units should analyse how important they are for the contractor. For example, small municipality in eastern Finland might not be very important customer for big multinational company. Although they will gladly accept it as customer, it is possibly that no extra value is gained since their business is not depending on whether or not this municipality is their customer. However, for small company the same municipality could be the most important customer for whom they are prepared to take that one extra step to satisfy the customer. The tools to improve the situation are simple. For example, dividing cleaning services of every office as a separate agreement, which enables smaller companies to take part. Also setting the bar as low as it is possible for the mandatory requirements can help smaller companies to take part. For example, it could be reasonable ask for one reference instead of three or five since small and medium-sized companies tend not to have large quantity of reference customers.

Unfortunately, simply dividing the contract into smaller pieces might not solve any problems. Contracting unit could set the rules of call for tenders so that one company can win only one part of the full contract, but even this does not solve the whole problem. Multinational companies can leave multiple tenders using different companies which are part of their concern. The real answer is setting up general agreement where contracting entity picks more than one company to provide the services needed. New legislation offers tools where contracting entity can either pick suitable supplier in each case or have new call for tenders for just those companies which were picked in the original call for tenders. The later call for tenders is faster and less bureaucratic than the original one, which eases the burden of suppliers. There are tools to improve the market situation of SMEs, but real question is that are the contracting units prepared to walk few extra miles for better competition.

The other perspective, cross-border trade outside EU is hard problem to solve. At least for contracting entities. European Commission states that European Union is the world's most open market, but the companies located in its area are treated unfairly in other markets. Authors opinion is that this problem is more or less a matter which EU as a powerful force in world politics can solve. (European Commission, 2017a, p. 10)

3.4 Transparency, integrity and better data

Transparency is often a value that is demanded from public entities. One of the most interesting questions about public administration is how and in what they are spending money, who is receiving it and why. Integrity is closely linked to transparency, because through transparency integrity can be pointed out. Both of them are very important to public entities, because through them citizens can trust that government and the whole public sector is working for benefit of the society.

Finnish government has taken first steps increasing transparency by releasing a website where anyone can explore state spending. This gives possibilities that were not available before digitalization of procurement process. First of all, citizens can see who is receiving money from government and for companies it produces data for market analyse. Finland is not the first country to do this. For example, United States of America has a website (www.governmentsspending.com) where one can explore the budgets and spending of government and states.

One reason why European Parliament might have risen this matter as a one of the key development areas is because it is very hard to track down how the money in EU is spent. This might cause rumours of mischiefs in spending. This mostly is because budget of European Union is not similar to member states: large part of the budget is redirected back to member states through complicated funding systems. Only small part of the budget is used in direct operations. In addition to this EU has two budget cycles: the other is annual and is about operational activities, but the other last for seven years. The later, Multi Annual Financial Framework, is the budget of different programs, funds and subventions. It is formed by the European Commission, the European Council and the European Parliament through complex process. This process defies in what and where the money will be spent. This process is hard to comprehend for an average citizen. Different funds inside this budget has their own rules for applying and receiving. (Johnson, 2016)

On the other hand, complexity does not automatically mean lack of transparency. European Union after all is political and economic union formed by 28 countries with different ways to handle processes. Process of dividing funds is probably more and less mixture of different ways to process funding in different countries and there is lots of different parties involved who want to get their voices to be heard in order to gain political power in EU or in their home countries. Still, this not automatically mean lack of transparency. There trackability of funds is more important. These processes aim to a process where there is a possibility to see who receives the money from the public entities.

Most of the funds are co-managed by member states and European Union. From these type of funds EU does not have information which would tell who the last link in the chain is, in other words: who is beneficiary of the money. The data exists, but it is scattered in different formats and portals. This makes it hard to analyse and for example compare different member countries. There is a webpage called OpenBudgets.eu, which is a project of Transparency International EU, which tries to collect and combine this information. (Johnson, 2016)

In the soft law "Communication: Making public procurement work in and for Europe" European Commission list reason why better data about procurements is very important. First of all, correct and open data enables

analytics which help to make decision about needs-driven policies. Data can also create tools which help to identify possible corruption. It can be used to create key figures which indicate performance of procurement policies or even help to make decisions about strategic changes. Data alone is not enough; public entities must use it and share it with parties who are interested about it. (European Commission, 2017a, p.)

How to get there? One of the key actions is new e-forms which are used to gather data. These are created by European Union and used in same form in every member country. European Commission also suggests that member countries should create open contract register where anyone could see awarded contracts and contract amendments. In the report is also mention about collusion and its effects on price. It is stated that the price might be 20 percent higher compared to competitive markets. Current situation needs improvements because although authorities have ways to investigate and punish parties which commit crimes, like cartel, these actions are executed after the crime has already happened. This is why European Commission is creating tools to prevent these crimes even before they have occurred. Increasing market knowledge, planning tools and information exchange between procurement and competition authorities. These are tools that European Commission sees as an answer for collusion problems. It will also create guidelines for public entities which help to use the exclusion grounds of the new procurement directives. (European Commissions, 2017a, p. 11)

Sharing data openly can have also other positive effect than those mentioned above. Private companies can get valuable information about markets and estimate could public sector be a source of income or even reason to move into new market. Private companies could also create digital services based on that data which help public procurers to plan, evaluate and execute their purchases. These kinds of third-party services can also be neutral source of information which helps public entities to show the citizens that public money is used transparently and fairly.

Organisation for Economic Co-operation and Development (later OECD) published a case study at 2019 which analysed efficiency and effectiveness of public procurements in Finland. One of the key aspects was data and whether it is accurate and accessible.

The study first presents indicators which could be used by the state to evaluate the effectiveness and efficiency of the public procurements and then lists the data needed for this. All the data cannot be accessed right now, or the data is not reliable enough, but the study suggests that improvements will happen in future. Study suggests that state should communicate with contracting authorities and suppliers and explain how the data gathered will be used and published and why the right data is so important. It also suggests that state could publish a list of public entities that are the best or the worst at gathering data and input. Gathering data

on a national level is seen as huge challenge and that gathering data only in governments own units can be done more easily. (OECD, 2019, p. 80)

There is a list in the study which shows the data that is possible to use, and which is not. For example, OECD would want to gather data how much time suppliers need to complete tender in framework agreements, how much there is qualified personnel working with public procurements or compare CO₂ emissions before and after the emissions has been started to use as a criterion to award contracts. The whole list contains 19 different data types which would be essential to track down the progress, but 25 types which are already accessible and reliable data. One of the conclusions related to data gathering is that using e-procurement systems is essential for reliable data. Study mentions that it could have big impact especially in regional and local levels. (OECD 2019, 10, p. 81–85)

This conclusion is a wakeup call for contracting entities in regional and local levels. This underlines the meaning of digitalized procurement systems and is a signal for future changes in public procurement processes. When the Association of Finnish Local and Regional Authorities published a press release about OECD:s report it also published another press release in which it states that it will start together with Ministry of Finance development program which generates procurement strategy for Finland, contain all the levels of public entities (Association of Finnish Local and Regional Authorities, 2019). Author thinks that the timing of the press releases is linked together, and impact of the study made by OECD will be essential for Finnish procurement context.

3.5 Digitalized procurement process

Digitalization is new normal in public procurements and it creates more accessibility to suppliers. In the past call for tenders could be found from newspapers or town halls, but now you can find them from anywhere with internet connection. Directives now demand that all the call for tenders which total value is over the EU threshold must be accessible through internet without restriction. All the documents of the call for tenders has to be accessible in that same place and bidder has to be able to even submit the offer online. The main change is that before the fall of 2018 contracting entity had to publish online only the notification about the call for tenders and all the other documents could be wherever they decided.

E-procurement was firstly used in private sector, but its positive effects have been boosting change also in public sector. The first public entity to start e-procurement system was NASA. It might be a bit surprising, but countries like Chile, Guatemala, India and Italy, have very sophisticated public procurement systems and are considered to be leading countries in public procurements. Maybe the most obvious reason why e-procurements is useful is cost efficacy which it offers, but there are other reasons too. It reduces also administrative burden and improves

competition, especially offers possibilities for small and medium-sized enterprises. For some countries with high corruption levels digitalized procurement process is a tool to prevent it. (Bulut & Yen, 2013, p. 3–5)

But the process is more than just call for tenders and bids. European Commission states that process contains also invoicing, payments and archiving the documents. New digital solutions can do this, and they give change to evaluate how administration is handled in public entities in the future. One of the future steps for European Union is called Single Digital Gateway, which should ease cross-border transactions and create standard for electronic services. (European Commission, 2017a, p. 11–12)

It is most likely that national procurements in Finland will have the same rules sooner or later and, in some EU-countries, like Italy, this has already happened. One of the first signals is the study made by OECD which was mentioned in section 3.4.1. The procurements under the national threshold, which in Finland is 60.000 euros and varies in member countries, it might take longer since there is currently no legal way how government could affect to that: every contracting entity has its own discretion to that matter and the recent changes in national laws increased the threshold from 30.000 euros to 60.000 euros. The driver behind that change was to ease the burden and bureaucracy in smaller procurements. Its highly unlike that government would want to add more administrative burden after a change which drastically increased the threshold and aimed for less administrative burden.

3.6 Co-operation between public buyers in European Union

Co-operation between contracting authorities is viewed through two possibilities in the soft law (Making Public Procurement work in and for Europe). Firstly, it is noted that central purchasing bodies are growing their popularity in the Europe. In short, central purchasing bodies (or CPBs) offer procurement services to certain group of public authorities, like for municipalities. As their popularity increases, so does their power to implement strategic approach to public procurements. This leads to a situation where CPBs can nurture the targeted values of European Commission: increasing professionalism, improving chances of SMEs and provide their support to contracting authorities in order to make overall progress in public procurements. (European Commission, 2017a, p. 12)

But CPBs aren't the only way to partner with other contracting entities. Direct cooperation with contracting units is possible and even cross-border procurements are needed for example in big infrastructure projects which has affects in multiple member countries. European Commission notes in the soft law that this kind of activities have room to improve. Commission points out the Trans-European Transport Network, which covers all the European transportation networks. There has been a little cooperation

activity between member countries in procurements regarding the improvements of the network. (European Commission, 2017a, p. 12–13)

European Commission made a study in which it researched through case study structure of the cross-border public procurements. The results of this research were composed to report called “Measurement of impact of cross-border penetration in public procurement” and it was published in 2017. In this study there were mentioned barriers which businesses see as an obstacle for cross-border bidding. 40 percent of the businesses saw the high competition level against national bidders as a highly relevant barrier. Also, 39% percent of the companies had felt that contracting entities favor homeland bidders. Unfamiliar legal context (32%) and geographic distance as a cost factor (30%) were seen as obstacle. Study also revealed the point of view of small and medium-sized companies. SMEs shared the problem of geographic distances and legal context, but also named language barriers and lack of experience in trade outside homeland as the biggest obstacle. (European Commission, 2017b, p. 105–106)

Case study also revealed what was the driving force for attracting foreign companies to participate call for tenders. There were two clear drivers: more competition or lacking availability of suppliers at inland market. Some of the public entities reported that bigger number of tenders generates also better range of different kind of tenders. It was also seen increased competition resulted into better quality and pricing. Contracting entities mentioned that it is very important that bidders understand the specialties of the target country. However, study revealed that bidders from foreign countries tend to understand better the market context and legal context of the purchaser than their competitors. (European Commission, 2017b, p. 106–107)

One key improvement could ease bureaucracy burden of cross-border companies. Contracting entities must ensure, after or during procurement process, that bidder fulfills financial and social requirement. This can mean for example that bidder has paid tax and social contribution payments. Pre-qualification system in which bidder can in advance send documents to national authority to be accredited could be helpful and is in use in Germany and Austria. In the case study some public entities suggested that this should be expanded to whole European Union. (European Commission, 2017b, p. 107)

Study’s conclusion was that import penetration varies lot between different sectors. Some sectors, like security, education and healthcare, are traditionally bought from domestic suppliers. Those sectors which were mostly bought from homeland covers a big share of the purchasing. Sectors, like chemicals, metals or air transport, are more often bought from abroad. Smaller countries, like Latvia or Slovakia, bought abroad relatively more than bigger countries, for example Germany. (European Commission, 2017b, p. 108)

Increasing cross-border commerce can be the benefit for member countries since it brings more options and players to share the market and could potentially create competition which boost the whole industry. Competition can force the homeland companies to develop their processes and cost efficacy can improve when there is real competition. One potential threat is that taxes are paid to different countries, but this matter can be approached in two ways. Firstly, usually companies tend to establish subsidiary to target country which can create tax euros to contracting entities home country. Secondly, if contracting unit is buying service which has to be produced on-site, supplier has to hire workers in target country. Those employees can then generate tax euros. However, the study revealed that there is big difference between sectors, and this could indicate that there are other reasons than just reluctance for cross-border commerce. Some sectors are important to buy from homeland because purchaser wants to ensure that supplier knows the market and has already some market share in their country. It is not always easy to build the first customer relationship in new country and contracting entities are responsible for producing working services for their citizens.

4 EMPIRICAL PART OF THE STUDY

This chapter will introduce the current procurement process of the case company and determines through the observations of the author what kind structures support six strategic priorities currently. Observations were done by analysing the internal instructions of the case company and call for tenders from the year 2018. Author also added information about his personal work tasks which are related to six strategic priorities.

Chapter also contains the interviews of the management and the authors analyse and conclusions of the current state of the procurement process of HAMK in relation to six strategic priorities. Interviews were held at 2019 and covered the managers who are responsible for the vital parts of the purchases and the process of procurement.

4.1 Process of procurement in the case company

In case company, the process is determined in document which is roughly translated as "Procedure of procurements". It was renewed at year 2017 and the renewing process shortened the document almost 40 pages, leaving approximately 20 pages. Its main purpose is to describe the responsibilities and rights of different operators in the process. Secondary it mentions some exceptions to normal process. Document is almost entirely process description and it does not define how quality or other values, like sustainability, should be emphasized in the procurement process. This has been an aware decision, since all guidelines like these in the case company contain only process descriptions. In the case company there is only one strategy which covers the whole company and all the operations. Strategy could, or should, also contain values that should be nurtured in all the actions of the case company. This strategy does not directly give any guidelines to procurement process.

In "Procedure of procurements" there is one guideline to track quality of procurement process. If the purchase price of the procurement is over 60.000 euros it is mandatory to fill a document where is stated what went well in the process and what should had been done otherwise. However, there is not any follow up process after that: the material is not gathered together and analysed.

Process owner of public procurements in HAMK is director of finance and administration. Under him works procurement officer who is responsible of execution of Procedure of procurements and ensuring that procurement processes executed according to good practices, laws and directives. IT purchases are handled in department of information management services. Procurements which require call for tenders are often done in cooperation with procurement officer. Construction project, service and product purchases linked to real estates are done in

collaboration between procurement officer and department of property management.

4.2 Observations of current structures of six strategic priorities in the case company

Ecological, innovative and social criterion are the values which modern contraction entity emphasizes. During past few years there has been lot of discussion about using the leverage of public money to make progress in these matters. This chapter covers how these values have shown in HAMKs procurement processes and challenges of using them.

It is safe to say that ecological values, such as circular economy, sustainable consumption and reducing CO₂ emissions are very important for HAMK since it is possible to study in the degree program of sustainable development or bioeconomy engineering in HAMK. It underlines the importance that the whole organisation complies with ecological values and implements them into processes. Currently there are none written guidelines how ecological values should be nurtured in HAMK. There are of course actions taken, but they are not reported to anywhere.

In past few years ecological criteria have been used in few calls for tenders. For example, in call for tenders of student restaurant services it was mandatory to reduce the food waste by selling excess food of the day for students and employee of the university at the end of the service. This also lead other progress when supplier who won the call for tenders was starting a pilot for reducing food waste. It picked HAMK as a pilot unit because these values were highly appreciated, and their importance had been underlined in the cooperation before.

Emphasizing ecological criteria may have positive effects over the expected outcome. They clearly state to supplier that such values are appreciated in contracted unit and it may motivate the supplier to do even more because they want to strengthen the relationship with customer. Other example is using EURO 5-standard as a minimum criterion for transportation vehicles when purchasing carrier services

Still the numbers are low: in 2018 there were 20 call for tenders in which only one contained ecological criterions. For some reason's purchases are not seen as tool for improving ecological footprint and the focus is solely on the product or service that one is about to buy. In HAMKs procurement process there is no phase where buyer must think whether ecological criteria should be part of the call for tenders or why it is not possible to use. It could be possible that this is the main reason for low numbers of ecological criteria: buyers don't have to think about and don't realise that this particular purchase could be greener. HAMK has never arranged call for tenders which aims to innovative partnership. Of course, it does not mean that the case company should completely turn back to this kind of procedure: for example, study management software could fit into this

kind of procedure rather better when compared current consortium-model where one associate can collect most of the benefits for itself.

Although professional development is highly valued and supported in HAMK, there isn't roadmap how strengthening the know how about public procurements is ensured. In Procedure of procurements there isn't any reference to this matter. Know-how of employees who are responsible for procurement process in HAMK is ensured in yearly performance appraisals, where is also section for discussion how the professional development will be handled. Legislation know-how has been centralised into finance department and it has been seen best solution for case company. Other departments don't have employees who's responsibility would be regularly execute procurement process, but one can be chosen to take part in procurement process if he or she has expertise and knowledge about the product or service which case company is about to acquire. Since employees rarely take part in such processes every year, it has been seen smarter to centralise legal know-how.

HAMKs campuses are located in region of Kanta-Häme and in south side of Pirkanmaa. In those regions HAMK wants to be an influencer which creates value for the regions and to companies located in same area. This is usually done by traditional activities of universities of applied sciences: through research and projects with companies. Main tool for improving possibilities of small and medium-sized companies to participate in HAMKs call for tenders has been splitting contract when is has been reasonable and possible. Reasonable means that splitting does not increase the total cost and does not increase the burden of managing supplier relationship. One problem that has occurred is that service levels vary in campuses when using multiple suppliers and it is seen unfair by the staff or the students. This sometimes steers the process and contract is awarded only to one supplier. Other reason for choosing one supplier is time consumption. Managing supplier relationship is much more than meeting once a year. If organisation wants to make procurements instead of purchase like Lysons and Farrington meant it (in the chapter 2.2.2.) relationship must be active and constant. Interaction with supplier is not enough because it requires conversations also with end users, who are the real customers of the product or service.

There is no report or statistics that would tell how many of the suppliers of case company is in fact a SME. There is no easy way to sort it out from accounting data, but it is possible to do manually. If the intent of the case company is to improve the possibilities of small and medium-size companies, it would be most important to be able track if the actions executed really increased the percentage of SME suppliers.

Currently the data gathered from procurements is rather modest. Normal fiscal reports, like income statement, tell something about purchases, but not particular info how or why the purchases are made. Procurement

software's, Palette Arena and Cloudia Hankinnat, can produce information, and it is used in decision making and in internal audit, but no data is shared publicly. Integrity is handled in organisation so that internal audit to procurements is done by controller and external audit by auditor. On the part of internal audit this procurement process differs from other processes, since it is duty of risk manager to handle internal audit, except in procurements. This is because risk manager is the employee, the procurement officer as mentioned before, who usually executes the procurement process.

Case company has been one of the pioneers in digitalized procurement process in Finland. For example, call for tenders have been possible to execute in digital form from the year 2012 and it has been possible to buy certain often bought products with purchase-to-pay -software from the 2008. These solutions have helped case company to execute the process fast, according to law and controlled. Digitalisation has been embraced in the department of finance as a tool to help the employees to save the time and effort in task which they don't do every day and battle the ever-decreasing amount of workforce in finance department.

The missing link in order to achieve full digitalisation in procurement process is the agreement process. Agreements aren't yet signed digitally, although the agreements are stored digitally. Fully digitalisation would also mean that agreement information would be linked to invoices which would help users to determine whether or not the invoice is done in accordance of the agreement.

Idea behind co-operation between public buyers in European Union is good and relevant target, but this matter hasn't been relevant to HAMK. International co-operation could have positive effects, like sharing best practices, but maybe this kind of activity helps more the big public entities like governments and municipalities. Finding suitable partners and tender processing requires resources and legal expertise which central contracting bodies possess.

However, HAMK can make good connection locally by making connections to other contracting entities, like KuntaPro oy, which is regional central purchasing body. KuntaPro oy has established regional steering group consisting from representatives of municipalities of Kanta-Häme region (Hämeenlinna, Janakkala and Hattula) and two biggest schools in area: HAMK and Tavastia Education Consortium. One of the main priorities of this group is share good practices and discuss about legal questions regarding to public procurements.

4.3 Interviews

Interviews were executed between 27th of June to 18th of October in 2019 and the interviewed person were the director of finance and administration (later DFA) Johanna Närhi, director of property management Tuomas Salonen and chief information officer Kari Helenius. Närhi was interviewed at 27th of June, Salonen at 13th of September and Helenius at 18th of October. As mentioned before in this thesis, director of finance and administration is the owner of procurement process. Property management and Information management services have important role in the execution of procurements since they are responsible for buying two key product and service segments in HAMK: property management and IT & communications. Other segments are controlled by director of finance and administration.

The interview was semi-structured which means that all presented questions do not contain answer options and that questions are open ended (Kananen, 2008, p. 73). Questions were presented in the order which is listed in this chapter. Interviewees were interviewed separately and each one of them received question in advance. They also received chapter 4 from the soft law regarding procurements in Finnish and introduction chapter from this thesis in order to understand the context of the thesis and interview. Reserved time for interview was two and a half hours and every interviewee were interviewed only once. Interview contained following questions:

1. Which of the six strategic priorities are also values of Häme University of Applied Sciences?
 - a. How they can be seen in activities of university concretely?
 - b. How these values have been promoted?
 - c. How they should be promoted? Is there a plan how to promote these values?
2. Is some of the six strategic priorities more important than other? Is some of them irrelevant to Häme University of Applied Sciences?
3. In which of milestones of strategy and vision of HAMK is links to six strategic priorities?

Relationship between six strategic priorities of European Commission and strategy, vision and values of Häme University of Applied Sciences was selected as a key question because as it is stated in the chapter 2.2.4. it is crucial to link the process of procurement to strategy. The new strategy of case company is still in the motion as the milestones are set in the vision, but each one of them still needs detailed plan. This is done step-by-step by the management and employees connected to each goal. This gives a perfect opportunity to observe the present situation of procurement

process and detect points in strategy in which procurement process should be implemented.

4.3.1 Interview of director of finance and administration

Six strategic priorities can be found from the new strategy and vision of case company, although some of them more than others, according to director of finance and administration. However, vision and strategy does not contain separate list of values. Values can be found from the milestones which are the skeleton of the strategy. Milestones are concrete targets which should be reach in order to fulfil the main goals of the strategy. (Närhi, interview 27.6.2019)

One of the decisions that was made in the strategy process was that sustainable development plan will be made for case company. This plan will have effects on procurements too, since through purchase decision organisation can make difference and support companies which provide sustainable products and services. This is linked strongly to ecological values which European Commission mentions in the soft law. Social values are not directly mentioned in the strategy, but one of the targets of the strategy is to have more impact to society and be an important player in the society. This can't be reached unless case company nurtures social values. Innovative thinking and acting is obvious value for university, but innovation aspect in the strategy is not linked to purchases. It can be found from the milestones for our own productivity, rather than outsourcing it. (Närhi, interview 27.6.2019)

In the strategy it is mentioned that case companies aim is to support and create business activities in the society. This includes small and medium-sized companies and supporting them should be university's value. However, the DFA sees that the internationalization of SME's is not the job of the case company. It's the one of the core goals of Business Finland. Case company does not currently have any target for how big percentage of purchases should be targeted to SME-sector. (Närhi, interview 27.6.2019)

The value of data has been noted in case company and is one of the key elements in strategy. However, DFA does not see need for increasing transparency in procurements. Current level of transparency is enough: procurement process is digitalized which ensures sufficient level of transparency. However, there is not any reason why transparency could not be increased if there is easy tool for it and it does not increase administrative work. (Närhi, interview 27.6.2019)

Increasing the know-how of public procurements in the organisation of case company does not appear in strategy. Generally increasing know-how is one milestone in the vision, but these targets are more upper level

concepts. The operating model regarding the public procurements in the case company has been centralizing the know-how to a few employees who then execute the process with the acquiring department or school who produce the substance information to the procurement. Evaluating the current model could be useful, though the reasons for current model are still valid. Increasing know-how of those few employees who currently have main responsibility about procurements is important. (Närhi, interview 27.6.2019)

Taking next steps in digitalization can be seen in many milestones of vision and strategy. The plan is to make self-assessment about digitalization level of the company. The target is to gain benefits of the new technology and be an advanced university in digitalization. This self-assessment will be done for procurement process too. DFA opinion is that in European scale the case company is already performing in advanced level if financial management or procurement processes are observed. Still some improvement can still be made since agreement process has not yet been fully digitalized. (Närhi, interview 27.6.2019)

Co-operation between contracting entities in the form it is mentioned in soft law is not in the interest of the case company. Soft law concentrates heavily on the cross-border co-operation and DFAs opinion is that there is not much to gain in it. Local and nationwide co-operation has been and will be important for case company. Nationwide networking is mentioned in the strategy and that concerns also this function. (Närhi, interview 27.6.2019)

As a conclusion, case company is still lacking practical targets which would be followed. Main priorities of European Commission could be the source that should be used when the practical targets are set. Co-operation between contracting units in European level and increasing the know-how are maybe the less important ones, but all the others are targets are such that case company implement to the procurement process. (Närhi, interview 27.6.2019)

4.3.2 Interview of director of property management

From the perspective of property management all the six strategic priorities can be recognized as the values of HAMK, except co-operation between public buyers in EU. These values are present in activities, yet there is room for improvement in some of them, like fully digitalized procurement process. Transparency and integrity are values nurtured in HAMK and the opinion of director of property management is that there is not much room for improvement. Complying with laws and directives are normal procedure for the case company. (Salonen, interview 13.9.2019)

In practise these values can be seen for example in the construction of sheet metal center which contains many ecological and innovative solutions. Property management tends to split the bigger contracts to smaller pieces which gives smaller companies possibility to take part in call for tenders. Ecological values can be seen for example in groundskeeping, where property management tries to avoid unnecessary actions. Other example is that they aim to buy only durable furniture and try to recycle furniture as much as possible. Reason why property management promotes these values is simply the costs. These solutions reduce costs and there is no general plan or targets, other than costs, which property management aims to with these actions. Director of property management sees that there is need for such plan which would help to pursue the goals of these values. One practical solution could be using standards, such as EURO-standard for vehicles. Hamk should also provide opportunities to contractors to present their innovations to HAMK. (Salonen, interview 13.9.2019)

Director of property management recognises that although there are no direct mentions of procurements in strategy and vision many of the milestones in the vision contain such processes which are also linked to procurements. For example, one goal is to emphasize values of sustainable development and create a plan for it. This has strong link to one of the six strategic priorities, increasing the value of ecological, innovative and social criteria in procurements. These values have been promoted in HAMK even before, but the implementation to processes hasn't worked out. HAMK has been missing systematic plan and there is no follow up afterwards. According to director of property management there is one point of view which could be more recognised in our activities. Employees of HAMK usually recognise how for example the sustainable development should be taken care in our own activities, but there could be room for improvement for what is required from suppliers. (Salonen, interview 13.9.2019)

4.3.3 Interview of chief information officer

Opinion of chief information officer (CIO) is that none of the six strategic priorities are irrelevant to HAMK. The first of the main priorities and sustainability in all the forms has been one of the key missions in whole information technology industry. In practice this can be seen in small yet important parts of criteria in call for tenders, for example how supplier handles packaging waste and the recycling of products after the lifetime of it has expired. Generally, all the services and actions of Information management services, which is the department which CIO is responsible, support the green values since the tools make working remotely possible and connects employees from afar and by so reduce emissions. (Helenius, interview 18.10.2019)

Information management services has also emphasized the possibilities of small and medium-sized companies in call for tenders when it has been

possible. These kinds of companies can be seen more flexible than the big multinational companies. In practice this has led sometimes into troubles during the agreement period because the small companies haven't been able to provide the services according to agreement due to lack of resources. (Helenius, interview 18.10.2019)

Purchasing together with contracting units located in foreign countries has already been a method to acquire software. HAMK has participated in joint call for tenders where the participants have been schools and universities located in the Nordic countries. These call for tenders has been very successful and CIO sees very important to emphasize the importance of international collaboration. HAMK has gained price advantage and professionally handled tender process by just joining to these calls for tenders. This links closely to one of the main priorities, increasing the know-how of public buyers. CIO sees that in future this is one of the most important, yet challenging, of main priorities. During last couple of years increasing know-how of public procurements and professional buying has not been possible in Information management services due lack on employee resources. Framework agreements administrated by central purchasing bodies have been very useful for Information department services, but in the same time it has made possible for us not to pay attention to professional buying and procurement laws and directives. Upcoming procurements will be more and more complex and traditional methods will not be the right tool. For example, using negotiation method requires that Information management services acquire more know-how such processes are executed efficiently and according to law. (Helenius, interview 18.10.2019)

Most challenging main priority in IT-sector is increasing transparency and integrity. Some of the suppliers in this sector have market position close to monopoly which forces contracting entities to use their products. Those companies sell only package deals, which contain much more products than the call for tenders usually requires and they are given for free. Those products have competitors, but you would have to pay for them separately whereas in the package deals, they come as included to the main product. This has a negative effect to competition in the market. The other matter which stretches the boundaries of transparent and unbiased procurements is that sometimes contracting unit must make decision which technology they are going to use in multiple solutions. This shuts door for some suppliers since they don't offer products which are supported by the technology which contracting unit has chosen. (Helenius, interview 18.10.2019)

There is no written plan or code of conduct in the department of Information management services which would steer the procurements to emphasize any of the values although some of these are usually emphasized. New strategy has direct mentions about sustainable development which is closely linked to first of the main priorities of

European commission regarding the procurements. It is the only value which can be directly found from the strategy according to CIO. In order to reach the milestones HAMK has to buy some new technology or devices or on the other hand stop buying some products, but these link more to procurement process rather than to six strategic priorities. (Helenius, interview 18.10.2019)

4.4 Development possibilities based on the findings of the thesis

This chapter contains authors view how the process of procurement could be developed based on the findings from interviews in section 4.2. and observations in sections 4.1 and its subsections.

The authors opinion is that in order to improve process there should be a way to track how well the taken actions affect to the process. Tracking should focus on the meters which generate accurate information precisely about functions which need improvement.

In procurements HAMK has used ecological criteria few times. Author thinks that there are three big problems linked to ecological criterion. Firstly, what is ecological criteria, how it is defined and how is it measured. There is no consensus what is or what is not ecological criteria. It is of course easy to mention for example reduction of CO2 emissions and it is very usable criteria if we are purchasing electricity or certain type of products. As an example, if there were a call for tenders where one of the criteria were how much supplier is reducing emissions during the contract period it might not cover the total emissions of supply chain. Contracting entity should look present situation and estimate the emissions of the whole supply chain in order to really understand who is doing the best job at reducing emissions. This is hard task even for an expert of sustainable development. This sets a big challenge and requires expertise and resources.

Second challenge is reliability and verification. How can we really be sure that the supplier has made or will make results in these matters? Of course, there must be a general level of trust to suppliers, but if contracting entities want show to citizens the progress they have made, author thinks that it is essential that the progress can be measured in a way that it is scientifically approved. Measurement also needs resources from the purchaser: it has to track down the progress and see that progress is made. If the organisation does not have professional buyer and no strategic approach to procurement processes, it is possible that this part isn't done properly. It is also responsibility of contracting unit to ensure that supplier fulfils the requirements for it is fair and just for the point of view of such suppliers who did not win the call for tenders.

Third challenge is right tool for the right place. If contracting entity is buying product or service which cost for example 1.000.000 euros it can

ask more than if the purchase is for 60.000 euros. Author thinks that this does not have to mean that ecological criterions can't be used. But if the support or the pressure from government or municipality level is missing, lack of resources tends to lead to a situation where no extra steps are taken and call for tenders will not contain any ecological criterions. Support should contain both legislation and education: there should be legislation that forces companies to strive for more sustainable tomorrow and authorities should offer education to professional buyers on how to buy more sustainable way.

Innovative partnership in procurements might possible be a tool that HAMK could use one day, but it is more likely a tool for the bigger contracting entities like municipalities and states. Innovative partnership has been emphasized a lot in the public discussion, mainly by politicians, but the meaning is rarely explained. Author opinion is that this procedure has been raised to pedestal by politicians and in six strategic priorities just because it contains word "innovative". Contracting entities can purchase innovative solutions no matter what the formal procedure is. Author sees that there is no reason why HAMK could not buy innovative solutions, but long development projects which eventually create something new and innovative are not likely the way how HAMK will or should invest in innovative solutions.

The author shares the opinion of DFA stated in the interviews, due the current structure how the procurements are handled in HAMK it is hard to see any reasons why the overall know-how should be increased. If the model would be changed and there would be more professional buyers in case company this matter would be more important. Author thinks that efforts to increase know-how would be useless since employees might not have change to use it in practice very often.

Observations about case company or the interviews did not reveal structures which would support the SME-companies' possibilities to win call for tenders. There were some faint indications that smaller companies can be seen more flexible and agile, but there is no tracking how many SME-suppliers HAMK has or how many times such companies have won call for tenders. Actions which support SME-companies tend to concentrate more on the core activities of the case company, like education and applied research services.

Due the advanced level of digitalized procurement process questions of transparency is not an issue for the case company. Internal auditing has been pointed to an employee who does not take part procurement processes which ensures that no blind spots are left in the company. Interviews pointed out that there is need for digitalizing the agreement process. This could make the process faster, but it does not directly improve transparency. It could open possibilities to create better data because it enables data mining from agreements. In this way the case

company could understand and analyse contract portfolio and possibly generate information for example about how many SME-suppliers it has. This points out that improving one of the six strategic priorities can support other one.

Interviews revealed, as opposed to what author predicted, that co-operation with contracting units located in foreign countries has already happened in the case company as it was explained in the interview of CIO. Other interviewees did not know this and rather felt that the case company has no reasons to explore what benefits could be attained through co-operation. This indicates that there is lack of sharing best practices, at least when procurement process is concerned. Maybe it is because there is no forum for sharing these practices and since the procurement process is not the core task of other departments than finance department these matters rarely rise to conversations. Author thinks the case company should generate a method how the good practices are shared. HAMK can take part in some joint call for tenders, but for example it is very hard to imagine how cross-border call for tenders for groundskeeping could provide added value to the case company.

5 CONCLUSIONS

This chapter answers questions about the results of the study and evaluates the reliability of the study. This chapter contains also the development plan for how the six strategic priorities should be followed and emphasized in the actions of the case company.

5.1 Result of the study

There are some similarities in how the interviewees saw six strategic priorities in the procurement process of the case company, but there were also differences between departments. Differences could connect to the product range, information technology as a market segment offers complex services whereas property management buys rather traditional services, like maintenance services.

The common ground can be found from the sustainable development. All the interviewees mentioned that strategy has a clear connection to the first of the main priorities, increasing the value of ecological, innovative and social criteria in procurements. The importance of ecological values was highlighted in the answers, but also social and innovative perspectives were mentioned. All the interviewees also recognised cases where these values had an impact on the procurement process. Strengthening the know-how was seen as important, but it should concentrate only on a few employees who are responsible for executing the procurement process. Two of three interviewees saw that it would be important to fully digitalize the procurement process. All of the interviewees saw supporting the possibilities of SMEs in call for tenders as a value that has been or will be important to nurture.

Increasing transparency and integrity or better data was not seen very important since the current level was seen sufficient. The author thinks that the meaning of increasing transparency, integrity and better data was not fully understood by interviewees. The European Commission has pointed this matter as a main priority because their aim is to fight corruption and give civil society the possibility to investigate and question public spending. The point isn't following the laws and directives, as the contracting unit can follow the law but not the spirit of it. It is possible and quite easy to create call for tenders in which only one supplier can leave an offer. The key question is that the case company assumes that the internal auditing is enough to ensure a sufficient level of transparency and integrity. On the other hand, offering data about contracts could have other positive effects. For example, an open catalogue of suppliers could potentially raise the attention of other suppliers and help them to detect that they could offer their services to HAMK.

Whereas Information management services felt international co-operation with other contracting unit as a very important way to execute call for tenders, other interviewees didn't recognize importance of it. Other interviewees did not even know that case company has participated in calls for tenders which contains contracting units from different countries. This can be an indication that the different departments do not share good practices and in fact execute the procurement process in their own way.

Although all the six strategic priorities were mentioned as important values by all or some of the interviewees none of the departments had a plan or objectives how these values should be taken into account and there was no procedure how to track what kind impact they have had into procurements. Link to strategy was rarely detected, except on behalf of sustainable development.

5.2 Development plan

Relation to six strategic priorities and procurement process varies in each department which were interviewed in the thesis. Although the product range differs in departments it is suggested based on the findings of this thesis that case company should create code of conduct which is possible to execute in every possible procurement and possible to track and compare the results of different departments. The author thinks that it is not reasonable for the case company to set targets for each of the six strategic priorities. Co-operation between foreign contracting units is a tool, as mentioned in the interview of chief information officer, that can be very useful, but only when used in procurements where there are similar needs and requirements of the target of the purchase regardless of the location of the contracting unit. Operating environment can differ a lot between countries, and even in Finland, for example what is the campuses located near metropolitan area or how many student's university has. This can lead to a situation where the needs differ a lot and it is very important to analyse whether the joint procurement process is the best solution. Therefore, it is not reasonable to force this kind of processes.

According to interviews increasing the value of ecological and social criteria has strong link to new strategy of the case company. Those criteria should be strongly emphasized in the procurements because actions in procurements create practical data how the case company tries to make solutions which aim for sustainable future. On this basis, the author has proposed that when schools or departments suggest investments for the forthcoming year, they must comment for each investment how the sustainable development could be noted in the call for tenders. This practise was implemented to investment process of the year 2020. Idea in this is that employees must start the thinking process of possibilities of sustainable development in early stage. The author thinks that in the future the next step should be that investment proposals with practical

ideas should pass such proposals which don't have any. In addition to this process all the ideas presented should be listed to encourage to reuse them or improve them even further.

Increasing know-how was seen important in the interviews, but the interviewees did not have any clear view how it should be done. The current way to centralize procurement know-how was generally seen as practice which has been working well, but DFA pondered whether or not the model should be evaluated, and CIO felt that his department should increase their know-how so that they could perform more complex call for tenders. The author sees that complexity is present in many procurements but call for tenders are executed many times "as they have been always done". This leads to a result where the needs of the user are not possible to meet, and suppliers don't get as much as information about the expectations and requirements about the wanted product or service as they should have. This is why contracting unit needs procurement know-how: not just because all the laws and directives have to be noted, but in order to get best possible commodity for best possible price and in the process create cooperative relationship, rather than purchaser-seller - relation as mentioned in chapter 2.2.1, with supplier. It is very important that the nature of customer relationship is profitable for both parties: this ensures continuity and gives possibility to modify and develop new solutions together. Based on the findings of the thesis it is suggested that case company should appoint employees who are responsible of understanding basics of procurement know-how to every major schools and departments. This would help to department of finance and administration to share more specific information to appointed employees and strengthen the beginning of the procurement process: when the idea of purchase is created in the schools or department they can immediately also plan how the whole process should be executed and then develop further the whole process together with department of finance and administration. This could help implementation of code of conduct to the process when boundary conditions are known at the very beginning of procurement process.

In the interviews small and medium-sized companies were appointed as flexible partners by CIO and overall attitude towards them was positive, yet there was no plan how to emphasize it on procurements. The author thinks that this particular strategic priority should be followed when it is possible and profitable for contracting unit. In some segments, like when purchasing operating systems or electricity, finding small and medium-size companies is hard or impossible. And if such companies can be found they should possess enough resources to provide services to every campus of case company if it is needed. If contracting entity splits the contract there must be something gained from it and it should not add more administrative burden which can be created in a situation where there are multiple suppliers for one need. This why it is suggested that there should not be, at least at first, numerical target for how many contracts are

awarded to SME's, but case company should track how many tenders they have received from SME's. The author suggests that the target is that SME's are able to leave an offer and that case company has market dialogue with SME's before the phase of call of tenders. As mentioned in thesis, there is no information how many of the suppliers of case company is a SME. Neither there is data about how many suppliers are located in Kanta-Häme region. The author thinks that some stakeholders, like local entrepreneurs, could be interested about this information and the data could be one of the meters in strategy. Analysing the supplier data would be a good subject for another thesis.

Transparency, integrity and better data was seen as an important matter, but the need for improving it was not seen as first priority. The author agrees that the situation currently is a good level, but still suggests that case company could publicly inform in a yearly action report 10 or 20 biggest suppliers as a sign of transparency. If further steps in digitalisation makes it easy and possible this kind of list could be held in websites and could cover whole supplier base.

Digitalisation of procurement process is on a good level according to interviewees and the author agrees on that. Compared to many bigger contracting units the e-procurement well adapted to processes and used always when call for tenders is needed. Therefore, there are no other possible steps to be taken, like the interviewees mentioned, than digitalise the agreement process which would lead to a situation where the procurement process is fully digitalised.

5.3 Validity and reliability of the study

Sources of the thesis are current and mostly published less than ten years ago. Sources cover general procurement process, which is strongly linked to private sector, but also literature which concerns procurement process of public bodies. In the thesis the six strategic priorities are explained as a phenomenon and analysed how the current structures support the six strategic priorities. This gives a reader a possibility to understand the development plan presented in thesis.

Interviewees selected to the study cover the whole management who are responsible for executing the procurement process in the case company. Due to this fact, it is safe to state that the sample gives reliable and adequate information of the case companies current relationship between six strategic priorities and procurement process of the case company. Interviewees had at least two weeks to study the material regarding the six strategic priorities and questions which was then presented in the interview. Interviewer did not present new questions or follow-up questions during the interview. During the interview interviewee had only his or her notes and interviewer did not present any material to inflict the answers.

Research methods presented in the thesis were followed in the study. Questions were created by the author and presented in the form as they are stated in the thesis. Results of thesis can be used in the development of procurement process of case company, but it does not give valid information for other organisation because it examines the structures and value base of the case company. This has also been the aim of this thesis: produce information for the case company.

5.4 Self-reflection of the study process

Thesis process has helped to gather crucial information about how the six strategic priorities currently appear in practise in the case company and how the management reacts to them. The thesis process has strengthened the professional know-how regarding the theory of procurement and its process. Also understanding of the European Commission's political alignments has improved during the process.

The thesis process has been relatively long. First chapters were written during the summer 2017. The positive side is that during the writing process the government and municipalities have started the process of implementing six strategic priorities and their aim is to create common procurement strategy to Finland. This has proved that this subject is valid and will help case company in future when the implementation of this national procurement strategy is needed.

Thesis process was time consuming and quite hard while working fulltime. Keeping the focus on the research questions and plan is hard if the thesis is written in small parts during a long period of time rather than in short period of time. The author wrote his bachelor thesis in two months, were as master thesis was written in a time period over two years. The author suggests that if one has possibility master thesis should be written in much shorter time period. During the process the author had to assume a role of risk manager in case company which had impact to thesis process by slowing down the time that was possible to consume to it. Still the whole process gave change to observe the case company in a different angle and helped to create development plan for the case company.

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Interview: Director of finance and administration, Johanna Närhi

Question: Which of the six strategic priorities are also values of Häme University of Applied Sciences?

- How they can be seen in activities of university concretely?
- How these values have been promoted?
- How they should be promoted? Is there a plan how to promote these values?

Närhi:

Some of the main priorities of the European Commission can be seen in our activities better than others. HAMK has not defined specific values of the company in the newest strategy. The core of the strategy is milestones, targets which we aim to. They are concrete targets and it is possible to measure whether or not they are reached.

Ecological values can be seen in our activities and in the new strategy. For example, we have decided to create a plan for sustainable development which we as a company then will follow. Social values aren't separately mentioned, but our goal is to be influential and important to society and it is not possible if we don't also emphasize social values. Creating innovations is naturally important to university and one of the milestones of the strategy is to be innovative, bold and creative university. This milestone does not directly refer to purchasing, but the idea of innovativeness is something that we want to emphasize. The strategy of the HAMK cuts through all the processes of the HAMK which means that also our procurement process has to emphasize innovative values. Still I see that we as a university should produce innovative solutions rather than buy them.

In the new strategy one of the milestones of the mission is to support and create business opportunities and be influential in our business environment. Companies located in our operation environment are mainly SME-companies. Because of these facts I think that supporting the possibilities of SMEs should be one of the values which guide our actions. I don't see the internationalization of SME's, which is mentioned in the soft law, as our core task. That is the task of the Business Finland or similar entities. Although we want to support the SME's, we don't have any plan or target how much of our own purchases should channel to SME companies.

Accurate data is very important for HAMK. For example, one of our main targets is to raise our level of open data of the science and research activities by the year 2030. I think that openness of administration and our activities generally is already handled in such manners that there is no need for improvement. If we look more closely to procurement process and the transparency in that process, we can see that our processes are digitalized which covers many aspects of transparency. For example, call for tenders are visible in internet and the tender material is handled by third-party. All who have left tenders have right to make appeal to Market Court if they find our award decisions unfair. Because of this I don't see need to increase transparency, but there is

no reason why would not take actions if there are suitable tools to do increase it. Further steps in transparency should not create administrative burden for HAMK.

As for the main priority of increasing know-how of public buyers I see that there is no links to our strategy. Although we want to support increasing know-how of our employees, we haven't targeted any single area of expertise we would need to focus on. We want to focus on development of individual employee.

We have chosen to centralize the substance know-how of procurements to few employees. Single call for tenders is handled so that the unit which is acquiring new products or services produce the specification of purchase item and the legal and general know-how of procurements comes from department of financing. There could be need for assessment of situation: is the current model still valid.

One of the most important tools to accomplish our milestones of strategy is digitalization. We are going to carry out self-evaluation of our level of digitalization which will reveal how digitalized our processes currently are. There is a section in strategy paper where it is mentioned that we exploit technology in our processes and aim to be an advanced university on that matter. My opinion is that HAMK is already, when compared to other universities in Europe, advanced university on behalf of digitalized financial management. That covers also procurement processes. So yes, digitalization mentioned in six strategic priorities emphasizes goals which are our goals too. We still need to take few steps to achieve fully digitalized procurement process since our contracts are not yet signed digitally.

Question: Is some of the six strategic priorities more important than other? Is some of them irrelevant to Häme University of Applied Sciences?

Närhi:

Increasing know-how of public buyers and collaboration in cross-border procurements are the least important of the six strategic priorities for HAMK. Increasing know-how, at least widely in the organization, is not our plan since the process and know-how of laws and directives is centralized in administration. I don't recognize what benefits HAMK could gain in co-operation with foreign contracting units and because of this I don't see that main priority as very important one.

Other four I see as a relevant for HAMK and we should implement the targets of those main priorities somehow to our activities.

Question: In which of milestones of strategy and vision of HAMK is links to six strategic priorities?

Närhi:

Digitalization has been recognized as a key factor for successfulness of our new strategy. HAMK will execute self-evaluation which determines how well different schools and departments in HAMK have embraced the possibilities of digitalization. New strategy clearly states that our aim is to exploit possibilities of new technology and be technologically advanced university. Six strategic priorities mention importance of

digitalization and so does our strategy, but once again, there is no mention how this links to procurements. I recognize that our process of procurement is not yet fully digitalized, and we need to digitalize our process of agreements and signing.

Upcoming plan for sustainable development in HAMK will set some guidelines for procurements, but it does not focus on them either. HAMK does not have clear plan how we should develop our process of procurement. The six strategic priorities could possibly be a source which we could use as a reference when we decide what are the next steps of development. In general, all the values which are emphasized in the six strategic priorities are good and university should promote them.

It is good to notice that the new strategy is still in phase where we haven't yet moved into execution phase. We have preliminary plans and some sort of understanding what we want to be, but the concrete targets for each school and department are still missing.

Interview: Director of property management, Tuomas Salonen

Question: Which of the six strategic priorities are also values of Häme University of Applied Sciences?

- How they can be seen in activities of university concretely?
- How these values have been promoted?
- How they should be promoted? Is there a plan how to promote these values?

Salonen:

All the others, excluding co-operation between public buyers in EU, can be recognized as a value of HAMK. They are present in our activities, but of course there is room for improvement. For example, we need to digitalize the contracting process in order to reach fully digitalized procurement process.

There are many examples. One real estate project can have multiple angles, for example sheet metal center in Hämeenlinna contained ecological and innovative solutions. In property management we need different services related to properties very often. We have made the call for tenders to such services so that smaller businesses have chance to leave an offer by splitting the contract in the smaller pieces. This promotes the possibilities of small and medium-sized companies. In groundskeeping we try to avoid unnecessary actions, like transporting snow to landfill during winter. We buy only furniture which is durable and which we really need to buy and can't recycle from our stock.

To be honest, the real driver has been costs. There is no general plan nor targets we try to reach regarding these matters. One case, like sheet metal center, could have contained objectives linked to these matters. HAMK most certainly needs a plan how to promote these values in future. Maybe we should start using standards, like EURO-classes in motor vehicles, to emphasize ecological values or in real estate projects potential suppliers could present what kind innovations they would include to the project if they would win the contract.

On the other hand, I don't know how we could promote more transparency or integrity. Those are values which are already our cornerstones. We comply with law and directives. Digitalization could maybe help us to identify better does our employees make smaller purchases from non-partner companies. Concentrating the purchases is one key to emphasizing these values: we can ask more, when we buy more. This advantage hasn't been exploited in HAMK as much we could.

Q: Is some of the six strategic priorities more important than other? Is some of them irrelevant to Häme University of Applied Sciences?

Salonen:

I don't recognize how the cross-border co-operation with other contracting units could be useful tool for us. There might be some angles, but we haven't come up with those. Co-operation on national level and maybe even more in our own region is more important for us.

As I mentioned, increasing transparency is not the most important for us from these six strategic priorities since our level of integrity and transparency is already on a good level.

Question: In which of milestones of strategy and vision of HAMK is links to six strategic priorities?

Salonen:

One of the most important immediate actions of strategy is to create plan of sustainable development for HAMK. This is obviously linked to ecological values, but also social values. We improve equality in our operating environment and covers, in some extent, our suppliers. The traditional thinking covers only the actions which occur in our working environment, but maybe we should extent this also to our suppliers. Innovative solutions are important to us, but it should not be a burden. When it is possible and reasonable: we should choose innovative solutions.

Truth is that these matters have been important to us even before the new strategy and vision, but we haven't been able to implement them to our processes as well as we could. We haven't had systematic plan how we ensure that our activities follow our principles and values in these matters.

There might not be direct mentions about purchases or procurement process, but many of these milestones contain purchases or will have affects to purchasing because they define how HAMK does things in future. For example, we want to emphasize the values of sustainable development.

Interview: Chief Information Officer, Kari Helenius

Question: Which of the six strategic priorities are also values of Häme University of Applied Sciences?

- How they can be seen in activities of university concretely?
- How these values have been promoted?
- How they should be promoted? Is there a plan how to promote these values?

Helenius:

Most obvious one is the first of the main priorities: the one which aims for more sustainable development. The possibilities of small and medium-sized companies have been noted. Smaller companies are more flexible, and it is one of the reasons we have tried to ensure that even the smaller companies have opportunity make tenders. That has also led into troubles since sometimes the small company selected from the call for tenders hasn't had the capacity to provide services to us. Digitalization mentioned in main priorities is of course recognizable and nurtured value in our department and we will try to take further steps every year.

Co-operating with foreign contracting units has already happened in our department. We have participated to joint call for tenders where participating contracting units were from Nordic countries. We have acquired for example Kaltura and Zoom through those call for tenders. CSC, which is government owned limited company, has arranged these joint calls for tenders. We will be interested participating in such purchases in future. Through this kind of processes, you can be a part of big coalition and benefit from the expertise of central purchasing bodies and get the best possible price because the suppliers are really interested to acquire big number of new customers at once. Increasing procurement know-how is important, but we haven't been able to do for a while. Our employee resources are limited and that has driven us to outsource the know-how.

Sustainable development has been driver in the purchases of computer devices since development in IT-sector has done this for us. For example, the regulation and minimum criteria in the call for tenders regarding packaging waste and recycle of products after the lifetime of it. All in all, the whole sector, information technology, aims for solutions which support green values, for example right tools make possible to work remotely and reduce the emissions of transportation which would occur if employee would have to travel to workplace.

If we look into our processes, there is a check list for procurements of our department. It aims to ensuring high quality in every purchase. We don't have a written plan how to promote values, like sustainable development, but all the values of six strategic priorities are common trends which should be emphasized in our actions.

Q: Is some of the six strategic priorities more important than other? Is some of them irrelevant to Häme University of Applied Sciences?

Helenius:

Generally, I could say that none of these is completely irrelevant for us. Transparency and increasing it is one of the hardest one since IT-sector has some peculiarities and powerful suppliers, like Microsoft, which is huge company offering very wide-range of services in package deal. Customer can't really decide whether will they take from the package, because you can't negotiate about it. Microsoft has monopoly, or at least close to it, for some products which we are forced to buy there and with it comes other services as well. Those products have competitors, but you would have to pay for them separately where as in the package deals, they come as included to the main product. On the other hand, sometimes we need to make far reaching decisions about which technology we are going to use and that means that we must buy compatible software and equipment in future. These kinds of situation are very challenging because at the same time we must go according to procurement laws and directives.

Information Management department purchases are done via framework agreements created by other contracting units or central purchasing bodies. They suit perfectly for the needs of our department. Using these agreements has reduced the need of our own professionalism of procurement know-how since the expertise is outsourced when we use agreements which have been arranged by others. In some cases, we do need to make our own call for tenders and in these cases, we outsource the expertise from the financial department of HAMK. We haven't really focused to increase our own competence since it has not been necessary. All in all, the current model works just fine for us, but then again, we would really need to do call for tenders less traditionally. Upcoming procurements will be more and more complex and that's why they need to be approached differently. By this I mean that we need to use different tools than just publishing call for tenders to Hilma and see what the result is. Using negotiation procedure could be very interesting way to execute procurement processes. This requires more know-how in our department. Luckily this method has already been used in HAMK in other procurements, so we don't start from zero and there is already know-how in our organization.

Question: In which of milestones of strategy and vision of HAMK is links to six strategic priorities?

Helenius:

Reaching some of the milestones require new software or products. On the other hand, some of the milestones mean that we will not purchase as much products, like computers, in future. But these things link more to procurement process than six strategic priorities. Sustainable development is a thing that can be found from strategy and six strategic priorities.