

Master's thesis (MBA)

Degree Programme in International Business Management

2013

Susanna Sarvanto-Hohtari

REPUTATION AND MANAGEMENT OF SUPPLIER RELATIONSHIP AS SUCCESS FACTORS IN PUBLIC PROCUREMENT



TURUN AMMATTIKORKEAKOULU
TURKU UNIVERSITY OF APPLIED SCIENCES

MASTER'S THESIS | ABSTRACT

TURKU UNIVERSITY OF APPLIED SCIENCES

Degree programme in International Business Management

2013| 75

Laura Heinonen

Susanna Sarvanto-Hohtari

REPUTATION AND MANAGEMENT OF SUPPLIER RELATIONSHIP AS SUCCESS FACTORS IN PUBLIC PROCUREMENT

The value of public procurement is remarkable in the Finnish national economy and public procurements are significant marketing potential also for private enterprises. Even though public procurements are of great importance for the public and private sectors there seems to be some obstacles which prevent the public and private sectors to get the most of public tenderings. The aim of this thesis is to receive information on the public sector's attractiveness as a procurer and its ability to manage supplier relationships. The purpose is also to find out what kind of factors and activities would develop supplier relationship and contribute the public sector to receive the most suitable and the best tenders for its needs.

The theoretical part of the thesis investigates from the public procurement angle concepts reputation, trust, knowledge, competence, expertise and supplier relationship. Reputation and trust are important elements with regards to an organization's attractiveness as a business partner. A good supplier relationship for its part is built inter alia on trust and mutual and open interaction between the procurer and the supplier. Public procurement tasks require from the employees multi-skilling competence which does not mean only formal competence to realize public tenderings but also ability to negotiate, innovate and communicate. In this thesis also the public procurement procedure is presented. This procedure includes the following phases: planning of a procurement, the public tendering procedure and decision making, and execution of the procurement decision. The empirical part of this thesis consists of an analysis made of the interview material of 8 companies as well as of 13 answers received to a questionnaire. The questionnaire and the interviews are based on two themes: a) public sector's reputation and attractiveness as a procurer and b) supplier relationship between the procurer and the supplier.

This study shows that the crucial elements for successful public procurements and for a good procurer-supplier relationship are trust, mutual cooperation and a public sector organization's knowledge, ability and competence to realize public procurements. Reputation is not significant with that respect. Trust in the public sector seems to be in a good level but the level of knowledge, ability and competence are criticized with regards to every phase of the whole procurement procedure. In addition to improvements in knowledge level, it is suggested for the future that the private and public sectors would mutually develop methods, tools and models for promoting the mutual innovation work. It seems that ability to innovate is one of the most important areas of competence development.

KEYWORDS: public procurement, reputation, trust, competence, knowledge, supplier relationship

Susanna Sarvanto-Hohtari

REPUTATION AND MANAGEMENT OF SUPPLIER RELATIONSHIP AS SUCCESS FACTORS IN PUBLIC PROCUREMENT

Julkisten hankintojen arvo on merkittävä Suomen kansantaloudelle ja julkiset hankinnat muodostavat lisäksi merkittävän kaupallisen potentiaalin yksityisille yrityksille. Vaikka julkiset hankinnat ovat hyvin tärkeitä niin julkiselle kuin yksityiselle sektorille, näyttää siltä, että jotkin tekijät estävät julkista ja yksityistä sektoria hyötymästä optimaalisesti julkisista hankintakilpailuista. Tämän tutkimuksen tavoitteena on saada tietoa julkisen sektorin vetovoimaisuudesta hankkijana sekä julkisen sektorin kyvystä hoitaa toimittajasuhdetta. Tavoitteena on myös saada tietoa siitä, millaiset tekijät ja toimenpiteet edesauttaisivat julkista sektoria saamaan tarkoituksiinsa nähden soveliaimmat ja parhaimmat tarjoukset.

Tämän tutkimuksen teoreettisessa osuudessa käsitellään maineen, luottamuksen, osaamisen, kompetenssin, asiantuntijuuden ja toimittajasuhteen käsitteitä julkisten hankintojen näkökulmasta. Maine ja luottamus ovat organisaatiolle tärkeitä vetovoimaisuustekijöitä liikekumppanuuden kannalta. Hyvä toimittajasuhde puolestaan perustuu muun muassa luottamukseen sekä hankkijan ja toimittajan väliseen avoimeen vuorovaikutukseen. Julkisia hankintoja koskevat työtehtävät edellyttävät työntekijöiltä monialaista kompetenssia. Tämä ei tarkoita pelkästään sitä muodollista kompetenssia, joka vaaditaan hankintojen toteuttamiseen, vaan myöskin kykyä neuvotella, innovoida ja kommunikoida. Tutkimuksessa esitellään myös julkisten hankintojen hankintaprosessi, jossa on seuraavat vaiheet: hankinnan suunnittelu, kilpailuttamisprosessi hankintapäätöksineen sekä hankintapäätöksen täytäntöönpano. Tutkimuksen empiirinen osuus muodostuu analyysistä, joka on tehty kahdeksan yrityksen haastattelumateriaalista ja 13:sta tutkimuskyselyyn annetusta vastauksesta. Sekä tutkimuskyselyn että haastattelujen perustana on kaksi teemaa: a) julkisen sektorin maine ja vetovoimaisuus kilpailuttajana ja b) tilaajan ja toimittajan välinen toimittajasuhde.

Tämä tutkimus osoittaa, että onnistuneelle julkiselle hankinnalle ja hyvälle toimittajasuhteelle keskeisiä elementtejä ovat luottamus, keskinäinen yhteistyö sekä julkisen sektorin osaaminen, kyky ja kompetenssi toteuttaa julkisia hankintoja. Sen sijaan maineella ei vastaava merkitystä ole. Näyttää siltä, että luottamus julkiseen sektoriin on hyvä, mutta sen sijaan osaamisen, kyvyn ja kompetenssin tasoa toteuttaa hankintoja jokaisen hankintaprosessin vaiheessa kritisoidaan. Osaamisen parantamisen lisäksi tutkimuksessa ehdotetaan, että tulevaisuudessa julkinen ja yksityinen sektori voisivat kehittää yhteisiä metodeja, menettelytapoja ja malleja innovoimistyön tueksi. Näyttää siltä, että kyky innovoida on yksi tärkeimmistä alueista, joilla kompetenssia tulisi kehittää.

ASIASANAT: julkinen hankinta, maine, luottamus, kompetenssi, osaaminen, toimittajasuhde

CONTENT

1 INTRODUCTION	6
1.1 Background and relevance of the thesis	6
1.2 Research questions	10
2 RELATED PREVIOUS LITERATURE, KNOWLEDGE AND RESEARCH	10
2.1 Public procurement and its development aspects	10
2.1.1 Public procurement from the procedural angle	10
2.1.2 Some angles for developing of public procurement	12
2.2 Concepts reputation and trust from the corporate and public governance perspective	14
2.2.1 Reputation and corporate image	14
2.2.2 Meaning and importance of trust	19
2.3 Supplier relationship in connection with procurement	27
2.4 Qualification, competence, knowledge and expertise	34
3 DATA COLLECTION AND ANALYZING METHOD	40
3.1 Implementation of the empirical part of the thesis	40
3.2 Data analyzing method	43
4 CONCLUSIONS	44
4.1 Key findings	44
4.1.1 Background information	45
4.1.2 Factors affecting negative to the public sector's attractiveness and reputation	47
4.1.3 Elements explaining attractiveness and reliability	49
4.1.4 Reasons explaining avoidance to participate in public tenderings	52
4.1.5 Public sector's level of ability and knowledge to realize public tenderings	53
4.1.6 Factors contributing receipt of the most suitable and the best tenders	54
4.1.7 Public sector's ability to manage supplier relationships	58
4.1.8 Elements for a good supplier relationship	59
4.1.9 Development needs of managing supplier relationship	61
4.1.10 Supplier relationship as a multi-dimensional issue	64
4.2 Summary of the key findings	65
4.3 Reliability analysis	68
4.4 Suggestions for the future – promoting innovativeness	70
SOURCE MATERIAL	72

APPENDICES

Appendix 1. Julkisia hankintoja koskeva tutkimuskysely Turun ammattikorkeakoululle tehtävää opinnäytetyötä varten

Appendix 2. Translation of the study questionnaire

FIGURES

Figure 1. Dimensions of reputation´s significance.	17
Figure 2. Building trust in supplier relationships.	26
Figure 3. Transactional relationship.	28
Figure 4. Mutual relationship.	28
Figure 5. Complexity of public procurement and supplier relationship.	33
Figure 6. Interrelations between competence, qualification and utilized competence.	35
Figure 7. Importance of the factors contributing receipt of the most suitable and the best tenders and tenderers for the public sector´s purposes and needs.	55
Figure 8. Elements for a good procurer-supplier relationship in practice.	59

TABLES

Table 1. Phases of a basic public procurement procedure.	11
Table 2. Domain, age and size of the company.	46

1 INTRODUCTION

1.1 Background and relevance of the thesis

The aim of this thesis is to receive information on the public sector's attractiveness as a procurer, and to find out how the reputation and management of supplier relationship affect the public sector's possibilities to receive the best and the most suitable tenders for its needs. The purpose of this study is also to find out what kind of factors and activities would develop supplier relationship and contribute the public sector to receive the most suitable and the best tenders for its needs.

My interest in a study related to public procurement has its background in my own work experience. I have been working in the Ministry for Foreign Affairs and in the Helsinki City Education Department for more than ten years in positions related to public procurement. I have handled public procurements from various different aspects such as drafting invitations to tender, procurement contracts and written guidelines and instructions, giving legal assistance, educating civil servants in Finland, Estonia, Romania and Lithuania and negotiating procurement contracts with suppliers. I have also been following legal changes at the national and European Union levels and made follow-up of the Market Court's decisions. Also management and leadership of public procurement has been lately part of my work.

Not only my work experience but also the importance of public procurement for the Finnish national economy has raised my interest in this study. Public procurements include a huge potential for the increase of effectiveness and savings (Iloranta and Pajunen-Muhonen 2012, 380). Taking into consideration the value of public procurement in the Finnish national income it should be natural that development in this sector is of great interest to the public and private sectors. The value of public procurement was approximately 19,5% of the gross national product in 2010 (Lith 2012, 7). The approximations vary as

the Ministry of Finance estimates that the value is about 15% of the gross national product and the monetary value of public procurement is approximately 22.5 billion euros (Valtiovarainministeriö. Valtionhallinnon hankintatoimi). It has been calculated that direct and indirect causes for employment of public procurement is about 200,000 full time equivalent man-year (Lith 2012, 3). These numbers are estimations since there does not exist any systematic data collection of public procurement. However, the Ministry of Employment and Economy publishes key statistics of those public procurements which have been advertised in the electronic advertising forum HILMA (HILMA. Julkiset hankinnat. Hankintailmoitusten tilastot). In accordance with the provisions of the Act on Public Procurement public organizations are obliged to advertise their forthcoming procurements, and this obligation is met by publishing a procurement notice in HILMA, maintained by the Ministry of Employment and Economy (Työ- ja elinkeinoministeriö. Hankintojen ilmoittaminen). For example in 2012 the total value of the published notices in HILMA were 23,375, 855, 871 euros and the number of notices were 18,760 (HILMA. Julkiset hankinnat. HILMAssa julkaistut hankintailmoitukset 1.1.2012-31.12.2012).

The importance of public procurement is stressed by the Government of Finland. The Programme for Prime Minister Katainen's government presents actions that enable a more effective procurement process. In the programme it is stated for example that the Act on Public Procurement will be reformulated in order to make more possible to take in the consideration in public procurements employment, social and other quality aspects as well as the aspects of innovation and environment politics. Procedures set in the Act on Public Procurement will be simplified within the limits of European Union legislation. According to the programme reformulation of the Act on Public Procurement will contribute the functionality of service sector. (Pääministeri Jyrki Kataisen hallituksen ohjelma 22.6.2011, 40, 76.)

Public procurements are significant marketing potential also for private enterprises. The public sector has paid too little attention to the fact that the public sector may by its own activities and operations affect the growth of

entrepreneurship. In the municipality level productiveness and impressiveness should be increased which can be contributed by combining the public and private sector resources and know-how and by utilizing new technological solutions and innovations especially in the service sector. (Lith 2011, 2.)

Even though public procurements are of great importance both for public and private sector there seems to be some obstacles which prevent the public sector to receive the best tenderers and the most suitable tenders for its needs and which prevent the public sector and private enterprises to get the most of public tenderings.

My preliminary understanding of this phenomenon is that those obstacles are connected to reputation of public sector and lack of trust between the private and public sectors. One important factor in connection with the possible lack of trust between the parties of public tendering – private and public sector – is the fact that both parties have difficulties to manage quite complex and exactness demanding Act on Public Procurement (30.3.2007/348). Public organizations and private enterprises may suspect the other party's capability to manage the procurement procedure or some phases of it. I also assume that the public sector has not been able to accomplish and maintain such supplier relationships with suppliers that would promote the receipt of the best tenderers and the most suitable tenders for the public organizations' needs.

In addition to the above mentioned obstacles the following aspects may affect the public sector's attractiveness as a procurer. From the part of the public sector above all precise following of regulations of the Act on Public Procurement (30.3.2007/348) and knowledge of the public procurement procedure are emphasized. The public sector may not have enough knowledge of the markets and different companies and of their possibilities to provide the needed supplies and services. Private companies are not always able to fulfill the above mentioned precise demands of the Act on Public Procurement (30.3.2007/348) and in the worst case the whole tender is rejected by a public organization because of a formal error in the tender. The public sector cannot always describe the needed services or products precise enough or it does not

have enough knowledge of the markets and therefore the public sector fails to receive the needed services or products. The public sector may require for example services that are not available in the markets or only very few companies are able to provide these services because a public organization has not made sufficient market analyses. If only few companies can provide the needed services real competition lacks and as a consequence procurer may not benefit from the public tendering. In default of well and sufficient description of the services or products the procurement may become unreasonable expensive. My experience is that from the part of the private sector besides the difficulties to fulfill the requirements being caused by the legislation the private sector lacks deep enough knowledge of the public sector organizations and their characteristics, end users, public sector's special needs and qualitative demands for the services and supplies.

The essential part of my study concerns the public sector's reputation and attractiveness and in connection with those elements trust between the public and private sectors within public procurement. The other part of the study is about the management of supplier relationship touching the questions of interaction and partnership between the private and public sectors. My understanding is that in the future public procurement has to include more innovative thinking and that this thinking requires more strategic and deepen cooperation between the public and private sectors. With reference to the presented ideas of my preliminary understanding of the phenomenon I suppose that the public sector and also the private sector lack to some extent knowledge, know-how, competence and qualifications concerning the procurement procedure.

1.2 Research questions

The main research questions of the study are:

1. Does reputation of a public sector's organization affect its possibility to receive the most suitable and the best tenders for its purposes and needs?
2. Which kind of factors would contribute the public sector to receive the most suitable and the best tenders for its purposes and needs?
3. How does the supplier relationship between the procurer (public sector) and supplier affect successfulness of public procurement?
4. How should the supplier relationship be developed?

In this study term supplier covers both service providers and companies selling products.

2 RELATED PREVIOUS LITERATURE, KNOWLEDGE AND RESEARCH

2.1 Public procurement and its development aspects

2.1.1 Public procurement from the procedural angle

Public procurement means purchasing of goods, services or works by public organizations such as municipalities, government and different state authorities. Realizing of public procurement is a quite formal procedure and many stages of the procedure are regulated by the Act on Public Procurement (30.3.2007/348). This procedure proceeds from the planning phase to the public tendering phase and finally to the decision making when the contract awarding tenderer is chosen. Thereafter a procurement contract is negotiated with the awarded

tenderer. These phases are followed by the handling of invoices and following the fulfillment of the contract.

There are several ways to describe the public procurement procedure. The following table is based on the different models presented by various public organizations.

<p><i>Planning of the procurement</i></p> <ul style="list-style-type: none"> • Needs assessment • Analyzing of markets, risk analysis • Budget and schedule planning • Calculating of the estimated value of the procurement • Choice of a procedure to be used (open, restricted etc.) <p><i>Public tendering procedure and decision making</i></p> <ul style="list-style-type: none"> • Preparation of the invitation to tender • Notices (special phase in public sector) to HILMA when obligatory • Sending the invitation to tender • Answering the questions of tenderers, clarification of the invitation to tender • Opening of the tenders • Exclusion of the tenderers and selection of the suitable tenderers and rejection of the tenderers • Verification whether the tender is consistent with the invitation to tender and rejection of the inconsistent tenders • Evaluation of the tenders • Decision making (award is based either on the lowest price or on the economically most advantageous tender) • Information of the tenderers of the procurement decision <p><i>Execution of the procurement decision</i></p> <ul style="list-style-type: none"> • Entering into procurement contract/making orders based on the awarded tender • Invoice handling • Cooperation with the supplier • Monitoring the fulfillment of the contract/order

Table 1. Phases of a basic public procurement procedure.

All public organizations are obliged to organize a public tendering procedure for a procurement exceeding certain value and they have to follow a regulated procedure (Act on Public Procurement 30.3.2007/348). Even though the public tendering phase of public procurement is regulated by the Act on Public

Procurement (30.3.2007/348) the Market Court received 612 complaint cases in 2010, 399 cases in 2011 and 449 cases in 2012 concerning public procurements (Markkinaoikeus. Käsittelyajat ja tilastot.). This is not a remarkable number of complaints when compared to the amount of executed public procurements. Percentage of complaints in 2012 (449) out of registered notices in HILMA in 2012 (18,760) is about 2.4%. However, complaining to the Market Court indicates that there are some problems concerning the public procurement procedure and realizing of public procurements.

2.1.2 Some angles for developing of public procurement

There are many different aspects of the development needs of public procurement. From the development perspective it has to be taken into consideration that development has to be realized within the limitations of the Act on Public Procurement (30.3.2007/348). One perspective is presented by Iloranta and Pajunen-Muhonen (2012, 380) who refer to the following views published in the SupplyChainStandard journal by European wide European Logistics Association ELA of the dimensions that should be considered when developing public procurement:

- 1) Public procurement is first of all procurement, not only following of laws.
- 2) Legislation is not only bureaucracy but it can promote realization of procurement.
- 3) Forms do never replace traditional conversation.
- 4) The importance of identifying of the suppliers' characteristics should not be underestimated.
- 5) The client need also attract some times suppliers.
- 6) Building flexible relationships is possible also in public procurement.
- 7) Privatization of public services eliminates some of the problems in the public sector but may at the same time lead to vanishing of certain characteristics of the public sector (James 2007, see Iloranta and Pajunen-Muhonen 2012, 380).

The development of public procurement can also be seen for example from the procurement procedure angle. The entirety of the procurement procedure can be divided into three parts as described in the table 1. or for example as Iloranta and Pajunen-Muhonen (2012, 404) present into A) the planning and preparation phase, B) the public tendering phase, which has to be carried out in accordance with the relevant procurement legislation and C) into the guidance and steering of suppliers during the validation period of a contract. My experience is that the public sector has mainly concentrated on the public tendering phase whereas less attention is paid for example to the market analysis, utilizing of the supplier markets, cooperation with the suppliers and monitoring the fulfillment of the procurement contract. Efforts are mainly put into increasing of competence of application of the public procurement legislation (Iloranta and Pajunen-Muhonen 2012, 404). The public sector should however emphasize not only the development of judicial competence and know-how of public procurement. Formal requirements of the procurement procedure should not affect in a too high range the contents of a procurement. The target of the development of the procurement procedure ought to be towards more strategic and systematic approach which means for example a proactive and systematic approach towards utilizing of the supplier markets. (Iloranta and Pajunen-Muhonen 2012, 405.)

Also some latest development trends concerning the private sector's procurements can be seen as areas for development in the public sector's procurements too. These kinds of trends are supplier integration, early supplier involvement in a new product development, and leveraged purchasing strategies and corporate social responsibility (van Weele 2010, 16–17). Leveraging and coordinating strategies would promote unification of the procedures within the public sector for example in respect of assessment and evaluation of qualitative criteria of tenders and drafting invitations to tender and procurement contracts. The supplier integration would mean for example exploitation of information technology for making mutual processes more effective. Early involvement would mean from the public sector ability to discuss and innovate with the suppliers so that innovations do not come only from the

part of suppliers but more and more often ideas originate from public organizations. The importance of corporate social responsibility is increasingly important with regards to procurements. Not only private companies but also government and municipalities have strategies, regulations and programmers on this point and with regards to public procurement there are also regulations on how to implement sustainable development in procurements. For example the Government of Finland has accepted on 22 November 2012 principles of economic and social responsibility including also principles to be followed in public procurements (Valtioneuvoston periaatepäätös yhteiskuntavastuusta).

There are naturally other development aspects than the above described in public procurement. In this thesis I have used development aspects presented in this chapter for modifying my questions for the companies in the empirical part of this study. For example I had the following question concerning the mutual cooperation “In which areas would the possible development of supplier relationship be of your opinion especially important?”. The respondent had the possibility to choose as development areas none, one or more or all of the following alternatives: cooperation during the validity period of the contract (for example cooperation meetings), designing supplies/services mutually, development of services during the validity period of the contract, increasing the end user satisfaction, mutual trust, depth of cooperation and improving the tendering process. The respondent could also give his or her own point of views to this theme. There were also for example questions connected to knowledge of a company’s domain’s services, supplies and markets and the public sector’s business know-how.

2.2 Concepts reputation and trust from the corporate and public governance perspective

2.2.1 Reputation and corporate image

In this chapter I have limited the concepts reputation and trust to be handled mainly from the corporate perspective and from the public governance point of

view. There seems not to be one single definition of the concept reputation in the literature of the subject. Corporate reputation is connected to mental image that a company evokes (see e.g. Aula and Heinonen 2011, 12; Aula and Heinonen 2002, 32; Pitkänen 2001, 15). It has also psychological dimensions as corporate reputation is connected to “attitudes and feelings to the specific qualities of the organization” (Hannington 2004, 9). When reputation is considered from the corporate perspective the question is not only about attitudes, feelings and mental image of a company but it is also “always about actions, experiences” (Aula and Heinonen 2002, 36).

Corporate reputation can be defined also for example through answers that a company gives to the questions that its stakeholders make about the company (Hannington 2004, 8). Based on Harris-Fombrun’s Reputation Quotient list of measuring dimensions of reputation, Hannington (2004, 8–9) introduces a list of questions that stakeholders may make to a certain company in order to make perception of that company. Those questions concern such issues as company’s ability to give high quality products and services, company’s financial performance, vision on leadership, working environment, social responsibility, emotional appeal and ability to provide suitable solutions. The questions may give answers on how stakeholders assume a certain company is able to meet their expectations and what is a company’s performance level with regards to its products, services, activities and employees. (Hannington 2004, 8–9.)

Also within the public sector it is important to discuss about reputation and its relevance and effects. At least in connection with public procurement it is important to understand that public procurement has remarkable effects to the national economy, to the public sector’s functionality and also to the private sector. Public sector’s functions are based on the legislation and therefore one crucial factor of the public sector’s reputation is that in the public sector’s activities law is strictly observed. An elementary requirement for the public sector actions is good governance which is based on the Constitution of Finland (11.6.1999/731). Good governance has many elements and aims such as

interactive customer service, appropriateness when serving customers, service principle, human-centered service and promotion of customers involvement in a service in hand instead of one-sided activities by a public organization. Also such principles as the prohibition of misuse of powers, principle of proportionality, impartiality, parity, equity and independence of officials are elements of good governance. (Kulla 2008.) From a rather narrow perspective quality of public governance may be assessed by referring to the public sector's ability to act economically which includes a view that quality is good if a public sector organization is effective in achieving its aims with minimum resources (Picci 2011, 46).

With regards to public procurements not only the main principles of good governance have to be observed but also certain special principles from the good governance perspective have to be followed. Those are non-discrimination, transparency, equal treatment and proportionality and those principles should be followed in all stages of the public tendering procedure (Act on Public Procurement, 30.3.2007/348, section 2). Non-discrimination means that the conditions and demands set for a public procurement shall not favor or discriminate tenderers. Non-discriminations would take place for example if tenderers from different municipalities are treated differently than tenderers from the municipality of public organization organizing the public tendering in question. Transparency refers to noticing of public tenderings, to information sharing concerning the public procurement procedure and to openness which means that if not prohibited by the legislation information of the procurement procedure is not allowed to be kept in secrecy and the documentation of public procurement is in principle transparent so that all tenderers receive the same information. Equal treatment means for example that same type of cases and situations are handled similarly if there are not objectively well-grounded reasons to deviate. Proportionality principle includes a requirement that the conditions and demands set to a certain public procurement shall be in a right proportion with the desired aim and target of that procurement. When assessing suitability criteria to tenderers a public organization shall take into consideration the nature and value of the service or product to be procured. (Government

Proposal for the Act on Public Procurement, HE 50/2006 vp, 47.) For example, if there is a low-value procurement a public organization should not demand as a suitability criterion company turnover which is oversized taking into account the value of the procurement. Public organizations shall also endeavor to organize their procurement procedures as economically and as systematically as possible (Act on Public Procurement, 30.3.2007/348, section 2). This is close to effectiveness and economic dimension of good governance (Picci 2011, 46).

Within the public sector its reputation can be assessed in relation to the public sector's ability to observe the law and to execute respective other elements of good governance. In case of public procurement there are also special factors set in legislation. One important element is also the public accountability which refers especially accountability towards taxpayers of the legitimate use of their money (Baily, Farmer, Jessop and Jones 1998, 290; van Weele 2010, 106).

Even though there is a lot of discussion around the concept reputation without a commonly accepted overall definition, it is quite obvious that reputation matters. Reputation has many dimensions but at the same time its financial value is difficult to measure. As the value of reputation is difficult to calculate the significance of reputation can be under-estimated (Honey 2009, 9). Based on Honey (2009, 9) and Aula and Heinonen (2011, 21–24) reputation has at least the following significance dimensions:

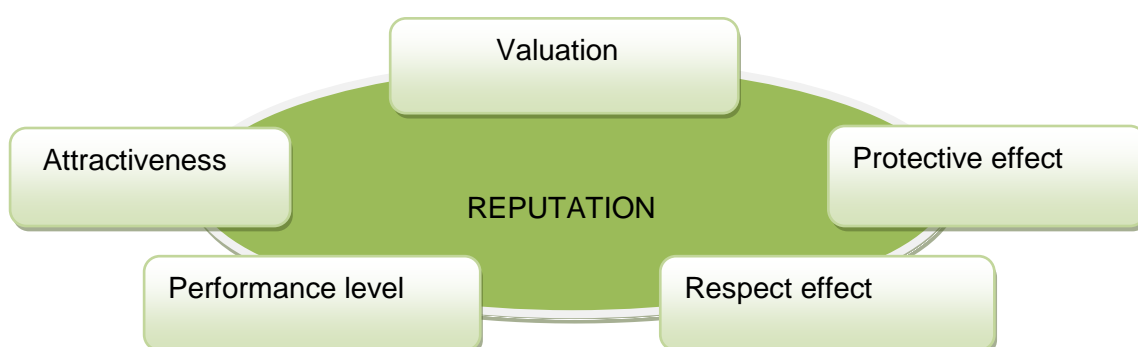


Figure 1. Dimensions of reputation's significance.

Organizations having good reputation are *attractive* in respect of issues crucially important to a company like customers, employees and investors (Honey 2009, 9). *Valuation* dimension does not directly mean reputation's economic value but is connected to such issues as development of an organization's market value and financial performance. It can also be immaterial in the form of reputation capital. *Protective effect* realizes in a crises situation. When the markets are sinking the value of stocks of both "bad" and "good" reputation companies decreases. The difference is though that good reputation preserves a company in a crises situation better than in a case a company has bad reputation. Reputation has *effect of respect* which is about positive conceptions that public has about an organization. Good reputation may affect the *performance level* of an organization for example in a way that it may receive resources in lower costs in different forms such as loans with lower interest than its rivals having worse reputation. (Aula and Heinonen 2011, 22–24.)

With reference to the above described dimensions of reputation's significance it is obvious that reputation has direct and indirect economical and other effects. In case of public procurement especially attractiveness factor may affect the public sector's possibilities to receive the best and the most suitable tenders for its needs. As a procurer the public sector differs from the private sector in a way that the public sector's public tendering procedures are almost always open to public and can therefore be easily assessed publicly. Availability of the public sector's procurement decisions means that they are discussed in newspapers, in internet and in other public arenas and these discussions may form public's mental image of the public sector as a good and reliable procurer. Aula and Heinonen (2011, 80) underline the significance of different arenas as fundamental sources for reputation.

Reputation-based public governance has according to Picci (2011, 5–6) two positive effects which are static and dynamic effects. Individuals and organizations produce static effect when they constantly and in different situations think their actions' and behaviors' consequence to reputation. "The

more important reputational considerations are, the more likely it is that the balance will tilt in favor of virtuous behavior". Dynamic effect leads to improvement of skills as dynamic effect is linked to reputational intensives such as rewarding of good performance. A public organization may also use reputational incentives for improving its ability to assess its suppliers' performance level and quality within public procurement. (Picci 2011, 6.)

Reputation is a close concept to corporate image and those concepts may be used as synonyms. As reputation, corporate image has also characteristics mental image that some community or individual forms of a certain company. This mental image is a combination of emotional affections, experience, believes etc. (Pitkänen 2001, 15.) As the case is with the concept reputation, there is no common single definition either for the concept corporate image. It seems that corporate image is more connected to the latest believes that people have on the company while corporate reputation is developing in a longer-term perspective (Dalton and Croft 2003, 9, 12). Both reputation and corporate image effect a company's performance (see e.g. Aula and Heinonen 2011; Pitkänen 2001).

2.2.2 Meaning and importance of trust

Reputation is a close concept to trust – those having good reputation are trusted (Aula and Heinonen 2011, 42). Without trust there would not probably be business for a company. "Trust means business" (Galbraight Shurtleff 1998, 10). Trust is important for economic growth and it has been suggested in research that "...average economic growth rate increases 1 percent for every 15 percent increase in a country's level of trust" (Hurley 2012, 22). Economic growth is based on the ideas that trust improves for example internal effectiveness of organizations, increases commitment which further improves better completion of time, and trust increases return of investment. Trust may affect also employees' goal orientation in a way that they may approach their goals from a wider perspective, not only from their own perspective but also from a perspective of attaining common goals. (Hurley 2012, 23.)

Even though trust is pivotal for business, definitions for the concept trust vary and there are different ways of defining trust. In this thesis the focus is to deal issue of trust more of business and procurement angles. However, I found it not possible to limit this review solely within that perspective. Trust is handled in this section from the following aspects: definition and elements of trust, development of trust and benefits of trust.

Castaldo has made a research on the trust definitions selected from the management and social sciences literature. He meta-analyzed the collected text database using a computer-aided content analysis finding 72 definitions of trust. (Castaldo 2007, 122.) According to this analyze there is not a common and shared view of the meaning of trust.

Some researchers have identified different types of trust. McAllister (1995) has discussed about differences between *cognitive* and *affective trust* and about those trust types as foundations for interpersonal cooperation in organizations (see Huotari and livonen 2004, 8; Sonnenwald 2004, 86–87). Cognitive trust is connected to the rational views of trust such as responsibility, reliability, ability and credibility (Huotari and livonen 2004, 8). In case of cognitive trust the byer may think for example whether the supplier is able to provide as high quality services as it promises. Affective trust is more related to the emotions and it has been linked to such issues as perceptions of motivation, intention, care, benevolence and mutual respect (Huotari and livonen 2004, 8; Sonnenwald 2004, 86.) Solomon and Flores (2001, 58) remark that “Trust is not a feeling”, but affective dimensions of trust shows that it is apparently involved with emotions. In research also *calculative* and *non-calculative trust* is discussed. Calculative trust is about weighting the benefits of specific actions (Huotari and livonen 2004, 8). Calculative trust may rely on routines, tolerance levels and subjective probabilities (Rosenkranz and Weitzel 2005, 4). With regards to public procurements a supplier may trust a public organization because it calculates that the public accountability and respective legislation ensure that the procurement procedure is legal and fair and a public organization is a firm payer and therefore, worth making business with.

Non-calculative trust has in turn e.g. the following elements: unreflective trust due to cognitive dissonance and trust based on affect, routinized behavior, values and norms (Lane 1998; Nootboom 2002).

Trust can be approached from a viewpoint which deals trust from its different components. Blomqvist and Ståhle (2004, 176–179) present a model of components of trust according to which those components are capability (e.g. competence, skills and know-how), self-reference, goodwill (expected partner's positive intentions) and behavior (e.g. actual behavior and assessment of the other party's reliability in keeping its promises). Self-reference is related to an organization's ability to be aware of its own functions and values, which promotes interaction and knowledge sharing with other organizations (Blomqvist and Ståhle 2004, 180–185).

Determination on whether an individual, an organization or an institution can be trusted is based on the interpretations which in turn are based on instinct, past experience and current experience. Past experience influences on the determination because there is already information available on an individual's or an organization's "credibility of actions". If there is not past experience of an individual or an organization trust is based on impression, which has in turn its bases e.g. on mental image of an organization. (Galbreath Shurtleff 1998, 15–23.)

It seems that characteristic to trust is that it is a situational phenomenon. Trust is also developing and dynamic as its nature (Davenport and McLaughlin 2004, 109–112; Harisalo and Stenvall 2004, 60; Iivonen 2004, 33). In the research different types of situations and bases of trust in connection with those situations has been identified. With regards to Dibben's (2002) typology on situations and eight trust types (see Davenport and McLaughlin 2004, 110–111) it seems that in many situations one basic element of trust is the existence of some amount of experience and knowledge of the person, organization or institution with whom someone or somebody intends to interact. In context of procurement the situational dimension of trust could be found for example when exploring the differences concerning private sector suppliers' bases of trust in

the public sector and on the other hand in the other private companies. Suppliers may trust public organizations for different reasons than they trust private companies. Trust in the private sector may be built on mutual face-to-face relationships whereas public sector's organization can be trusted because it is a sound and reliable payer and there is no risk for credit loss.

Trust has also been linked to risk (see e.g. Galbreath Shurtleff 1998, 35). Risk means being in a position where an organization is vulnerable. In order to manage trust risks organizations should assess those sectors and functions where they have high risk, moderate risk or low risk to turn into trust destroyers (Golin 2003, 62–63). Organizations may do trust-building activities in order to prevent that risk actualizes (Golin 2003, 64–68). With regards to public procurement one sector of risk could be trusting that ethical behavior is always in a high level in supplier relationships and that no corruptive actions take place. Any corruptive action destroys organization's trust and therefore, it is important to actively discuss and provide guidance in ethical issues within business relations.

“Only individuals are able to trust. However, individuals, teams and organizations may be *objects* of trust.” (Blomqvist and Ståhle 2004, 192.) Trust building and developing between business partners should emphasize the importance of the interrelations. The focus should be on building and promoting relationships rather than on different kind of transactions such as selling efficiency. (Green and Howe 2012, 90–91.) Organizations are linked to each other in different networks using technology as an enabler for this networking. However, technology does not change the nature of relationships where the focus is still on the collaboration and willingness to share. The idea of networking is to get more business but in addition, successful networking is based on relations and trust. (Green and Howe 2012, 94.) Collaboration is one key element in the networking and trust because collaboration promotes knowledge transfer between individuals, assists on converting an individual's knowledge to an organization's knowledge and increases trust between individuals and organizations.

Trust is based on an open communication in collaboration and without trust expressing of different views and opinions could be prevented. (Huotari and livonen 2004, 15.) Development of trust requires commitment to collaborate in a persistent manner and collaboration should include such elements as working together towards common goals and shared meanings (Huotari and livonen 2004, 21). It is proposed that trust does not exist as such but instead trust develops as a process. So called identification-based approach to trust suggests that development of trust takes place in the a following way: during the prolonged interaction parties develop shared mental structures by which they further conclude shared interpretations. This can develop into empathy or even into more close interrelation. (Nooteboom 2002, 13.) It is obvious that trust and trust building is for an organization a question of the management strategy which concerns at least an organization's structure, human resources management, business relationships and networking. For example a public organization may adopt strategy whereby the steering phase of the public procurement stresses the importance of a strict interpretation and compliance of a contract and sanctioning errors instead of mutual cooperation and discussions between the parties including tolerance to errors to some extent.

Benefits of trust can be seen from different perspectives. Green and Howe (2012) discuss about economic, social and ethical benefits. Direct economic benefits may be direct in the form of increased revenue or reduce of costs whereas indirect economic benefits are due to improvements in business relationships. Social benefits are shown widely in relation with stakeholder relationships. Trust-based stakeholder relationships can for example provide an organization support in a difficult situation. Trust has also an ethical dimension which is manifested in people's tendency to trust people whose behavior is not only money driven. In the organizational level loyalty to an organization with the common values is stronger than in the case where an organization's driving force is only a self-serving interest. (Green & Howe 2012, 203–207.) Actually, benefits of trust are quite the same as benefits of good reputation. Trust enables an organization to keep its employees and in the recruitment situations trust serves as an attractiveness factor (Golin 2003, 36–37).

With regards to business relationships trust and ethics play more and more important role meaning that in business relations price is not the only relevant factor – companies screen also their partners' ethical past. In the world where companies need other companies' services there is also need for partnering and partners are searched among those that a company is willing to trust. Trust promotes also risk taking and innovations since in a trust based environment people dare to venture opinions which are against status quo. (Golin 2003, 38–39.)

The above described benefits may be seen as reasons for investing in trust and for giving rise to think trust as an independent capital for an organization (Golin 2003, 54). Harisalo and Stenvall (2004, 66–71) show how trust can be assessed as a company's capital in addition to financial, social and human capital or as a comparable factor to them. Trust capital facilitates production because it promotes communication, cooperation and ability to resolve conflicts. When only financial, social or human capital are used without paying any attention to trust it is possible that negative effects occur. Those tentative effects would be such as increased egoism, shortsightedness in the use of money, weakening social resources, fear of manipulation in a working place, increased unwillingness to learn and share knowledge to other employees, hierarchical barriers rising between people, and decreasing of reciprocity. (Harisalo and Stenvall 2004, 66–71.) If trust lacks, then financial, human and social capital may lose their effect.

Discussion of trust includes also discussion of mistrust. Mistrust can be a consequence of many different actions. The reason for mistrust may be e.g. one single, but major mistake, underestimating the impact of unethical practices, poor judgment, failing to anticipate vulnerabilities of trust and arrogant behavior (Golin 2003, 191–203). Mistrust may lead to negative effects on the business in various ways. Lack of commitment and open communication as well as lower employee satisfaction are examples of effects of mistrust which may also cause economic losses to a company (Galbreath Shurtleff 1998, 38).

Communication is in a crucial role in other ways with regards to trust and mistrust. For example even if the level of trust is low, open communication can lead to trusting relationships whereas poor communication leads most probably to distrust (Hurley 2012, 32).

Individuals and organizations are more and more dependent on others today without even knowing well all persons, groups or organizations with whom they interact. This kind of interaction stresses the importance of trust. (Hurley 2012, 18; van Weele 2010, 394.) Organizations do not do any more everything by themselves, but they procure certain support services or products from an external company. For example the tendency to outsource to private companies some of municipalities' activities such as public health services or school meals catering services or opening of those services to public tenderings leads to a situation where a municipality is strongly dependent on those private companies. For the trust building and developing in different networks and business relationships it is important that there is willingness to mutually share information and to actively collaborate among the organizations in those networks (van Weele 2010, 394). Information sharing and collaborative working is though a complex subject because organizations in those networks can be rivals and they need to make difficult choices of what information and knowledge and in what amount they are willing to share. This willingness is evidently connected to trust between parties involved in these dependent-networks.

Van Weele (2010, 394–395) has introduced the following model concerning building trust in supplier relationships:

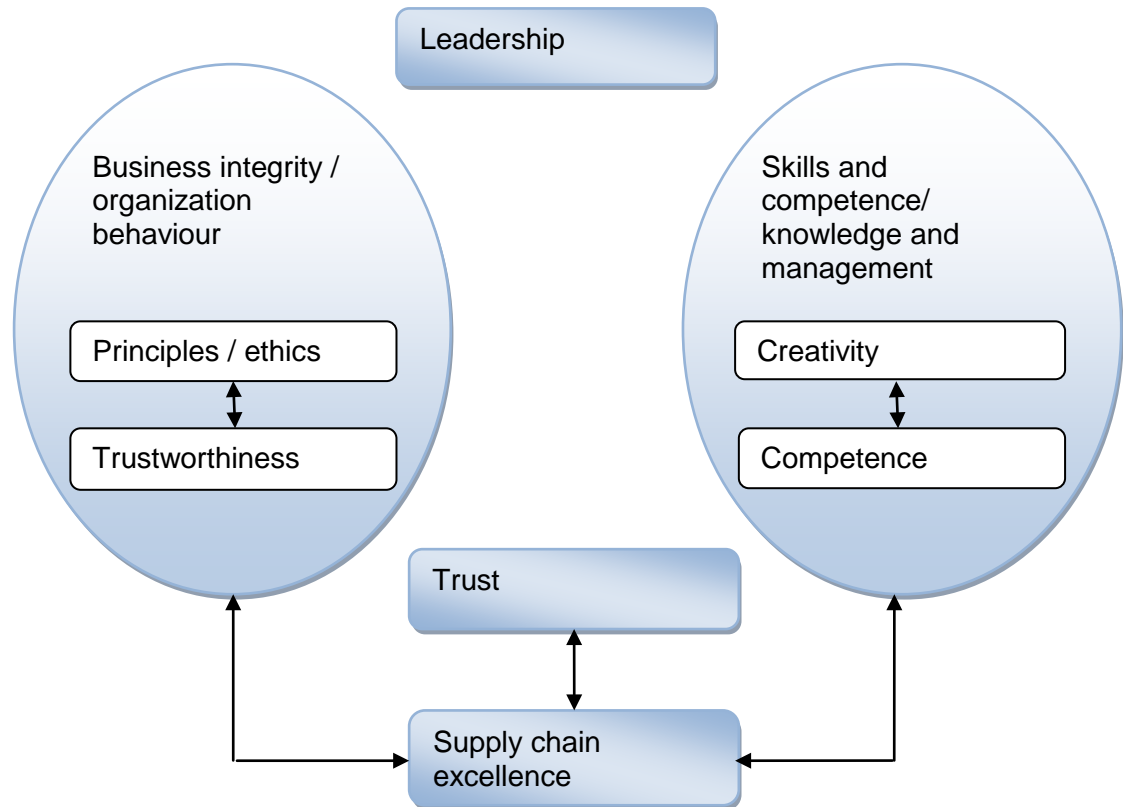


Figure 2. Building trust in supplier relationships.

In this trust building model an organization should work actively on areas of trustworthiness and competence. Generating trustworthiness is about ethics, ethical principles and procedures as well as consistent organizational behavior. (van Weele 2010, 394–395.) In connection with public procurement this would mean e.g. that suppliers can rely that a public sector’s organization follows procurement principles: non-discrimination, transparency, equal treatment and proportionality in all stages of the public tendering procedure (Act on Public Procurement, 30.3.2007/348, section 2). Also ethical behavior in connection with public procurement is of great importance. Ethical behavior means for example personal integrity, non-corruptive behavior and denial of demanding or accepting bribes. Hurley (2012, 113–137) states with reference to survey sources that it is not enough that an organization has ethics trainings and codes

of conduct since trust is connected to the organization's operating style as a whole. Building trust and open communication within an organization are relevant factors also for creating stakeholders' (e.g. employees, suppliers and investors) trust towards an organization (Hurley 2012, 113–137). Building competence and thereby trust in supplier relationships means that organizations invest in development of their personnel's skills, knowledge, know-how and creativity (van Weele 2010, 394–395). Realizing of public procurement requires multi-dimensional competence and skills such as ability to follow procurement legislation, understanding of commercial and financial issues and ability to negotiate and maintain business relationships. Supply chain excellence is a consequence of successful trust generating and building and this excellence further develops and maintains trust in supplier relationships.

2.3 Supplier relationship in connection with procurement

Realizing of public procurement leads evidently to a situation where a procurer and supplier will be in a relationship. This relationship may be loose when there is a minor procurement and a public organization makes easy orders to a supplier (for example pencils). In bigger and more complex procurements such as when procuring services, supplier relationship is probably more deepen and a procurement contract covering terms and conditions of business relationship between a public organization and a private company is needed. Understanding the fact that relationship exists as such whether or not it is comfortable, complex or difficult, the public sector should not ignore any relationship but instead rationally decide how to organize and measure supplier relations and make them work (Ford, Gadde, Håkansson, Lundgren, Snehota, Turnbull and Wilson et al. 1998, 8). Baily et al. (1998, 8–9) present two views for tackling the question of buyer-seller relationships being transactional and mutual relationships. A transactional view is "simply" buying whereas mutual relationship consist such ideas as sharing and exchanging. Those ideas include elements such as shared technology, commitment to mutual goals, information and knowledge sharing, and mutual confidence.

Figures 3. And 4. of Baily et al. (1998, 8–9) show the fundamental elements of the above mentioned views.

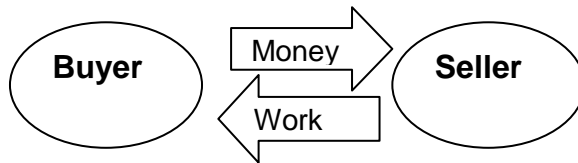


Figure 3. Transactional relationship.

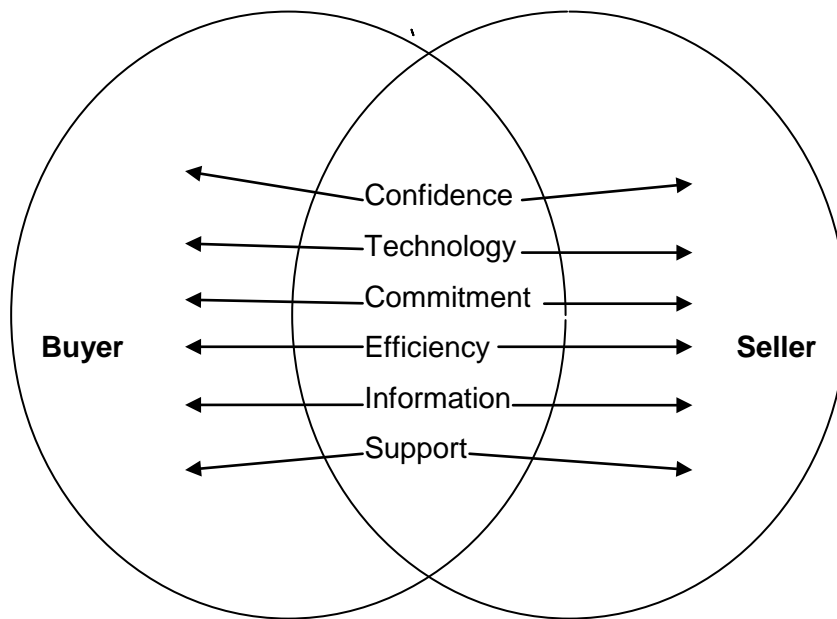


Figure 4. Mutual relationship.

It is merely a strategy and management issue in a public organization of what sort of relationship it will build and maintain with its suppliers. Even if this relationship is more transactional it involves interaction and communication between buyer and seller. In business relationships people are always involved either in direct vis-à-vis form or more indirectly through electronic systems and through other means (Ford et al. 1998, 8; Rogers 2009, 110). Also those other means and electronic systems are invented and realized by people (Rogers 2009, 110). As other relationships, also relationships between people working in different organizations are demanding and require planning and efforts (Ford et al. 1998, 8–9, 28; Rogers 2009, 110, 113). Such efforts may be gaining profound information of a supplier, its decision making and personnel's roles in a supplier relationship. Also knowledge of both-sided expectations, building a

relationship that bases on periodic face-to-face meetings and systematic trust building are required in order to have a relationship that works. (Rogers 2009, 111–112.) Emmet and Crocker (2006, 137) demonstrate the following research findings on survival and progression of collaborative relationships:

- “Product information and social exchange among partners lead to both cooperation and adaptation. Adaptation is a process of making investments in the relationship, and it is affected by the degree of coordination and cross-functionality between the organizations,
- The maintenance of long-term relationships requires an ongoing commitment from both parties if they are to continually improve.
- Partners must develop trust and assure commitment through open and candid communication, shared product and process developments, achievement of joint performance requirements and positive responses to performance problems.”

Organizations should not try to have comfortable relationships but concentrate on developing them and concentrate also on conflict resolution because conflicts also include possibility to improvements (Rogers 2009, 113–115). Relationships based on personal contacts may also be vulnerable. There are turnovers of personnel and if institutional memory lacks it may be harmful for the cooperation with a supplier (Rogers 2009, 116). In order to build institutional memory and especially in order to manage business relationships a buying organization may manage a portfolio of supplier relationships (Ford et al. 1998, 13). Portfolios enable procuring organizations to analyze their existing and possible new suppliers and to make strategic choices of the types of relationships procurers wish to have with their customers (Ford et al. 1998, 84–85, 280). Portfolios should therefore include such information on suppliers that they may also serve as institutional memory.

Procurement functions are evolving to a more strategic direction and to a direction where procurements’ importance for example to an organization’s total costs is recognized (Baily et al. 1998, 7, 393). This concerns both private and public sector even though in the public sector legitimacy of the procurement

procedure can be assessed to be more important than aims connected to efficiency and economy (Government Proposal for Act on Public Procurement, HE 50/2006 vp, 48). Baily et al. (1998, 357–361) stress with reference to the changing role and complexity of the procurement function, the importance of skilled and competent personnel to an organization if it is willing to benefit from procurements. Organizations are in a crucial role in motivating and educating their personnel as well as in bringing forward both in personnel and organization level attitude that ensures that the employees are able to use their talents optimally and for the support of company's policies and strategy (Baily et al. 1998, 357–361).

Managing supplier relationships include also managing contracts. In connection with public procurement an invitation to tender and an accepted tender form an essential part of a procurement contract. In many cases an invitation to tender includes main conditions of a contract since those conditions shall be noticed in the tendering documentation if they contain relevant information for making tenders (Act on Public Procurement, 30.3. 2007/448, section 41, section 69). In practice with regards to public procurement, contracts are in a written form and drafted by a procuring public organization, and there is not very wide space for contract *conditions* negotiations. This does not mean that there would not be any negotiations or other activities during the validity period of the contract between the contracting parties. Contractual relationship is an essential part of relationship which is gradually formed during the procurement procedure. Contracting includes for both parties risks and in order to master those risks parties agree on necessary contract terms (Ward 2008, 19–20). In addition to being prepared to risks and agreeing on contract terms a procuring organization need to build and maintain mutual relationship with its contracting party. There might be good contract terms and plans for avoiding risks but they do not replace functioning supplier relationships. (Ward 2008, 21–22.) After having agreed on the contract follows the delivery of products and services bringing also the possibility that problems occur (van Weele 2010, 99–100). For example the procurer may see service level requirements different than the service provider.

As the contract management is also about relationships it lays largely on people and their actions (Honig 2010, 110). It is important that the parties realize this fact and ensure that they understand the contract before signing it and work together for mutual benefit during the contract period. Contract negotiations should happen as an ongoing process for maximizing relationships and in order to avoid negative effects for example in the form that the service level does not meet the expectations, or expected innovations of a supplier do not occur. (Honig 2010, 110, 115.) It is also evident that circumstances change from those that existed when signing the contract (Honig 2010, 131). Contracts should enable certain flexibility for changes and people dealing with contracts should be able to handle changes and relationships in variable circumstances.

Procurer should not refrain from having relationship with the end user of products or services. End users may have valuable expertise and experience on the procurement concerned which should be analyzed and used for realizing successful procurement (van Weele 2010, 100–101). Not only the supplier but also the procurement unit is responsible for the end users' customer satisfaction (Dominick and Lunney 2012, 3). If a procurement unit is not able to procure services or products needed by the end user it is quite probable that this has negative effect on the customer (end user) satisfaction. Characteristic to procurements is that they take place mainly to ensure that core services of an organization function efficiently. Existing inter organizational relationship is crucial in those cases for example in the form whereby end users involvement in preparing service description is assured and the procurement unit cooperates closely with the end users and the other units of the organization.

Organization may benefit from supplier relationship or at least organization's management may expect certain outcomes from procurement functions such as cost savings in the form of saving money and reducing costs, improvement of productivity by more work with fewer resources, positive cash flow, customer satisfaction, efficient service to internal customers, revenue generating and competitive advantage for a company (Dominick and Lunney 2012, 2–4).

Supplier portfolios' one aim is to bring also other than financial perspective to business relationships. There are also the dimensions of joint product, service or process development, transfer of technology or business methods, integrating processes of different suppliers with procurement organization's own operations, reduced administration costs by integrating information systems and also promotion of exchange of resources and knowledge among a procurement organization's suppliers. (Ford et al. 1998, 112, 114–116, 280.)

In many sources technology development is mentioned in connection with supplier relationship (see e.g. Baily et al. 1998, Ford et al. 1998; van Weele 2010). There is probably no relationship without the use of technology. Technology enables very effective networking and knowledge distributing but business relationships also promote development of new software. Organizations should not however develop technology in isolation from other organizations and stakeholders if they which technology to create value (Ford et al. 1998, 272). For example today the public sector tends to transfer the public tendering procedure, ordering, invoicing and contract management into an electronic form. If suppliers' possibility to use new electronic systems has not been widely examined from the perspectives of at least usability and easiness, those systems do not necessary bring expected savings in the form of process and other costs.

Supplier relationships are actually part of complex networks. Relationship does not exist only between the buyer and the seller but there are many other relationships involved in this buyer-seller relationship. (Ford et al. 1998, 1–13.) A supplier may have business relationship e.g. with its subcontractors and its manufacturer and those supplier networks also influence on a public organization's procurements. For example if a significant subcontractor in a building construction project goes into bankruptcy the whole project may be delayed or its finalizing by the main contracting party may even prove to be impossible. A public organization has to take into consideration also political and legislative requirements and limitations and the fact that there is quite often a situation where there are supplier, procurer and end user involved in the same

procurement procedure. For example when procuring office furniture a public tendering procedure can be organized and a procurement decision made by a central procurement unit – such as Hansel Ltd in case of a governmental organization – while the procured furniture is used by personnel (end users) not working in this central procurement unit. End users are important for both public organization and private company since end users are the best experts concerning their needs. Therefore, a procurer should be able to meet those expectations when purchasing and making contracts. A supplier should be able to have a suitable and satisfactory solution to meet those needs, but the supplier should also be capable to satisfy the procurer from the contractual point of view.

Figure 5. visualizes some factors of the complexity of relationships within public procurement.

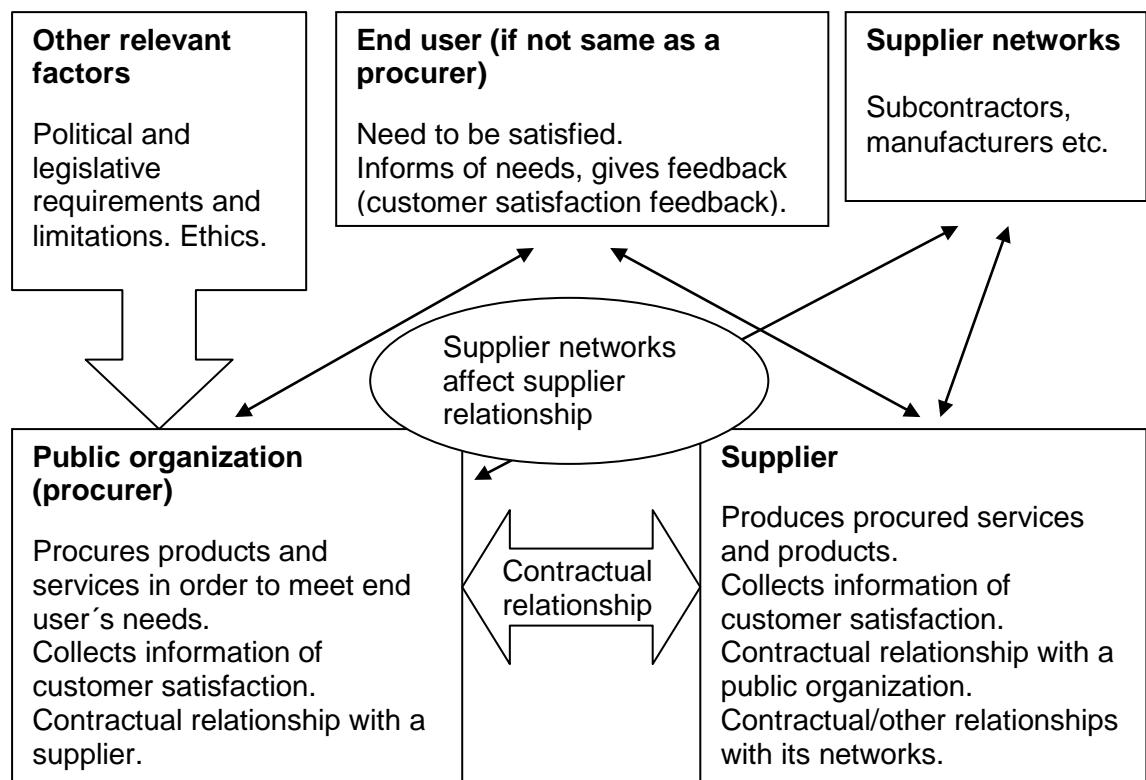


Figure 5. Complexity of public procurement and supplier relationship.

2.4 Qualification, competence, knowledge and expertise

The Chamber of Helsinki Region (Helsingin seudun kauppakamari) made a survey to its member companies in 2010. In this survey companies were asked to give an average grade concerning the functionality of public procurements in the Helsinki Region municipalities. The scale for grading was 10–4 and the questions concerned opening of services to public tendering, tendering methods, openness and efficiency of public procurement functions, expertise of procurement personnel and assessment of municipalities as contract partners. The average grade of the companies answering the questionnaire was satisfactory (7). (Lith 2011, 14.) In the light of the above mentioned survey it seems that companies at least in the Helsinki Metropolitan Area are not totally satisfied with the public sector's expertise within public procurement. As also my preliminary thought in this thesis is that there are possible shortages in the public sector's knowledge and expertise to carry out public procurement I found it important to handle also the questions of personnel's qualifications, competence, knowledge, skills and expertise from the theoretical perspective. In this chapter the subject is mainly approached from the general point of view but also some perspectives connected to the procurement functions and public procurements are considered.

There is no unified definition of qualification and competence. For example Ellström (2010) states that competence includes an individual's formal knowledge and skills and potential capacity whereas qualification means demanded competence and competence that an employer requires. More detailed described competence concerns an individual's knowledge and intellectual capacity, attitudes, values and commitment, personality based conditions, social capability (for example collaboration, management and communication capability) and an individual's capability (utilized competence) to successfully perform a certain job (Ellström 2010).

Picture 6., based on the Ellström's (2010) original picture, illustrates the interrelations between competence, qualification and utilized competence.

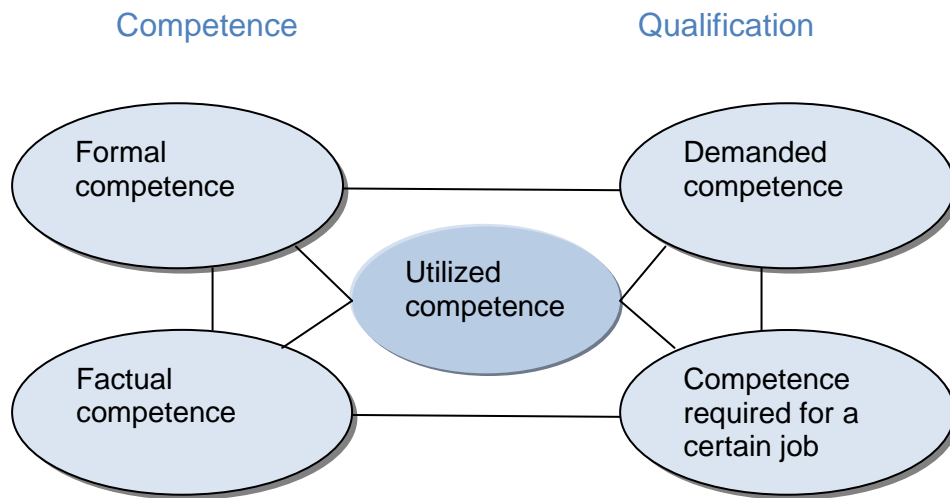


Figure 6. Interrelations between competence, qualification and utilized competence.

Evers, Rush and Berdrow (1998) have categorized four competence areas that promote life-long learning and employability (see Ruohotie and Honka 2003, 61–62). Those so called general working life requirements are by Evers et al. (1998) ability to manage an individual's own actions, communication skills, ability to lead people and tasks and in addition ability to innovate and lead changes (see Ruohotie and Honka 2003, 61–62). Skills in today's working life are not any more technical skills for a certain work but instead skills are about learning and about ability to adapt with the organization's environment (Raelin 2008, 12). In many literature sources it is stated that an individual's metacognitive competence is essential in today's working life and for the vocational success (see e.g. Ruohotie and Honka 2003; Raelin 2008). The idea of job specific skills should rather be replaced with the idea of situational skills –those skills that adapt to the work and enable employees to adapt to ongoing changes on work demands (Raelin 2008, 13).

In connection with organizations, competence is ability to do something, and especially from their rivals' perspective. From this perspective a company has "...high competence activity if it can out-perform most competitors on a competitive factor that customers value" (Mills, Platts, Bourne and Richards 2002, 9). In the organizational level dimensions of competence refer to different elements which differentiates an organization favorably from its competitors. Organization needs *core competence* which is a key element to its survival. *Distinctive competence* includes activities that its consumers can recognize as differentiating the company from its competitors. Distinctive competence produces competitive value to the company. *Business unit competence* is connected to the small amount of key activities that a company's business units are able to gender. There is also *supportive competence* which means that a company has activities which support range of other activities. For example competence to build effective and productive teams may be a supportive activity. An organizations should also have *dynamic capability* (adaptability) which enables it to adapt its competences over time and to a changing environment. (Mills et al. 2002, 13.)

Expertise is based on knowledge, skills and experience and in an expert's work also innovativeness and personal traits are emphasized (Helakorpi 2005, 59; Helakorpi 1999, 15–16). Expertise is a combination of metacognitive knowledge and practical knowledge including individual and collective dimensions. Metacognitive knowledge includes e.g. ability to learning to learn and self-awareness skills. (Eteläpelto 1998, see Paloniemi 2006, 440.) The collective dimension refers to significance of work community in growth of competence and expertise. The individual dimension refers not only to metacognitive knowledge but also to an expert's attitudes and aptitudes. (Paloniemi 2006, 339–440.) Requirements for professional expertise are also e.g. critical thinking, problem-solving, communication and collaboration skills (Tynjälä 1999, 29). Networking, thinking globally, significant transfer towards a customer oriented approach at work, teamwork based working methods and multi-skilling

are emphasized in the expert work today (Helakorpi 1999, 20). "Knowledge means mastering know-how and skills which are required in work, and applying them in practical tasks" (Valtiovarainministeriö 2001, 6). Knowledge has also a strong collective dimension. A working place has an important role in generating knowledge and employees are expected to use their knowledge and skills to the production of new knowledge in a working place (Mumford and Roodhouse 2010, 15). Expert's knowledge can be divided into four sub-areas which are: knowledge connected to work community (especially collaborative skills), ability to develop organization's knowledge, metacompetence skills (ability to continuing learning and innovation preparedness) and knowledge of substance and skills required in the work (Helakorpi 2005, 155–158). One growing area of expertise is connected to ethics and values which in practice means for example that experts working in different networks should be able to build common value bases, and common views of principles and aims of collaboration (Helakorpi 2005, 38–39).

Expertise and an expert work has a link to an individual's interpersonal skills. Reputation, trust and business relationships are about interactions between people and therefore, interpersonal skills are important for experts. Interpersonal skills can be defined "...as goal behaviors used in face-to-face interactions in order to bring about a desired state of affairs" (Hayes 2002, 3). Interpersonal skills require for example such elements as awareness of one self, awareness of others and how they perceive us, being open and responsive to feedback from others, ability to listen as a prerequisite for relating to others, and ability to read others' non-verbal messages such as body language. One especially working life connected important interpersonal skill is negotiating skill. Many actions in organizations – especially when contracting – are based on reciprocity and a negotiator should be able to influence the other party in a way that enables a negotiator to achieve the intended goal. (Hayes 2002, 224–258.)

In many literature sources the writers have discussed about ability to innovate as an important competence area in today's working life. Innovativeness has been mentioned to be important in the expert work and in the organizations for

the economic growth (OECD 2010, 9). The public sector has an essential role in promoting innovativeness in business life and therefore, the public sector should maintain and develop in the administrative and legislative level structures which encourage innovative activities (Valtion tiede- ja teknologianeuvosto 2000, 13). Also in the public procurement sector need for innovativeness has been recognized. European Commission has submitted a proposal for a new directive on public procurement. In the European Commission's explanatory memorandum of the proposal for a new public procurement directive it is stated that the directive's purpose is to enable procurements of products and services that foster innovations (European Commission Proposal for a Directive of the European Parliament and of the Council on public procurement, 2011/0438 (COD), 9). It is also stated that enabling procurement of innovative products and services the public sector promotes future growth and improves efficiency and quality of public services (European Commission Proposal for a Directive of the European Parliament and of the Council on public procurement, 2011/0438 (COD), 9). The public sector should make the best strategic use of public procurement to promote innovations (European Commission Proposal for a Directive of the European Parliament and of the Council on public procurement, 2011/0438 (COD), 19). The directive proposal includes new procedures for innovative procurements. This new directive will challenge public sector organizations and their personnel to invest in innovativeness and in acquiring and developing new knowledge, qualifications, competence, skills and expertise that promote innovativeness within public procurement. Innovativeness needs learning and others efforts from the organization and individual levels, both levels acting together. Innovations and a learning organization has been linked between (OECD 2010). In a learning organization there are interrelations between individual behavior, a team organization and organizational practices (OECD 2010, 140). Cognitive and interpersonal skills and attitudes of an innovative employee are important factors in facilitating innovations. Also teamwork and cooperation serve as essential engines for innovations because an innovation is usually a result of more than one person's activities. Teamwork requires problem solving and

communication skills and skills to assess goals, and commitment to those goals. (OECD 2010, 127–128.) From an organization's perspective innovations are more likely to occur if the leadership style is not based on the close monitoring and if the leadership is participative. Promotion of innovative culture contributes positive ideas and thinking towards innovating. (OECD 2010, 128.) A working environment that encourages creativity and innovativeness has such elements as freedom, sufficient resources, a good project management, encouragement and support, encouragement for risk taking and permission to make also mistakes whereas blame culture, avoidance of taking risks and poor communication i.e. may have a negative impact on an innovative working culture (Ruohotie 1995, 154).

Changes in today's working life have an impact on organizations and their employees with regards to qualification, competence, skills, knowledge and expertise. The use of other organizations for managing outsourced non-core functions and requirement for employees to take bolder responsibilities and to develop wider range of skills that contribute strategic performance characterize present working life. Employees are also expected to show flexibility in order to adapt to the changing market and to engage in teamwork, interpersonal and an inter-organizational collaboration. Breakdown of traditional occupations has led to the demand for multi-skilling employees. (Mumford 2010, 17.) In today's working life "What employers expect of their employees is not only a good command of domain knowledge but also diversified social, communication and co-operation skills, ability to work in different contexts with experts from other domains, and ability to critically select, acquire and use knowledge" (Tynjälä 1999, 1). It is important to realize that knowledge specific to a certain profession or domain expires rapidly and therefore, new type of qualifications, competences and skills are needed in working life (Ruohotie 2002, 17). With regards to public procurement the procurement legislation has been under constant minor or major changes within the past ten years. Those changes have required learning and adaptation ability from personnel. Also international dimensions on public procurements have been growing and those dimensions require better language skills and new types of interaction skills. Because of

today's rapid change life-long learning is a necessity in business and working life (Beirsto and Ruohotie 2003, 115). Life-long learning means retaining and enhancing of an employee's competence. Organizations' role in life-long learning is empowering their employees to become life-long learners. (Beirsto and Ruohotie 2003, 143.) Empowering takes place through psychological and technical empowerment. Psychological empowerment occurs when employees are supported to develop understanding. It includes an idea that empowerment does not come from instructions and that thinking is seen as a personal process. Technical empowerment means facilitating and nurturing employees' constant professional development and innovativeness by giving technical support, authorization, opportunities and resources. (Beirsto and Ruohotie 2003, 127–131.)

3 DATA COLLECTION AND ANALYZING METHOD

3.1 Implementation of the empirical part of the thesis

I decided to use qualitative methodology in this thesis. Quantitative methodology seemed to be especially suitable when results can be analyzed by using numeric or statistic data. My view is that using qualitative methodology I am better able to receive information of the complex phenomena and of the issues connected to mental images, emotions, affections and of different conceptions, which are elements e.g. in relationships, reputation, trust and in competence development.

I have not used any single strategy as a whole in this thesis. The basic strategy of my study has features from the action research and phenomenography. By using the action research a researcher aims to find solutions to practical problems or improve present practices (Metsämuuronen 2006, 102). One of the main aims of this thesis is to find out which kind of factors would contribute public sector to receive the most suitable and the best tenders for its purposes and needs. Characteristic to phenomenography is that it concentrates on

different concepts that people have of some issue or concept (Metsämuuronen 2006, 108). Even though my empirical part of the study does not concentrate on examination of different concepts many ambiguous concepts such as trust and reputation are essential parts of my thesis and it is not insignificant how different concepts come up in the empirical part. The research procedure progresses from theory find in literature, previous knowledge and research which are linked to the reality (Metsämuuronen 2006, 98). This thesis is theory-based as its nature.

As a data collection method I used interviews. Main interview types are structured, semi-structured and unstructured (open) interviews (Hirsjärvi, Remes and Sajavaara 2007, 203–204; Koskinen, Alasuutari and Peltonen 2005, 104; Metsämuuronen 2006, 111, 114–115). Typical for a structural interview is that there are same questions in a certain order of progression. Structural interview is normally organized by using a structured questionnaire form. Semi-structured interview includes more freedom for the interviewer and the interviewee and it is normally based on certain themes. It can be described a researcher directed interview were the researcher presents the questions and uses some basic formula for the interview. (Hirsjärvi et al. 2007, 203–204; Koskinen et al. 2005, 104, 108; Metsämuuronen 2006, 114–115.) The interview in this thesis is a combination of structured and semi-structured interview since I am interested in finding information on certain questions and themes. An unstructured interview technique is informal and it is near a discussion and demands more time and skills from an interviewer. (Hirsjärvi et al. 2007, 204; Metsämuuronen 2006, 115). With this technique it would have been difficult to receive information of certain phenomena and to guide the interviews so that I would have been able to find answers to my research questions.

In order to receive answers to my study questions I decided to make a questionnaire to private companies that present both service providers and those selling products. For collecting the answers I drafted a structured questionnaire form (appendix 1) to be published in webropol, which is an online survey and analyses software. The questionnaire was in Finnish language since

I used a random sampling for respondents and I did not want language to be an obstacle for receiving answers. A translation in English of the questionnaire is made as an annex (appendix 2) to this thesis. The questionnaire concerned background information of the companies and there were questions under two themes: a) public sector's reputation and attractiveness as a procurer and b) supplier relationship between the procurer and the supplier. The questions were structured but the respondent was also asked to give a written reasoning to some of the questions. Mainly all questions were "obligatory" so that the respondent was not able to continue further in the questionnaire without answering. As respondents to the questionnaire I selected randomly 100 companies from the Helsinki Metropolitan Area (Uusimaa Region) and Southwest Finland. I sent the questionnaire to the respondents first time at the end of spring 2013 and repeated this two times during the summer 2013.

As a whole I received only six answers. The reason for a low number of responses might be the forthcoming vacations and the challenging economic situation which may have kept companies busy in their business activities. I also suppose that the obligation to answer to the open questions has decreased willingness to answer. Since six receipt answers were not enough for the study, I decided to change my interview technique to the theme interview. For the selection of interviewed companies I used a non-random sampling. Typical to this sampling type is that the interviewed persons are selected on the bases of the researcher's interests either with regards to facile availability of the interviewees or with regards to the researcher's interest to for e.g. examine certain persons (Metsämuuronen 2006, 45). Mainly because of the constraints connected to time I had to focus on easy availability of the interviewees. This meant that I contacted those companies which I knew from the present or those that I thought would respond positively to my request to be interviewed. Contacting took place by email, telephone or by using both. Ten contacts were positive and out of those I decided to interview eight companies (persons). There were not available any specific recommendations in the literature on the number of interviewees and my decision was based mainly on the discussions with professors and my own resources available for the interviews.

I asked the interviewed persons to answer my questionnaire (appendix 1) before the interview. Six out of eight interviewees answered beforehand. The interviews took place on the weeks 37 and 38 in 2013. I held one interview by telephone for practical reasons but all the others were held either in the main office of the company concerned or in the company's other premises. The duration of the interviews varied from 17 minutes to about 45 minutes. As bases to all interviews I used the questionnaire. I realized during the interviews that some of the concepts used in my questionnaire such as attractiveness, trust and reputation were ambiguous and also caused a little bit confusion. I avoided to give any specific definition to any of the concepts but encouraged the interviewees to answer from their perspective and point of view. Six interviews out of eight were recorded. In those non-recorded cases I sent my memos of the interviews to the interviewed persons and after the receipt of the comments I made modifications to the memos accordingly. Those interviewees had also answered the questionnaire beforehand.

3.2 Data analyzing method

The empirical part of my study consists of the analyses made of the interview material as well as the analyses made of the answers to the study questionnaire. In this analyze material there are eight interviews and 13 answers to the questionnaire. All together I received material from 15 companies that either answered only to the questionnaire (7) or answered to the questionnaire and took part in the interview (6) or only took part in the interview (2).

Analysis of the interview material began with the transcription of the recordings. In practice this means that a recording is written to a text format (Koskinen et al. 2005, 317–318). I tried to write as precise as possible all the recordings but I needed to make some decisions on the precision level. One decision was that I would transcribe all interview material but in practice I had to admit that an absolute precision was not possible, not even necessary in order to receive the crucial information. Although a precise transcription is expected in a research,

the precision level of a transcription is a matter of purpose (Koskinen et al. 2005, 318). Precision levels of transcriptions can be divided to the five levels from the simplest to the most complex where even the body language is taken into account (when using e.g. videos). My aim was the first two levels: get an overall picture of the material and to be able to use some quotations. (Koskinen et al. 2005, 319–323.) Quotations are used in this thesis especially as verifications for my argumentation. They serve also as examples of the actual thoughts of the interviewees without any interpretation.

The analyzing method in this thesis may be described as an ad hoc –method, which is a combination of different methods, in this case summarizing, categorizing and interpretation. Summarizing means that the essential thoughts, ideas and meanings in the transcribed material are summarized to shortened sentences. Categorizing is a matter of setting the data in different categories and structuring the material in tables and figures. While using an interpretation method a researcher makes use of the whole text and tries to develop from it structures and contexts that do not come up from the text. When using an ad hoc –method a researcher uses alternately different methods depending on the situation. (Kvale 1997, 172–187.) For the summarizing, categorizing and structuring all material and transcriptions, I have used both the structure of procurement procedure in the public sector and the structure of questionnaire. Interpretation is needed in order to find ideas and thoughts, which cannot be found direct from the material but which are relevant with regards to the conclusions of the empirical part of the study.

4 CONCLUSIONS

4.1 Key findings

In this chapter I analyze the key findings of the empirical part of the study, based on the interview material and the answers received to the study questionnaire.

I begin the analyses from the background information of the 15 companies. Thereafter I analyze the findings concerning the two main themes of the questionnaire and interviews: a) the public sector's reputation and attractiveness as a procurer and b) supplier relationship between the procurer and the supplier. The themes reputation and attractiveness were examined through questions concerning the participation to public tenderings, opinions of the public sectors' reputation, attractiveness and reliability as a purchaser and the public sectors' ability and knowledge to realize public tenderings and public procurement. The respondents were also asked to describe elements and development factors that would promote successful public procurement. The theme management of supplier relationships consisted of questions about the public sector's ability to manage those relationships and the elements and development needs for a successful procurer-supplier relationship.

4.1.1 Background information

Almost all companies stated that their main territory of the business is the Helsinki Metropolitan Area (Uusimaa Region). Some interviewed companies stated that they have business in the whole Finland and they cannot therefore answer this question. Mainly the companies' domain is the service sector and there are companies that provide both services and supplies. The age of the companies is in the most cases more than ten years. The size of the companies taking part in this study is divided quite evenly among the given alternatives. The age and size of the company has significance with regards to the question concerning the participation in public tenderings. It appeared that the *small companies find it laborious to participate in public tenderings with their resources*. It was also argued that for the small companies it is *difficult to get involved in the enquiries concerning public tenderings and awarding of public tenderings organized by central procurement units is very difficult*. *A starting company faces challenges concerning economic requirements set in the invitation to tender*. If a starting company needs to make investments those investments require quite often financing in the form of a bank loan. Then the company's economy seems not to be sound with respect to the financial

standing required from a company in a public tendering. Also *demand for keeping the prices fixed for a certain period may cause problems* because purchase prices may increase at the same time.

DOMAIN OF THE COMPANY	Number of answers
Service	12
Supplies (products, utensils, machines etc.)	5 (company may have services and supplies)
AGE OF THE COMPANY	Number of answers
Less than a year	none
1–4 years	2
4–10 years	2
Over 10 years	11
SIZE OF THE COMPANY	Number of answers
Less than 50 employees	3
50–200 employees	4
200–500 employees	3
Over 500 employees	5

Table 2. Domain, age and size of the company.

During the about last two years only two companies has not participated in public tenderings. Those companies have fewer than 50 employees and their ages are less than 10 years. Two companies have participated 1–5 times and 11 companies have participated more than 10 times. The companies have not been very active in complaining to the Market Court during the about last two years: three have complained whereas 12 have not (two of those have neither participated in public tenderings).

The given reasons for complaining concerned the following issues: a public organization did not follow the rules and regulations of public procurement or the competitor had errors in its price setting or in its tender prices. Because

most of the companies replied that they have not complained I asked further in the interviews reasons for refraining from the complaints. The answers did not give much lighting to my question. It appeared that some companies have considered complaining but have decided not to complain. It seems that the evaluation and scoring of quality criteria has raised questions in the companies. One company stated in the questionnaire that *"We do not complain because the Market Court is in any case plugged"*. Quality is mentioned to be a subjective issue and a company may have had different assessment on the evaluating and scoring of quality criteria than the public organization. One interviewee referred to the discretionary and interpretative nature of this issue and stated that therefore, any assessments of the evaluators are difficult to demonstrate to be incorrect. *It seems that there is lack of common understanding between the private and public sectors of the concept quality and its evaluation in connection with award criteria.* From the perspective of trust it would be important that the private and public sectors collaborate towards shared meanings because this is one element in trust building (Huotari and Iivonen 2004, 21).

4.1.2 Factors affecting negative to the public sector's attractiveness and reputation

Except of two companies, all respondents have participated in some public tendering and 11 out of 13 companies have participated more than 10 times within about two last years. All companies are interested in participating. From this perspective the public sector seems to be an attractive procurer. However, 33% of the respondents argued that the public sector is not attractive as an organizer of public tenderings and 80% answered that the public sector's reputation is not good as an organizer of public tenderings. One company even stated that *"The outcome of tendering is based on luck"*, and on the other hand an interviewee stated about the public sector's image that *"...it is worse public image than the reality is"* referring to the media which tends to write from a negative perspective, also about public procurements.

The interviews and answers to the questionnaire show that there are three common features for the negative responses. Those are connected to the *use of the lowest price as an award criteria, shortages of knowledge, expertise and know-how to realize public procurements and the public tendering procedure, and the optimal use of Act on Public Procurement*. Those three elements are connected to each other but in the received answers and in the interviews those features came up clearly as separate issues. A connection exists because public tendering and setting of the award criteria are based on the Act on Public Procurement (30.3. 2007/348). Knowledge, skills, competence etc. are factors that influence an organizations' and an individuals' ability to successfully implement the public procurement legislation in practice.

The lowest price as a determinative award criteria is criticized in many answers. My interpretation is that the companies are willing to invest in quality but they argue that the lowest price does not ensure the best solutions to public sector organizations. The use of the lowest price as the single award criteria is seen as lack of competence which includes the idea that a public sector organization is not capable to procure economically the most advantageous solution but instead, it uses the simplest solution which is the usage of the lowest price as an award criteria. It is also argued that the public sector is not capable to understand procurements' total costs. For example it is possible that there would be available a solution that promotes the increase of productivity, but this solution cannot be offered only on the bases of the lowest price. Knowledge, skills, competence etc. concerning public procurement are seen as areas which need improvements. The companies present such views as know-how and knowledge of a company's specific sector is poor, invitations to tender are incomplete and evaluations and evaluation criteria are poor. It is also criticized that the public sector organizes public tenderings in so large entireties that those favor mostly big suppliers.

Critique with regards to the Act on Public Procurement (30.3. 2007/348) concerns the law as such and on the other hand, implementation of it. The law is described by using the wordings "inflexible", "difficult" and "restrictive". The

respondents give the following opinions: the legislation causes large amount of work and therefore, the application of the legislation requires enormously resources and it causes obscurity with regards to the possible complaint procedures and pending court decisions. The legislation is seen as an obstacle for continuity because tenderings occur in a timely manner and a company may lose its deal in a new tendering procedure. One company believes that the fear of the Market Court leads to a situation where the public organizations concentrate on formal aspects of public tenderings instead of aiming to get the best possible supplier. The legislation also directs to over-sized procurements and the law does not suit in the optimum way to all procurement types. As one interviewee stated: *“...the Act on Public Procurement combined with such a functional entity that cannot be known exactly in its infancy. That is a difficult equation to realize”*. In the couple of the interviews it was also pointed out that a supplier may itself cause problems in public tendering by for example submitting an incomplete tender. Concerning the implementation of the Act on Public Procurement (30.3. 2007/348) there are arguments stating that the public organizations are not able to use it in an optimal way. For example it is argued that public organizations' capability to use a negotiated procedure is insufficient and that the law does not prevent rational procurements. The need for the reform of the public procurement legislation has been acknowledged in the European Union and the Finnish Government levels. European Union has submitted a proposal for a new public procurement directive aiming for example to promote the fostering of new innovations and according to the Programme for Prime Minister Katainen's government the procedures in the Act on Public Procurement will be simplified (European Commission Proposal for a Directive of the European Parliament and of the Council on public procurement, 2011/0438 (COD), 9; Pääministeri Jyrki Kataisen hallituksen ohjelma 22.6.2011, 40).

4.1.3 Elements explaining attractiveness and reliability

Positive responses to the question of the public sector's attractiveness and reliability to realize public tendering are partly based on the same reasoning.

The public sector is seen as a *firm payer*. Public organizations pay in due time, there is no risk for credit loss, economic recession does not affect significantly and public organizations *act as agreed*. The *volumes* of the public sector's procurements also attract. As an interviewee stated: "*Size of the deal is often fairly big.*" Also *continuity* in the public sector is mentioned, for example a municipality's obligations do not suddenly end during the validity period of the contract. *In principle* companies can assume that *the public sector is acting in an impartial, objective and equitable way* and that the *decision making is justly*. Those views were opened by arguments that the law enables claiming to the Market Court, the civil servants handling public procurements are obliged to be exact when handling procurements and that the laborious realizing of one single public procurement leads to a sufficient engagement to that procurement. One argument connected to this issue is that the public sector is a good (name)reference because it buys services and products through an honest tendering.

Reasons for positive views of attractiveness and reliability seem to refer to the companies trust in the public sector as an organizer of public procurements. This trust is based to a great extent on cognitive trust which is connected to the rational views of trust such as responsibility, reliability, ability and credibility (Huotari and Iivonen 2004, 8). Trust is also calculative as its nature. Calculative trust is about weighting the benefits of specific actions (Huotari and Iivonen 2004, 8). Calculative trust may also rely on routines, tolerance levels and subjective probabilities (Rosenkranz and Weitzel 2005, 4). Companies trust the public sector for example because they can rely on the receipt of payments as agreed and because the public sector is obliged to follow the procedure set in the legislation. Also non-calculative elements of trust can be found. Non-calculative trust has in e.g. the following elements: unreflective trust due to cognitive dissonance and trust based on affect, routinized behavior, values and norms (Lane 1998; Nooteboom 2002). The public sector's behavior is routinized and normative and it is assumed to be as a principle fair, impartial and objective. Referring to Blomqvist's and Ståhle's (2004, 176–179) model of the components of trust it seems that at least companies' trust is based on the

component of actual behavior meaning that the companies assume the public sector being in practice reliable in keeping its promises. Companies trust can be also defined by referring to Galbreath Shurtleff 's (1998) determination of interpretation of trust. Interpretations are based on instinct, past experience and current experience. The past experience influences on the determination because there is already information available on an individual's or an organization's "credibility of actions". If there is not past experience of an individual or an organization trust is based on impression, which has its bases e.g. on mental image of an organization. (Galbreath Shurtleff 1998, 15–23.) The interpretation "trust exists" has its grounds on the different channels received information (e.g. past experience, legislation, public accountability) that the public sector is a reliable business partner. Also a situational element of trust can be connected to reasons for which companies argue that the public sector is attractive and reliable. The received answers show that the companies trust the public sector organizations because they are sound, reliable and firm payers and contract partners.

It is argued that those having good reputation are trusted (Aula and Heinonen 2011, 42). With reference to my study it seems obvious that public organizations are trusted, and therefore attractive and reliable. However, public organizations' reputation is fairly poor. Reasons for poor reputation concern the use of the lowest price as determinant award criteria, shortages of knowledge, expertise and know-how to realize public procurements and the public tendering procedure, and the optimal use of the Act on Public Procurement (30.3.2007/348). Those arguments have connections to the Harris-Fombrun's Reputation Quotient list of measuring dimensions of reputation introduced by Hannington (2004, 8–9). Measuring takes place through certain questions that stakeholders make to a certain company in order to make perception of that company. Those questions may give answers on how stakeholders assume a certain company is able to meet their expectations and what is a company's performance level with regards to its products, services, activities and employees. (Hannington 2004, 8–9.) My understanding is that public organizations are not able to meet all the expectations that suppliers have

towards public sector organizations and those weaknesses affect suppliers' mental image on public sector organizations. Negative opinions about the public sector's reputation with regards to the realizing of public procurements may also be linked to the views and experiences that suppliers have concerning the public sector's ability to observe the law and the elements of good governance in connection with public procurement. The elements that constitute the public sector's reputation are at least the observance of law, good governance, accountability to tax payers, and in case of public procurement, compliance with the Act on Public Procurement (30.3.2007/348).

Even though reputation does not seem to be an essential and direct element for successful public procurement the given reasoning from the respondents explaining public sector's poor reputation affect significantly to success. For example knowledge, competence, know-how and skills development are seen as contributors for receiving of tenders more suitable to a public sector organization's needs and purposes.

4.1.4 Reasons explaining avoidance to participate in public tenderings

Reasons that explain why a company did not to participate in a public tendering are some amount different than those explaining negative responses concerning the public sector's reputation, attractiveness, reliability, knowledge, know-how and expertise and ability to manage supplier relationships. Obstacles for small and starting companies to participate has been already considered earlier (see 4.1.1). Otherwise, reasons can roughly be categorized into two types: a *company's factual and actual ability to provide required services or supplies and into risk-evaluation and business economics related reasons*. It is possible that a company is not able to provide the required or products, services should be delivered in a geographical area where the company does not have business or there may be so many tenderings yearly that a company has not enough capacity to participate in all tendering procedures or its own resources are in use in other activities. When using a risk and business economics evaluation the company seems to think what would it economically benefit from

the procurement and is the procurement too risky for the company. The following explanations of the respondents describe the latter category:

“Partisan contract terms and requirements for ensuring a procurer’s interests have led to excess.”

“There has been contract terms that have included so obscure or hard sanctions that we have decided not to participate.”

“Through different factors we assess what is the possibility to do business. If it is very low we concentrate on other activities.”

“The entirety of the procurement is built so that it is not feasible, at least not at competitive prices.”

“There is willingness to transfer the risk so significantly to the service provider that this constitutes an impossible equation.”

“Our sector is so hectic that when an offer is requested the product should already exist.”

4.1.5 Public sector’s level of ability and knowledge to realize public tenderings

With regards to the public sector’s level of ability and knowledge to realize public procurements the respondents gave as an average grade “fair”. However, in many answers it is stated that this level varies greatly. The arguments explaining the grading are quite the same as the reasoning that explains why some companies think that the public sector is not attractive and has not good reputation as an organizer of public tenderings. *Mainly criticism is directed to the public tendering and decision making phase of the of the whole procurement procedure* (see table 1. Phases of a basic public procurement procedure.) For the companies problematic are vague invitations to tender, poor service descriptions or technical specifications of products as well as requirements that prune good suppliers from the competition. Poor invitations to tender are those which are technically good but do not meet the needs of the end users or those in which requirements are not relevant in respect of needed services or products. With regards to the personnel-intensive sector it is suggested that award criteria are developed so that for example measuring of quality, and personnel connected criteria such as educating are taken into consideration. Also the lowest price as the only or determinant award criterion

and unreasonable sizes of procurement entireties are criticized. With regards to the decision making it is argued that in some occasions companies have difficulties to understand the evaluation of set criteria or they do not receive sufficiently information of the reasoning for the given scores. For the development of partnerships it is suggested that contract periods are long enough.

In many answers companies stress that the public sector organizations should know better the sector, companies as well as products and services they intent to procure. Also knowledge and understanding processes which take place and are required for the end product or service are seen as positive factors for successful public procurement. According to many opinions of the respondents public organizations should be able to do more specific and suitable invitations to tender for different types of services and products.

Some respondents argue also that public tenderings include many elements which are open to interpretation. This concerns for example the concept quality. It is suggested that some themes would be unified (e.g. what is meant by environmental requirements) and that *the public and private sectors create common concepts instead of interpretation.*

4.1.6 Factors contributing receipt of the most suitable and the best tenders

The companies were also asked to assess which kind of factors would contribute the public sector to receive the most suitable and the best tenders and tenderers for its purposes and needs. The answers show that improving ability and knowledge to realize public tenderings are the most crucial contributive elements.

The following figure illustrates the importance of different factors (44 answers).

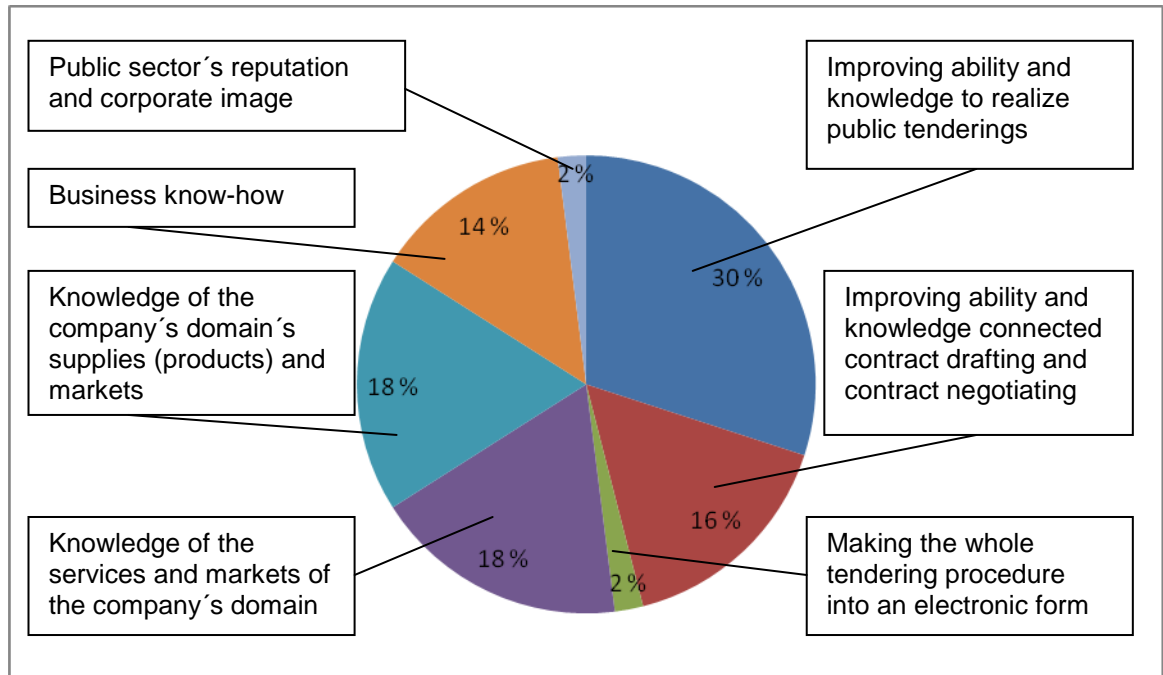


Figure 7. Importance of the factors contributing receipt of the most suitable and the best tenders and tenderers for the public sector's purposes and needs.

There are also other elements which would according to the respondents serve as contributors. *In the planning phase of the procurement procedure it is crucial to know what is the aim of the procurement and that the procurer really knows what should be procured.* Public organizations should allocate time for discussions and meetings with suppliers before a public tendering procedure. A public tendering and a decision on what is to be procured should take place only after and bases on those discussions and meetings. Contents of a procurement should be clear before tendering, also from the business know-how angle. The fact that the fundamental idea of business is to make profit should be understood also by a public organization meaning in practice for example understanding that modifications to services or supplies during the contract period may cause negative economic consequences. On the other hand, modifications within the limitations of the procurement legislation and the

procurement contract ought to be possible when they are in the interest of the procurer, end user and supplier.

In the public tendering and decision making phase the most important is that the public organization has sufficient ability, knowledge, expertise and competence. As a whole, public organizations should improve contents of invitations to tender and their ability to manage contracts. Procurers should describe needs, but they should not define what technical solutions suppliers should use in order to meet those needs. Instead, the procurer should ask the supplier what solutions it offers for meeting the needs. Simplifying the procedure is also seen important – “Unnecessary playing with the papers should be eliminated”. One respondent said that “Everything that facilitates making of a tender contributes that there are more participants”. Simplifying is also about concentrating on the essential elements when assessing award criteria, drafting common models such as model contracts and giving more space for modifications of the supplies or services during the validity period of the contract. Clarification of common and mutual rules as well as transparency and openness are mentioned as important elements in successful public procurement. In the execution phase of the procurement decision issues of mutual cooperation and development work are important. For example when a private company is chosen for taking care of a municipality’s obligations and responsibilities the successful outcome is possible through mutual collaboration. Procurers’ and end users’ role as the motivators for the development work of supplies and services is pointed out. Intercourse is important because only that way companies are able to offer the best solutions for procurers’ and end users’ problems. One interviewee commented that “It may be so that with a minor change in a product, based on a customer’s idea, it may lead to a situation where we might be able to decrease the price of that product”. A public organization may receive assistance to its development work from suppliers e.g. by asking reports on the total value and amount of supplies that a certain supplier produces to a municipality as a whole.

Also more strategic issues emerged. Regarding the municipality sector it is seen important that when outsourcing a municipality’s activities private

companies are truly set in the same line with the municipality's own operations. The political decision making concerning public tenderings and outsourcing of municipalities' own activities should be more solid. For companies it is not encouraging if the political decision making is vague.

From the angle of the procurement procedure the public sector's ability and knowledge level to realize public procurements from the planning phase to the execution phase are criticized. The question is not only ability to follow the procurement legislation but also need to make improvements in all stages of the procurement procedure is emphasized. It seems that the respondents' views have common with the ideas presented by James (2007) considering dimensions to be taken into consideration in this development work (see Iloranta and Pajunen-Muhonen 2012, 380). James (2007) remarks for example that public procurement is first of all procurement, not only following laws, and building flexible cooperation is possible also in public procurement (see Iloranta and Pajunen-Muhonen 2012, 380).

Shortages concerning ability and knowledge to realize public procurements in many levels of the public procurement procedure refer to the demand to improve public sector organizations' and their personnel's competence. At the employee level in addition to improvements in formal competence and competence required in procurement tasks, also for example social capability (collaboration and communication capability) should be ensured (Ellström 2010). At the public organization level competence requirements are connected to an organization's ability to organize its procurement functions so that successful realizing of public procurement is possible (supportive competence) (Mills et al. 2002, 9).

The received answers show interestingly that the companies do not find important making the whole tendering procedure into an electronic form even though the technology development is mentioned in many sources as an enabler of an effective networking (see e.g. Baily et al. 1998). The respondents opened their reasoning very narrow and my understanding is from the received

comments that electronic form might cause limitations in the procurement procedure especially with regards to quality aspects.

4.1.7 Public sector's ability to manage supplier relationships

Slightly more than half of the respondents think that the public sector is successful in managing supplier relationship. As explainers for success the respondents name the following factors: *mutual trust, procedures for public tenderings are quite well-established, interaction between people, ease and facility of cooperation, and possibility to be also flexible.* Reasons for the opinion that the public sector has not been successful in managing supplier relationship *are connected to the procurement legislation, lowest price as an award criterion, and ability to realize public tenderings and manage contracts.* It is mentioned that the legislation and bureaucracy bind the procurement procedure. Timely tenderings are obstacles for managing business relationships if the intention is the formation of a longer term partnership. Smaller companies may see only the tendering procedure, not the fostering of supplier relationship. The lowest price as a determinant factor for entering into a contract is seen as a negative factor for a good supplier relationship. One company even remarks that when using the lowest price as an award criterion it is not possible to promote sustainable development. Sometimes the parties concentrate on the sanctioning of problem situations instead of investing their resources in ensuring that the expected goals are met. It also mentioned that ability to manage contracts is not developed sufficiently and that knowledge and ability to realize public procurements is connected to the frequency of handling of public procurements by an employee. Ability and knowledge is necessarily not in a high level if an employee organizes public tenderings very seldom or only once in his or her carrier. In some occasions a procurer-supplier-end user relationship does not function as it should meaning for example that the end user does not act in accordance with the contract of the procured services or otherwise does not understand its role.

4.1.8 Elements for a good supplier relationship

The companies were asked to choose from the given alternatives what are of their opinion elements for a good procurer-supplier relationship in practice. Answers (68) of the given alternatives are shown in the following figure 8. *The most important factor is mutual trust (22% of the answers).* However, the answers divided quite evenly among the alternatives.

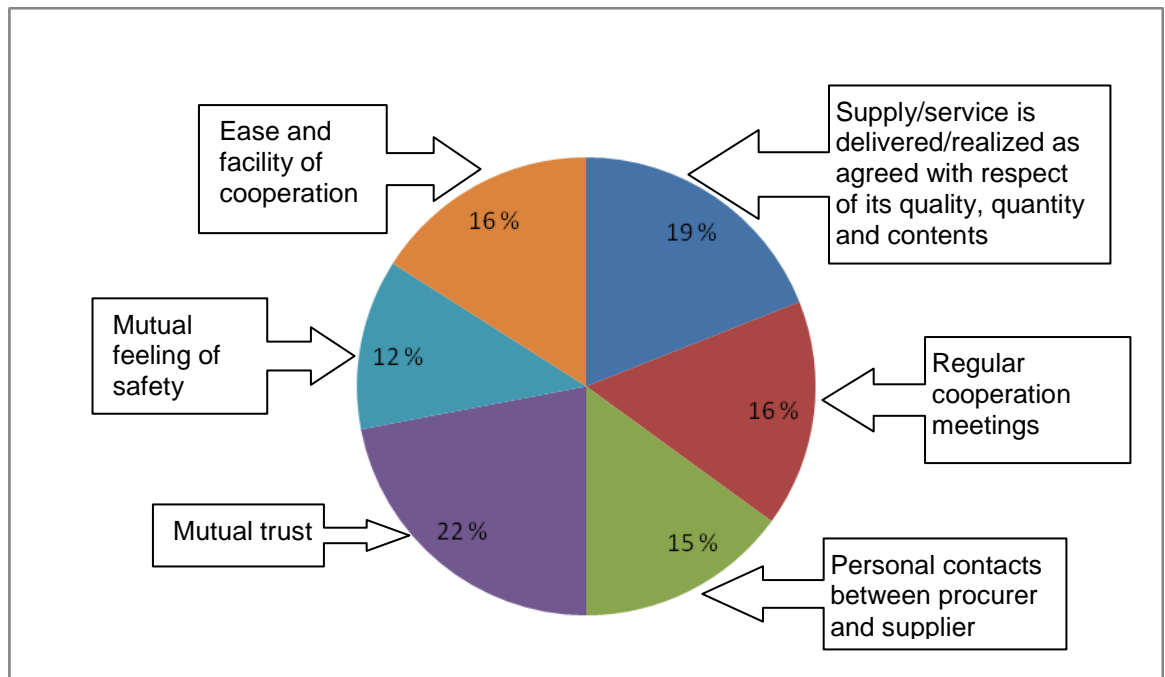


Figure 8. Elements for a good procurer-supplier relationship in practice.

The respondents opened their answers and gave their opinions on how supplier relationship should be contributed and developed by pointing *the importance of mutual will for collaboration, interaction, personal contacts, mutual development work, openness and transparency, trust and common goals.* Also *ability and knowledge to realize public tenderings should be developed.* Elements for a good procurer-supplier relationship in practice are systematic and common improvements in productivity, true collaboration and willingness to develop cooperation and processes etc. for the common good, common development work based on mutual willingness, and development of services during the contract period in order to meet the end user needs. Especially important for

the future relationship is the beginning of the contract period. This view was described by an interviewee as follows: *“In the starting phase of the activities it is specifically very important that this, those first months, weeks begin in a good community spirit”*.

In some occasions more direct and more personal contact between a supplier and an end user would improve customer satisfaction. The answers show that cooperation is strongly linked to a successful outcome and it is important that a public organization and a supplier begin to work together and have a common aim and goal. A contract is seen as an essential element of cooperation, but relationship is built also on interpersonal factors as the following view describes: *“... even though the contract as such and the text is very important so even more important is the spirit of the contract, that one is going to a right direction”*.

Information sharing between the parties, open discussion and communication as well as open information on plans for future procurements are elements for a good supplier relationship. Different forums for interaction and meetings which need not to be in connection with an actual procurement and meetings without bureaucratic agenda are suggested. It was pointed out that informing the supplier of the schedule of handling phases of also minor procurements is wished. Especially with regards to procurement of services in the municipality sector it is seen crucial that the public sector organizations prepare the end users for procurement decisions, becoming changes of services and inform the end users of the contents of the procurement contract –the supplier is not left alone with the end user.

Trust is based on the idea that both parties have the intention to fulfill the terms of the procurement contract with good services, products and cooperation. Trust is seen important for a flexible supplier relationship because then minor single mistakes do not harm when thinking the procurement contract as a whole.

Development needs concerning ability and know-how refer to the management of contracts and especially the public tendering phase and therein contents of an invitation to tender. Some respondents stress the importance of common

rules and one supplier argues that in the tendering procedure suppliers are too much tied and that rigidity leads to a situation where a procurer does not receive the best price or the best service. Also the public procurement legislation is mentioned in the light that a supplier relationship would benefit from making the legislation or at least its interpretation more agile. Too huge entreties are criticized and one respondent stresses that successful relationships are possible also when a contract is made with more than one supplier. Also realistic aims for schedules and work are elements for a functioning relationship.

The responses show that the factors related to cooperation and mutual interaction form significant elements for a good procurer-supplier relationship. Those views are pointed out also in the research on business relationships (see e.g. Emmet and Crocker 2006; Rogers 2009). A functioning business relationship is based among the other things in face-to-face meetings, systematic trust building, commitment from both parties, open communication, social exchange between parties, shared product and process development and positive responses to performance problems (Emmet and Crocker 2006, 137; Rogers 2009, 111–112).

4.1.9 Development needs of managing supplier relationship

The respondents were asked their opinions about the most important development areas by giving alternatives and by asking as an open question about other possible views of the development needs of supplier relationship. The answers (answers 37) divided fairly evenly. The most important development areas are designing supplies/services mutually (7) and improving tendering process (7). Second important areas are development of service during the validity period of the contract (5), cooperation (for example cooperation meetings) during the validity period of the ontract (5), and increasing of the end user satisfaction (5). Mutual trust (4) and depth of cooperation (4) received least answers. These answers are interesting since trust and cooperation are mentioned many times in the answers to the

questionnaire and in the interviews as the elements for reliability, attractiveness and a good supplier relationship. It seems that trust and depth of cooperation are not seen especially problematic areas from the suppliers' point of view and in connection with a public organization's success in receiving the best tenderers and tenders. The respondents opened very little what they mean when they talk about designing supplies and services. Some thoughts approached the idea of common innovation activities which could produce new knowledge or even potential solutions for export. The following argument of an interviewee describes the importance of improving the tendering process: *"For real that development of the tendering process is the most important in the sense that we end to a solution where both the procurer and the supplier share the opinion of what is to be reached and by what means"*. It is also stated that *"Cooperation does not end in tendering and signing of a contract. After that activities can be mutually developed."*

With regards to reputation and attractiveness of the public sector as an organizer of public procurements and the management of supplier relationships it is obvious that private sector companies see that the public sector organizations should improve their ability, knowledge, competence, skills etc. concerning public procurements. The companies argue that development needs concern especially the public tendering phase of the whole public procurement procedure. When using Ellströms (2010) division to formal, factual and demanded competence and competence required to a certain job it is possible that there are shortages in all these dimensions. The employer is not necessarily able to recruit personnel with sufficient and suitable competence, it is not aware of competences that procurement tasks require or the employer may not invest in the personnel training within public procurement. Competence concerns not only formal requirements but also an individual's knowledge and intellectual capacity, attitudes, values and commitment, personality based conditions, social capability (for example collaboration, management and communication capability) and an individual's capability to successfully perform a certain job (Ellström 2010).

Public procurement work requires multiskilling abilities and professional expertise. An expert work is based on knowledge, skills, experience, innovativeness and personal traits (Helakorpi 2005, 59; Helakorpi 1999, 15–16). An expert work is also a combination of metacognitive knowledge and practical knowledge including individual and collective dimensions (Eteläpelto 1998, see Paloniemi 2006, 440). Professional expertise requires also e.g. critical thinking as well as problem-solving, communication and collaboration skills (Tynjälä 1999, 29). In this study the respondents stress both formal competence and competence that concerns communication, negotiating and interpersonal skills. Latter skills are general working life requirements. Evers et al. (1998) name as general working demands ability to manage an individual's own actions, communication skills, ability to lead people and tasks and ability to innovate and lead changes (see Ruohotie and Honka 2003, 61–62). One growing area of expertise is connected to ethics and values. Experts working in different networks should be able to build common value bases, common views of principles and aims of collaboration (Helakorpi 2005, 38–39.) This study shows that the factors for successful procurements are also common goals, aims and rules and mutual understanding of concepts which are felt vague (for example concept quality). Reputation, trust and business relationships are about interaction between people and therefore, interpersonal skills are important for experts. Interpersonal skills can be defined “as goal behaviors used in face-to-face interactions in order to bring about a desired state of affairs” (Hayes 2002, 3). In this study companies stress the importance of open communication, openness, transparency, mutual interaction and willingness to cooperate. Common development work and designing products and services are also seen important factors for a good supplier relationship. Especially end users' role is stressed as an idea source for the development activities. In some interviews raised also more wide perspective to the development work. Those ideas are linked to innovation possibilities that the public and private sectors could mutually produce. Innovations are important for economic growth and ability to innovate is one essential competence area in today's working life (see e.g. OECD 2010).

4.1.10 Supplier relationship as a multi-dimensional issue

The responses in the interviews and to the study questionnaire show that a good supplier relationship is not only buying and selling as its nature. It may be described as mutual interaction meaning that a good supplier relationship includes the ideas of *mutual* sharing, exchanging, commitment, confidence, information and support (Baily et al. 1998, 8–9). According to the respondents regular cooperation meetings, personal contacts between the procurer and the supplier, mutual trust, mutual feeling of safety and ease and facility of cooperation are almost equal important for a good relationship. Management of supplier relationship includes also contractual issues and contract management. A contract is seen as bases of trustful relationship but besides this, interaction between parties is important. Ward (2008, 21–22) states that in addition to being prepared to risks and agreeing on contract terms a procuring organization need to build and maintain mutual relationship with its contracting party since there might be good contract terms but they do not replace a functioning supplier relationship. Those ideas are stressed by the respondents to this study. Increasing end users' customer satisfaction is relevant for the respondents and according to the interviewees end users are relevant promoters for new ideas. End users may have valuable expertise and experience on the procurement concerned which should be analyzed and used for realizing successful procurement (van Weele 2010, 100–101). Not only suppliers but also procurement units are responsible for end users' customer satisfaction (Dominick & Lunney 2012, 3). According to the responses a procurer should also take responsibility of end users by for example informing of the contents of the contract as well as the contents of the supplied services or products.

Trust is the most important element for a good procurer-supplier relationship in practice according to receipt responses to the study questions. With reference to Van Weele's (2010, 394–395) model concerning trust building in supplier relationships (see figure 2. presented in page 26) it seems that the public sector is more successful in the areas of business integrity, ethics and trustworthiness than in the areas of skills, competence, knowledge management and creativity.

Investing in improvements in the latter areas would have positive effect on trust and would strengthen successful management of supplier relationships.

4.2 Summary of the key findings

The public sector is an attractive and important procurer and business partner to the private sector. This assessment is significantly based on the view that the public sector is reliable. Reliability and attractiveness seem to refer to the companies' trust in the public sector as an organizer of public procurements. The companies trust in the public sector organizations especially because they are firm payers, there is no risk for credit loss, public sector activities do not suddenly end and because companies can as a principle rule assume that the public sector is acting in an impartial, objective and equitable way and its decision making is justly. The attractiveness factor is above all financial. The public sector's huge volumes, procurement potential and fairly big sizes of the deals attract suppliers.

Reputation of a public sector organization as such is not an essential element for successful public procurements and reputation seems not affect the public sector's possibility to receive the most suitable and the best tenders for its purposes and needs.

This study shows that the crucial elements for successful public procurements and for a good procurer-supplier relationship are trust, mutual cooperation and a public sector organization's knowledge, ability and competence to realize public procurements. Trust in the public sector seems to be in a good level but the level of knowledge, ability and competence are criticized. Critique is especially directed to the public tendering and decision making phase of the procurement procedure. Improving the whole procurement procedure and developing the public sectors' knowledge etc. are the most important factors that contribute the public sector to receive the most suitable and the best tenders for its purposes and needs.

The study emerged the following views for the improvement and development needs within the public procurement procedure.

1. Planning of the procurement

- Sustainable political decisions in the municipality sector concerning outsourcings and opening municipalities' own activities to public tenderings.
- Better knowledge of the sector, suppliers, services and products which concern the intended procurement.
- Before the public tendering phase public sector organizations should allocate time for meetings and discussions with suppliers and end users in order to ensure what is really needed.
- Ability to choose suitable procedure (for example negotiated procedure).
- Organizing different forums for open information sharing of future procurement plans.
- Active communication of near-future public tenderings -also in case of minor procurements.
- Organizing possibilities for suppliers to become acquainted with the procuring organization and its end users of services/products.
- Increasing business know-how.
- Ability to understand what are the total costs of a procurement in a longer perspective, also with respect of sustainable development.
- Improving ability to make use of suppliers' knowledge.

2. Public tendering procedure and decision making

- Improving ability to use procurement legislation in an optimal way.
- When possible, a public sector organization should use more flexible interpretation of the public procurement legislation.
- Improving the contents of invitations to tender. Emphasizes should be put in the essential elements and setting of award criteria (not only the lowest price) and their clarity. Avoidance of requirements that are unreasonable with regards to tenderers or services/products to be procured.
- Assisting suppliers to submit consistent tenders for example by giving clear answers to questions concerning an invitation to tender.
- Minimizing requirements that concern (number of) different documentation to be submitted.
- Improving the contents, clarity and reasoning of procurement decisions. Important is that reasoning of quality criteria is clear and precise.
- Informing tenderers of the progress of the tendering procedure.
- Cooperation with suppliers in creation of mutual rules and common concepts of vague terms in order to avoid subjective interpretation.
- Drafting different models contributes the receipt of good tenders.

3. Execution of the procurement decision

- Improving ability and knowledge with regards of contract management and contract negotiating.
- Realizing in practice the idea that the best outcome of a procurement is a matter of willingness to mutually cooperate and develop services and products throughout the contract period.
- Emphasizes should be in mutual aims and goals and in interaction, also free from bureaucratic agenda.
- Parties should concentrate on ensuring that the intended aims are met instead of sanctioning mistakes.
- Public sector organizations should concentrate also to its relationship with the end users by ensuring that end users know the contents of the procurement and the contract and what is their role. End users have also an important role in developing procured services and products and have valuable information in respect of the following and future procurements.

It is possible to argue that by improving different phases of the public procurement procedure and by developing public sector organizations' knowledge and skills to realize public procurements the public sector's reputation also improves.

The public sector has not been very successful in managing supplier relationships. It seems that if the public sector is able to improve the public procurement procedure and its ability and knowledge to realize public procurements, also elements for a good procurer-supplier relationship exist in practice. As a conclusion successful management of supplier relationship indicates that a public sector organization's knowledge and competence is in a level which affects positively on successfulness of public procurement.

This study shows that the development needs of supplier relationships are connected to development and improvement needs of the public procurement procedure. The most important development areas are designing supplies and services mutually and improving the public tendering process. Almost as important development areas are development of services during the validity period of the contract, mutual cooperation for example in the form of the

cooperation meetings, increasing the end user satisfaction, mutual trust and the depth of cooperation.

4.3 Reliability analysis

The interest in this thesis is to receive information of the significance of reputation and management of supplier relationship to a successful public procurement. Second areas of interest are the factors that contribute the public sector to receive the best and the most suitable tenders for its needs and purposes. I decided to use qualitative methodology in the study. In order to receive answers to my research questions I used interviews as a data collection method which I further analyzed and interpreted.

The evaluation of this study may take place through commonly used concepts validity and reliability. Validity refers to the question whether the study measures what it was supposed to measure, whereas reliability refers to the repeatability of the study. Further, validity can be divided into internal and external validity of the study. (Metsämuuronen 2006, 56–57.) Internal validity concerns the internal logics and non-existence of inconsistency of the interpretation. External validity examines the possibility to generalize the interpretation to other situations and cases. (Koskinen et al. 2005, 254.)

Reliability of this study is difficult to assess since it is quite obvious that if this study is repeated after some years situation in the companies and public sector organizations has changed and therefore, conditions of the study have also changed. However, it is important to describe how the study is realized, how the data is handled and how the researcher has modified the observations into the interpretations (Koskinen et al. 2005, 258). This study includes a systematic description of the whole study process and the data handling method. I have also described the observations and used direct quotations from the interviewees and from the questionnaire in order to give for the readers information on the bases of the interpretations made. One factor possibly affecting the interpretation is the fact that I changed my interview technique to the theme interview. When interviewing it is possible that I directed the

interviewees to the direction which would have generated the most suitable answers with regards to the research questions. I tried to eliminate this by using in the interviews the same questions as I had in the questionnaire. On the other hand, the interviews gave wider and more precise and deepen answers than those I received through the questionnaire, and as a consequence there might be less space for a subjective interpretation.

With regards to validity of the study my understanding is that I have received answers to my research questions and that I was able to realize the empirical part in a way which supported quite well my research. There is a logical link between theory, used concepts and the empirical study. In the beginning of this thesis project I intended to study how the public sector should develop its organization in order to receive the most suitable and the best tenders and tenderers. In the very early stage of the study I realized that my questionnaire did not correspond with the intended research question on that area and I decided to exclude organizational dimension from a deeper analyses in this thesis.

The difficult parts of the study are the interpretation and conclusion making of the empirical part of the study and connecting them to the theory. Then the researcher makes her or his best in order to be systematic, analytical, logical and objective. Somewhat problematic is that my research questions and questions to the respondents include such concepts as “reputation”, “attractive” or “reliable” which are not measurable. The respondents interpret differently those kind of concepts and from their own perspective.

Generalization of a quantitative study is of my opinion very challenging. In this case my point of view is that more interesting question is that what would be results if the public and private sectors act in accordance with the presented study conclusions. Would they for example be able to mutually innovate new services or products?

Issues that may have affected to reliability and validity of the study are my previous knowledge and experience of the issue and my anticipations of the

phenomena. In other words there is a subjective element connected to the study. Whole thesis reflects somewhat my previous knowledge and experience. Also my personality, state of mind etc. have affected in the interviewee situation. I described all interviewees my public procurement connected working background and in some occasions I felt that I received more positive answers that the interviewee in fact really thought.

4.4 Suggestions for the future – promoting innovativeness

Investing in improvements and development work concerning public procurement would benefit both public and private sector. This study indicates that the public sector should concentrate on strengthening its competence in all phases of the public procurement procedure. In practice this would mean e.g. personnel training with regards to formal realizing of public procurement, interaction and communication skills and managing of contracts and supplier relationships.

From the future perspective it seems that ability to innovate is one of the most important areas of competence development. Innovativeness is important for economic growth and the public sector has a significant role in promoting innovativeness in business life (OECD 2010, 9; Valtion tiede- ja teknologianeuvosto 200, 13). Also in the public procurement sector need for innovativeness has been recognized. For example European Union has submitted a proposal for a new directive which includes proposals that enable procurements of products and services that foster innovations (European Commission Proposal for a Directive of the European Parliament and of the Council on public procurement, 2011/0438 (COD). Interest to innovate comes also from the private companies' side. According to this study designing services and products between the private sector companies and the public sector organizations is as important as improving the public tendering procedure with regards to the development needs of supplier relationship.

The private and public sectors could mutually develop methods, tools and models for promoting mutual innovation and designing work taking into

consideration possibilities and limitations of the public procurement legislation. Elements that in practice may be obstacles for innovation work should also be considered. In this study companies has for example stated that too short contract periods and use of the lowest price as a single award criterion or its big weight in proportion to qualitative criteria do not promote the best procurer-supplier relationship. Collaboration and a good procurer-supplier relationship are crucial elements for mutual innovation efforts and therefore, also ensuring the innovation enabling conditions is part of the suggested development work.

SOURCE MATERIAL

Aula, P. & Heinonen, J. 2002. *Maine. Menestystekijä*. Helsinki: WSOY.

Aula, P. & Heinonen, J. 2011. *M². Maineen uusi aalto*. Helsinki: Talentum.

Act on Public Procurement 30.3. 2007/348.

Baily, P., Farmer, D., Jessop, D. & Jones, D. 1998. *Purchasing Principles & Management*. Eighth Edition. London: Financial Times Pitman Publishing.

Beairsto, B. & Ruohotie, P. 2003. Empowering Professionals as Lifelong Learners. In: Beairsto, B., Klein, M. & Ruohotie, P. (Eds.) *Professional Learning and Leadership*. Hämeenlinna: Research Centre for Vocational Education and Training (RCVE), 115–146.

Blomqvist, K. & Ståhle, P. 2004. Trust in Technology Partnerships. In: Huotari, M-L. & Iivonen, M. (Eds.) *Trust in Knowledge Management and Systems in Organizations*. Hershey, PA and London: Idea Group Publishing, 173–199.

Castaldo, S. 2007. *Trust in Market Relationships*. Cheltenham and Northampton: Edward Elgar Publishing.

Constitution of Finland 11.6.1999/731.

Dalton, J. & Croft, S. 2003. *Managing Corporate Reputation*. London: Thorogood.

Davenport, E. & McLaughlin, L. 2004. Interpersonal Trust in Online Partnerships: The Challenge of Representation. In: Huotari, M-L. & Iivonen, M. (Eds.) *Trust in Knowledge Management and Systems in Organizations*. Hershey, PA and London: Idea Group Publishing, 107–123.

Dibben, M.R. 2002. *Exploring interpersonal trust in the entrepreneurial venture*. London: Macmillan.

Dominick, C. & Lunney, S.R. 2012. *The Procurement Game Plan: Winning Strategies and Techniques for Supply Management Professionals*. Plantation: J. Ross Publishing.

Ellström, P-E. 2010. Consulted 14.10.2013
www2.diu.se/framlar/wp-content/uploads/2010/11/pe-ellstrom-sem-3-nov.ppt.

Emmett, S. & Crocker, B. 2006. *The Relationship-Driven Supply Chain. Creating a Culture of Collaboration throughout the Chain*. Hampshire and Burlington, VT: Gower Publishing.

Eteläpelto, A. 1998. The Development of Expertise in Information Systems Design. *Jyväskylä Studies in Education, Psychology and Social research* 146. Jyväskylä: University of Jyväskylä.

European Commission Proposal for a Directive of the European Parliament and of the Council on public procurement, 2011/0438 (COD). Available at
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52011PC0896:EN:NOT>

Evers, F.T., Rush, J.C. & Berdrow, I. 1998. *The Bases of Competence: Skills for Lifelong Learning and Employability*. San Francisco: Jossey-Bass Publishers.

Ford, D., Gadde, L-E., Håkansson, H., Lundgren, A., Snehota, I., Turnbull, P & Wilson, D. 1998. *Managing Business Relationships*. West Sussex: John Wiley & Sons.

Galbreath Shurtleff, M. 1998. Building Trust. A Manager's Guide for Business Success. Menlo Park, CA: Crisp Publications.

Golin, A. 2003. Trust or Consequences. Build Trust Today or Lose Your Market Tomorrow. New York: AMACOM.

Green, C.H. & Howe, A.P. 2012. The Trusted Adviser Field Book: A Comprehensive Toolkit for Leading with Trust. Hoboken, NJ: John Wiley & Sons.

Government Proposal for the Act on Public Procurement HE 50/2006 vp.

Hannington, T. 2004. How to Measure and Manage Your Corporate Reputation. Hampshire and Burlington, VT: Gower Publishing.

Harisalo, R. & Stenvall, J. 2004. Trust as Capital: The Foundation of Management. In: Huotari, M-L. & Iivonen, M. (Eds.) Trust in Knowledge Management and Systems in Organizations. Hershey, PA and London: Idea Group Publishing, 51–80.

Hayes, J. 2002. Interpersonal Skills at Work. East Sussex and New York: Routledge.

Helakorpi, S. 1999. Kouluttajan asiantuntijuus ja sen kehittäminen. Opettajakorkeakoulun julkaisuja D:119. Hämeenlinna: Hämeen ammattikorkeakoulu.

Helakorpi, S. 2005. Työn taidot – Ajattelua, tekoja ja yhteistyötä –. HAMK Ammatillisen opettajakorkeakoulun julkaisuja 2/2005. Hämeenlinna: Hämeen ammattikorkeakoulu.

HILMA. Julkiset hankinnat. Hankintailmoitusten tilastot. Consulted 26.9.2013 <http://www.hankintailmoitukset.fi/fi/docs/tilastot/>.

HILMA. Julkiset hankinnat. 6.2.2013. HILMAssa julkaistut hankintailmoitukset 1.1.2012-31.12.2012. Available at http://www.hankintailmoitukset.fi/fi/docs/Tilastot_2012.

Hirsjärvi, S., Remes, P. & Sajavaara, P. 2007. Tutki ja kirjoita. 13., revised edition. Helsinki: Tammi.

Honey, G. 2009. A Short Guide to Reputation Risk. Surrey and Burlington, VT: Gower Publishing.

Honig, B. 2010. Making Contracts Work. Combining the science of effective procurement with the art of managing supplier contracts. Warriewood, NSW: Woodslane Press.

Huotari, M-L. & Iivonen, M. 2004. Managing Knowledge-Based Organizations through Trust. In: Huotari, M-L. & Iivonen, M. (Eds.) Trust in Knowledge Management and Systems in Organizations. Hershey, PA and London: Idea Group Publishing, 1–29.

Hurley, R.F. 2012. The Decision to Trust. How Leaders Create High-Trust Organizations. San Francisco, CA: Jossey-Bass.

Iivonen, M. 2004. Trust building as a Management Strategy. In: Huotari, M-L. & Iivonen, M. (Eds.) Trust in Knowledge Management and Systems in Organizations. Hershey, PA and London: Idea Group Publishing, 30–50.

Iloranta, K. & Pajunen-Muhonen, H. 2012. Hankintojen johtaminen. Ostamisesta toimittajamarkkinoiden hallintaan. Helsinki: Tietosanoma.

James, A. 2007. The Seven Deadly Sins. –Supply Chain Standard: Strategies for Supply Chain Excellence 15 (4), 23–24.

Koskinen, I., Alasuutari, P. & Peltonen, T. 2005. Laadulliset menetelmät kauppatieteissä. Tampere: Vastapaino.

- Kulla, H. 2008. Hallintomenettelyn perusteet. Helsinki: Talentum.
- Kvale, S. 1997. Den kvalitativa forskningsintervjun. Lund: Studentlitteratur.
- Lane, C. 1998. Introduction: Theories and issues in the study of trust. In: Lane, C. & Bachmann, R. (Eds.) Trust Within and Between Organizations: Conceptual Issues and Empirical Applications. New York: Oxford University Press, 1–30.
- Lith, P. 2012. Innovatiiviset julkiset hankinnat Suomen kansantaloudessa. Tilastollinen esiselvitys valtion ja kuntayhteisöjen hankinnoista ja hankintamarkkinoiden toimivuudesta uusien toimintatapojen ja teknologian kannalta. TEM raportteja 18/2012. Available at http://www.tem.fi/files/33155/TEMrap_18_2012.pdf.
- Lith, P. 2011. Suurten kuntien hankinnat. Yksityisten tavara- ja palveluostojen merkitys suurissa kaupungeissa. Helsinki: Keskuskauppakamari. Available at http://helsinki.chamber.fi/files/4367/suurten_kuntien_hankinnat.pdf.
- Markkinaoikeus. Käsittelyajat ja tilastot. Consulted 26.9.2013 <http://www.markkinaoikeus.fi/fi/index/markkinaoikeus/tilastojajakasittelyajat.html>.
- McAllister, D.J. 1995. Affect- and Cognition-Based Trust as Foundations for Interpersonal Cooperation in Organizations. The Academy of Management Journal Vol. 38 No.1, 24–59.
- Metsämuuronen, J. 2006. Laadullisen tutkimuksen perusteet. In: Metsämuuronen, J. (Ed.) Laadullisen tutkimuksen käsikirja. Helsinki: International Methelp, 79–147.
- Metsämuuronen, J. 2006. Metodologian perusteet ihmistieteissä. In: Metsämuuronen, J. (Ed.) Laadullisen tutkimuksen käsikirja. Helsinki: International Methelp, 15–77.
- Mills, J., Platts, K., Bourne, M. & Richards, H. 2002. Strategy and Performance: Competing Through Competences. West Nyack, NY: Cambridge University Press.
- Mumford, J. & Roodhouse, S. 2010. Understanding Work-Based Learning. Farnhouse, Surrey and Burlington, VT: Gower Publishing.
- Nooteboom, B. 2002. Trust: Forms, Foundations, Functions, Failures and Figures: Cheltenham and Northampton: Edgar Elgar Publishing.
- OECD. 2010. Innovative Workplaces. Making Better Use of Skills within Organisations. OECD Publishing.
- Paloniemi, S. 2006. Experience, Competence and Workplace Learning. Challenges for Integrating Work and Learning: Journal of Workplace Learning Vol. 18 No. 7/8 2006, 439–450.
- Picci, L. 2011. Reputation-Based Governance. Stanford, CA: Stanford University Press.
- Pitkänen, K. 2001. Yrityskuva ja maine menestystekijöinä. Helsinki: Edita.
- Pääministeri Jyrki Kataisen hallituksen ohjelma 22.6.2011. Available at <http://valtioneuvosto.fi/hallitus/hallitusohjelma/pdf/fi.pdf>.
- Raelin, J. 2008. Work-Based Learning. Bridging Knowledge and Action in the Workplace. Hoboken, NJ: Wiley.
- Rogers, S.C. 2009. The Supply-Based Advantage: How to Link Suppliers to Your Organization's Corporate Strategy. New York: AMACOM.

- Rosenkranz, S. & Weitzel, U. 2005. Is it trust we model? An attempt to calculate the non-calculative. Utrecht School of Economics. Tjalling C. Koopmans Research Institute. Discussion Paper Series 05-12. Available at <http://www.uu.nl/faculty/leg/NL/organisatie/departementen/departementeconomie/onderzoek/publicaties/DParchive/2005/Documents/05-12.pdf>.
- Ruohotie, P. 1995. Ammatillinen kasvu työelämässä. Hämeenlinna: Tampereen yliopiston opettajankoulutuslaitos.
- Ruohotie, P. 2002. Kvalifikaatioiden ja kompetenssin kehittäminen koulutuksen tavoitteena. In: Nieminen, J. (Ed.) Verkot ja virtuaalistaminen oppimisen tukena. Hämeenlinna: Hämeen ammattikorkeakoulu, 13–45.
- Ruohotie, P. & Honka, J. 2003. Ammatillinen huippuosaaminen. Kompetenssitutkimusten avaama näkökulma huippuosaamiseen, sen kehittämiseen ja johtamiseen. Hämeenlinna: Hämeen ammattikorkeakoulu.
- Solomon, R. C. & Flores, F. 2001. Building Trust in Business, Politics, Relationships, and Life. New York: Oxford University Press.
- Sonnenwald, D.H. 2004. Managing Cognitive and Affective Trust in the Conceptual R&D Organization. In: Huotari, M-L. & Iivonen, M. (Eds.) Trust in Knowledge Management and Systems in Organizations. Hershey, PA and London: Idea Group Publishing, 82–106.
- Tynjälä, P. 1999. Towards expert knowledge? A comparison between a constructivist and a traditional learning environment in university. Jyväskylä: University of Jyväskylä.
- Työ- ja elinkeinoministeriö. Hankintojen ilmoittaminen. Consulted 26.9.2013 http://www.tem.fi/kuluttajat_ ja_ markkinat/ julkiset_ hankinnat/ hankintojen_ ilmoittaminen.
- Valtion tiede- ja teknologianeuvosto. Katsaus 2000: Tiedon ja osaamisen haasteet. Helsinki 2000.
- Valtioneuvoston periaatepäätös yhteiskuntavastuusta 22.11.2012. Available at https://www.tem.fi/files/35049/vnp_yhteiskuntavastuu_2012.pdf.
- Valtiovarainministeriö. 2001. Osaamisen johtaminen. Kehittämishankkeen loppuraportti. Valtiovarainministeriön työryhmämuistioita 6/2001. Available at http://www.vm.fi/vm/fi/04_julkaisut_ ja_ asiakirjat/01_julkaisut/06_valtion_tyomarkkinalaitos/4064/4065_fi.pdf.
- Valtiovarainministeriö. Valtionhallinnon hankintatoimi. Consulted 26.9.2013 http://www.vm.fi/vm/fi/09_valtiontalous/06_valtionhallinnon_hankintatoimi/index.jsp.
- van Weele, A. 2010. Purchasing and Supply Chain Management. 5.edition. Hampshire: Cengage Learning EMEA.
- Ward, G. 2008. The Project Manager's Guide to Purchasing. Contracting for Goods and Services. Hampshire and Burlington, VT: Gower Publishing.

Julkisia hankintoja koskeva tutkimuskysely Turun ammattikorkeakoululle tehtävää opinnäytetyötä varten.

International Business Management, Master's Degree Programme

Opinnäytetyön aihe: REPUTATION AND MANAGEMENT OF SUPPLIER RELATIONSHIPS AS SUCCESS FACTORS IN PUBLIC PROCUREMENT

Tämän tutkimuskyselyn tarkoituksena on hankkia opinnäytetyötä varten tietoa seuraavista teemoista:

- Yksityisen yrityksen osallistuminen julkisen sektorin hankintojen tarjouskilpailuihin.
- Vaikuttaako julkisen sektorin organisaation maine siihen, saako se tarkoituksiinsa ja tarpeisiinsa soveliaimmat ja parhaimmat tarjoukset ja tarjoajat?
- Mitkä seikat edesauttaisivat julkista sektoria saamaan tarkoituksiinsa ja tarpeisiinsa soveliaimmat ja parhaimmat tarjoukset ja tarjoajat?
- Miten tilaajan (julkinen sektori) ja toimittajan välinen toimittajasuhde vaikuttaa julkisessa hankinnassa onnistumiseen?
- Miten toimittajasuhdetta tulisi kehittää?
- Miten julkisen sektorin tulisi kehittää organisaatiotaan ja hankintatointaan saadakseen soveliaimmat ja parhaimmat tarjoukset ja tarjoajat?

Kysely jakautuu kahteen osaan: taustietoihin ja teemakysymyksiin. Kaikki vastaukset käsitellään luottamuksellisesti. Lopputyössä ilmoitetaan yritykset, joista vastaukset saatiin. (Huom. merkillä * -varustetut kysymykset olivat pakollisia)

I TAUSTATIEDOT

1. Yrityksen nimi ja yhteystiedot *

Nimi
Osoite

2. Yrityksen toimiala *

- Palvelut
- Tuotteet (tavarat, välineet, koneet ymv.)

3. Yrityksen pääasiallinen toimialue *

Vaikka pääasiallinen toimialue olisikin muualla, valitkaa vaihtoehdoista se, jossa edustamallanne yrityksellä on enemmän toimintaa.

- Pääkaupunkiseutu/Uusimaa
- Varsinais-Suomi

4. Yrityksen ikä *

- Alle vuosi
- 1-4 vuotta
- 4-10 vuotta
- yli 10 vuotta

5. Yrityksen koko *

- Alle 50 työntekijää
- 50-200 työntekijää
- 200-500 työntekijää
- yli 500 työntekijää

6. Yritys on osallistunut julkisen sektorin tarjouskilpailuihin viimeisen noin kahden vuoden aikana *

- Ei yhtään kertaa
- 1-5 kertaa
- 5-10 kertaa
- yli 10 kertaa

7. Yritys on valittanut markkinaoikeuteen viimeisen noin kahden vuoden aikana *

- Kyllä
- Ei

8. Jos edellinen vastaus on kyllä, miksi yritys on valittanut? *

I TEEMAT

A JULKISEN SEKTORIN MAINE JA VETOVOIMAISUUS KILPAILUTTAJANA

9. Onko yrityksenne osallistunut julkisen sektorin organisaation tarjouskilpailuihin? *

- Kyllä
- Ei

10. Mistä uskotte johtuvan, että yrityksenne ei ole osallistunut kilpailuihin? *

Kysymys on kohdistettu sekä niille yrityksille, jotka eivät lainakaan ole osallistuneet että niille, jotka ovat osallistuneet, mutta jostain syystä jättävät myös osallistumatta.

11. Onko yrityksenne kiinnostunut osallistumaan julkisen sektorin tarjouskilpailuihin? *

- Kyllä
- Ei

12. Onko julkisella sektorilla mielestänne hyvä maine kilpailuttajana? *

- Kyllä
- Ei

13. Perustelut edelliselle vastauksellenne.

14. Onko julkinen sektori mielestänne vetovoimainen kilpailuttaja? *

- Kyllä
- Ei

15. Perustelut edelliselle vastauksellenne.

16. Julkisen sektorin osaamisen riittävyys kilpailuttamiseen ja hankintojen toteuttamiseen. *

- erittäin huono
- huono
- tyydyttävä
- keskinkertainen
- melko hyvä
- hyvä
- erinomainen
- en osaa sanoa

17. Jos osaaminen ei mielestänne ole riittävää, millä alueilla osaamista tulisi kehittää? *

18. Onko julkinen sektori mielestänne luotettava kilpailuttaja ja hankintojen toteuttaja? *

- Kyllä
- Ei

19. Perustelut edelliselle vastauksellenne.

20. Mikä/mitkä seikat edesauttaisivat julkista sektoria saamaan tarkoituksiinsa ja tarpeisiinsa soveliaimmat ja parhaimmat tarjoukset ja tarjoajat? *

- Kilpailuttamisosaaamisen kehittäminen (esim. tarjouspyyntöjen sisältö, tuotteiden/palvelujen kuvaaminen tarjouspyynnössä)
- Sopimusten laadintaan ja sopimusneuvotteluun liittyvän osaamisen kehittäminen
- Tarjouskilpailuprosessin sähköistäminen kokonaisuudessaan
- Yrityksen toimialan palveluiden ja markkinoiden tuntemus
- Yrityksen tuotteiden (tavaroiden) ja markkinoiden tuntemus
- Liiketoimintaosaaminen
- Julkisen sektorin maine ja yrityskuva

21. Mikä muu/mitkä muut seikat edesauttaisivat soveliaimpien ja parhaimpien tarjoajien ja tarjousten saamista? Mitä muuta haluatte mahdollisesti tuoda esille?

B TILAAJAN JA TOIMITTAJAN VÄLINEN TOIMITTAJASUHDE

22. Onko julkinen sektori onnistunut toimittajasuhteen hoitamisessa? *

- Kyllä
- Ei

23. Mistä uskotte toimittajasuhteen hoitamisessa onnistumisen / epäonnistumisen johtuvan? *

24. Mikä/mitkä ovat mielestänne hyvän tilaaja-toimittaja -yhteistyön elementit käytännössä? *

- Tuote/palvelu toimitetaan sen laatusena, määräisenä ja sisältöisenä kuin on sovittu
- Säännölliset yhteistyökokoukset
- Henkilökohtaiset kontaktit tilaajan ja toimittajan välillä
- Keskinäinen luottamus
- Molemminpuolinen turvallisuuden tunne
- Yhteistyön vaivattomuus ja helppous

25. Mikä/mitkä muut mahdolliset seikat ovat mielestänne hyvän tilaaja-toimittaja -yhteistyön elementtejä?

26. Miten julkisen sektorin ja toimittajan välistä toimittajasuhdetta tulisi mielestänne edesauttaa ja kehittää? *

27. Millä osa-alueilla toimittajasuhteen mahdollinen kehittäminen olisi mielestänne erityisesti tarpeellista? *

- Sopimuksenaikainen yhteistyö (esim. yhteistyökokoukset)
- Tuotteiden/palveluiden muotoileminen yhdessä
- Palvelun kehittäminen sopimusaikana
- Loppukäyttäjän asiakastyytyvyyden lisääminen
- Keskinäinen luottamus
- Yhteistyön syvyys
- Kilpailutusprosessin kehittäminen

28. Mitä muuta haluatte tuoda esille ja/tai pidätte tärkeänä toimittajasuhteen kehittämisessä?

Lähetä

Translation of the questionnaire concerning public procurement for a thesis to be made to Turku University of Applied Sciences

International Business Management, Master´s Degree Programme

Subject of the thesis: **REPUTATION AND MANAGEMENT OF SUPPLIER RELATIONSHIPS AS SUCCESS FACTORS IN PUBLIC PROCUREMENT**

The aim and purpose of this questionnaire is to receive information for the thesis of the following themes:

- Participation of a private enterprise to the public tenderings.
- Does the reputation of public sector´s organization affect its possibility to receive the most suitable and the best tenders and tenderers for its purposes and needs?
- Which kind of factors would contribute public sector to receive the most suitable and the best tenders and tenderers for its purposes and needs?
- How does supplier relationship between the procurer (public sector) and supplier affect successfulness of public procurement?
- How should supplier relationship be developed?
- How should public sector develop its organization and procurement functions in order to receive the most suitable and the best tenders and tenderers?

The questionnaire is divided into two parts: background information and theme questions. All the answers will be handled confidentially. In the thesis all those enterprises which answered the questionnaire will be noted. (Note: questions marked * were compulsory.)

I BACKGROUND INFORMATION

1. Name and contact information of the company *

Name
Address

2. Domain of the company *

- Services
- Supplies (products, utensils, machines etc.)

3. The main territory for the business of the company *

Even if the main territory of the business of the company would be elsewhere choose from the alternatives the one where the company you represent has more activities.

- Helsinki Metropolitan Area/Uusimaa Region
- Southwest Finland

4. Age of the company *

- less than a year
- 1– 4 years
- 4–10 years
- over 10 years

5. Size of the company *

- less than 50 employees
- 50– 200 employees
- 200–500 employees
- over 500 employees

6. The company has participated in public tenderings during the about last two years *

- none
- 1– 5 times
- 5–10 times
- over 10 times

7. The company has complained to the Market Court during the about last two years *

- yes
- no

8. If the previous answer is "yes", why has the company complained? *

II THEMES

A PUBLIC SECTOR´S REPUTATION AND ATTRACTIVENESS AS A PROCURER

9. Has your company participated in public tenderings of a public sector´s organization? *

- yes
- no

10. What might be the reason for the fact that your company has not participated in public tenderings? *

The question is addressed to both those companies that have never participated and to those that have participated but for some reason also do not participate.

11. Is your company interested to participate in public tenderings? *

- yes
- no

12. Do you think that the public sector has good reputation as an organizer of public tenderings? *

- yes
- no

13. Reasoning for your previous answer.

14. Do you think that the public sector is attractive as an organizer of public tenderings? *

- yes
- no

15. Reasoning for your previous answer.

16. Adequacy of the public sector's ability and knowledge to realize public tenderings and procurements. *

- very poor
- poor
- satisfactory
- moderate
- fair
- good
- excellent

17. If you think that ability and know-how is not adequate, what areas of ability and knowledge should be improved? *

18. Do you think that the public sector is reliable as an organizer of public tenderings? *

- yes
- no

19. Reasoning for your previous answer.

20. What/which factors would contribute public sector to receive the most suitable and the best tenders and tenderers for its purposes and needs? *

- Improving ability and knowledge to realize public tenderings (for example contents of invitations to tender, describing supplies/services in the invitation to tender)
- Improving ability and knowledge connected to contract drafting and negotiation of contracts
- Making the whole tendering procedure into an electronic form
- Knowledge of company's domain's services and markets
- Knowledge of company's domain's supplies (products) and markets
- Business know-how
- Public sector's reputation and corporate image

21. What/which other factors would contribute receipt of the most suitable and the best tenders and tenderers? * What else would you probably like to bring forward?

B SUPPLIER RELATIONSHIP BETWEEN THE PROCURER AND THE SUPPLIER

22. Has the public sector been successful in managing supplier relationship? *

- yes
- no

23. What do you think explains success/failure in managing supplier relationship? *

24. What/which are of your opinion elements for a good procurer-supplier cooperation in practice? *

- Supply/service is delivered/realized as agreed with respect of its quality, quantity and contents
- Regular cooperation meetings
- Personal contacts between procurer and supplier
- Mutual trust
- Mutual feeling of safety
- Ease and facility of cooperation

25. What/which other possible factors are of your opinion elements for a good procurer-supplier cooperation?

26. How should of your opinion the public sector's and supplier's mutual supplier relationship be contributed and developed? *

27. In which areas would possible development of supplier relationship be of your opinion especially important? *

- Cooperation during the validity period of the contract (for example cooperation meetings)
- Designing supplies/services mutually
- Development of services during the validity period of the contract
- Increasing end user satisfaction
- Mutual trust
- Depth of cooperation
- Improving the tendering process

28. What else would you like to bring forward and/or you think is important in developing supplier relationship?

Send