Outi Keränen

DEVELOPING PUBLIC-PRIVATE PARTNERSHIPS IN CENTRALIZED PUBLIC PROCUREMENT
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Academic dissertation to be presented with the assent of The Doctoral Training Committee of Human Sciences, University of Oulu for public defence in the Arina auditorium (TA105), Linnanmaa, on 8 February 2019, at 12 noon

UNIVERSITY OF OULU, OULU 2019
Keränen, Outi, Developing public-private partnerships in centralized public procurement.
University of Oulu Graduate School; University of Oulu, Oulu Business School

Abstract

This thesis increases the understanding of public-private partnerships (PPPs) by examining their development in a centralized public procurement context. The thesis discusses how the actors in centralized public procurement participate in the development of PPPs and what drives and challenges the actors to transition from traditional transactional arm’s length tendering to partnership thinking in public procurement. The PPP research is integrated into the research stream of Industrial Marketing and Purchasing (IMP) and the interaction approach to recognize PPPs as socially constructed during the public procurement process. The triadic approach is applied to regard PPP development as dynamic and examine the relationship dynamics between the three actors of centralized public procurement.

The empirical setting of the thesis rests on a qualitative case study design using two cases. It analyzes PPP development in a standardized product procurement of food and a more diversified service procurement of home nursing. The empirical data is primarily acquired through qualitative interviews, which are supported by information from written documents and seminars on procurement regulations and procedures.

The thesis shows that the development of PPPs in the context of centralized public procurement is an ongoing and dynamic process, in which the three actors actively participate by initiating, building, and facilitating the development process. The thesis further finds that cooperative interaction contributes to PPP development by increasing knowledge exchange and promoting the transition from transactional procurement logic to partnering in public procurement. The procurement type and the network in which the PPP is embedded influence the process by reflecting the actors’ ways of participating in the process and how trust is built between them. The thesis further shows how relationship dynamics influence the process in the triadic setting; that is, the procurement logic of a single actor or the logic underlying the relationship of two actors engender and intensify the problems or promote the partnership thinking in the triad.

The findings of this thesis aid managers to identify how they can proactively foster the development of PPPs in centralized public procurement, and identify the influence of relationship dynamics on the process.

Keywords: centralized public procurement context, public-private partnership, relationship development, relationship dynamics, triadic approach
Keränen, Outi, Julkisten ja yksityisten organisaatioiden välisten kumppanuus-suhteiden kehittäminen keskitetystä julkisessa hankinnassa.

Oulun yliopiston tutkijakoulu; Oulun yliopisto, Oulun yliopiston kauppakorkeakoulu

Acta Univ. Oul. G 106, 2019

Oulun yliopisto, PL 8000, 90014 Oulun yliopisto

Tiivistelmä

Tässä väitöskirjassa keskitytään julkisten ja yksityisten organisaatioiden välisen kumppanuus-suhteiden kehittämiseen keskitetystä julkisessa hankintakontekstissa. Tutkimus tarkastelee sitä, kuinka keskitetyn hankintakontekstin kolme eri toimijaa osallistuvat suhteen kehittämiseen ja sitä, mikä edistää ja haittaa heidän siirtymistä perinteisestä transaktionaalisesta kilpailukulttuurista kohti kumppanuutta. Tutkimus yhdistää julkisten ja yksityisten organisaatioiden välistä kumppanuutta käsittelevää kirjallisuutta teollisen markkinoinnin ja ostamisen tutkimukseen sekä erityisesti vuorovaikutusnäkökulmaa, koska kumppanuus ymmäretään työssä sosiaalisena ja vuorovaikutteisena prosessina, joka kehittyy hankintaprosessissa. Työ hyödyntää myös triadias näkökulmaa kolmen toimijan välisen kumppanuuden dynamikkojen tutkimiseksi.

Tutkimuksessa toteutettiin laadullinen kahden tapauksen tapaustutkimus, jossa kumppanuuuden kehittämistä analysoitiin standardoidussa ruokatuotehankinnassa ja kotihoidon palveluhankinnassa. Työn aineisto on kerätty haastatteluiden kautta, ja sitä on tuettu kirjallisten dokumenttien ja julkisen hankinnan seminaareiden kautta kerätyn tiedon kautta.

Tutkimuksessa esitetään, että julkisten ja yksityisten organisaatioiden väliset kumppanuus-suhteiden kehittäminen keskitetystä hankintaprosessissa on jatkuva ja dynaaminen prosessi, johon kolme toimijaa osallistuvat aktiivisesti käynnistämällä, luomalla tai tukemalla prosessia. Työssä tunnistetaan myös, että yhteistyöllinen vuorovaikutus edistää kumppanuutta lisäämällä tiedon vaihdotta ja tukemalla toimijoiden siirtymistä perinteisestä transaktionaalisesta hankinta-logiikasta kohti kumppanuutta. Hankintatyypillisyys ja laajempi verkosto, johon suhde on kytketty, vaikuttavat siihen, kuinka toimijat osallistuvat kumppanuuden kehittämiseen ja kuinka luotettavuus siinä syntyy. Tutkimus havainnollistaa myös kumppanuuden kehittämisen dynamikkaa triadissa suhteessa. Yhden toimijan tai kahden toimijan välisten ongelmien huomattavat synnyttävät ja voimistavan ongelmien kehittymistä kaikkien kolmen toimijan välillä ja toisinpäin; yhden toimijan tai kahden toimijan välinen kumppanuus vahvistaa kumppanuutta triadissa.

Tutkimus tarjoaa yritysjohdolle tietoa siitä, kuinka kumppanuutta voi vahvistaa keskitetystä julkisessa hankinnassa ja siitä, kuinka tunnistaa prosessiin vaikuttavia dynamiikkoja.

Asiasanat: julkisen ja yksityisen organisation välinen kumppanuusuhde, keskitetty julkinen hankintakontekstti, triadi näkökulma, yhteistyösuhdeen dynamikka, yhteistyösuhdeen kehittäminen
Acknowledgements

I have written these acknowledgements in my mind many times. This has tended to happen in those moments when I have been struggling with my thesis the most. Fortunately, I have been surrounded by wonderful people who have encouraged me to proceed and finalize this book. Although there are not enough words to express how thankful I am to those people, I will now try to do so.

First and foremost, I wish to express my gratitude to my amazing supervisors, Professor Jari Salo and Professor Pauliina Ulkuniemi. Specifically, I want to thank Jari for giving me the opportunity to reach for a PhD and providing me with untiring encouragement and advice, whenever I needed them. I think you have an amazing capability to make things sound much easier and doable. And Pauliina, I am grateful for your persistent encouragement, too. I think your kind and instructive words and feedback on my work have truly improved my thesis and have more than anything else made me a more self-assured researcher. I have always felt that you are interested in helping me, whether it is about commenting on my work, finding data for my thesis, or otherwise assisting me to grow as an academic.

I am grateful to the members of my follow-up group, D.Sc. Sailing Saraniemi, D.Sc. Saara Pekkarinen and D.Sc. Jaakko Sinisalo, for their insightful feedback on and recommendations for my work, and their support during this process. I also want to thank the pre-examiners of my thesis, Professor Sharon Purchaser and Assistant Professor Anne-Maria Holma, for taking the time and providing me with the valuable comments that assisted me in finalizing this book.

I am thankful to Oulu Business School and the Department of Marketing, Management and International Business, and my colleagues there for providing a friendly and stimulating research environment and a community in which to work. I have been lucky to work with extremely intelligent, friendly and fun people. Specifically, I want to thank D.Sc. Jan Hermes, M.Sc. Vuokko Linatti, M.Sc. Hannu Torvinen, M.Sc. Hanna Okkonen, and M.Sc. Timo Pohjosenperä. It is fun to come to work because of you, especially on those days when I have slept merely a few hours during the night. Our discussions during lunches and coffee breaks have been extremely delightful and something that I always look forward to. I also want to thank my former colleagues, D.Sc. Elina Pernu, D.Sc. Teia Palo, D.Sc. Minna Törmälä, and D.Sc. Kerttu Kettunen, who took me under their wings and gave me valuable advice at the beginning of my thesis process. I am thankful to you as well as D.Sc. Irene Lehto, and M.Sc. Johanna Still for our discussions on research and
everything but research that have made my thesis process more enjoyable and exciting. I think Oulu Business School is not the same without you and I miss you!

I have had the opportunity to work on the interesting and stimulating projects BRIIF (Public Procurement Bridging International Forerunners) and NEWPACK (Development of new Competitive and Sustainable Bio-Based Plastics), and I would like to thank the people and organizations involved in them. A special thank you goes to the responsible leader of BRIIF, Professor Tuija Mainela, who heartily welcomed me into her project when I was struggling with my thesis the most.

I want to thank the Finnish Cultural Foundation, the Tauno Tönning Research Foundation, the Marcus Wallenberg Foundation, the University of Oulu Graduate School, and the KAUTE Foundation for their financial support for my research.

I think my family is close and they have always provided me their untiring encouragement, support, and love. Äiti ja isä, mitkään sanat eivät riitä kertomaan sitä, kuinka paljon arvostan teidän tukea tässä projektiissa, mutta myös elämässä yleensä. Tiedän, että voin luottaa teidän apuun kummallisissakin tilanteissa, joten kiitos siitä. A special thank you goes to my best friend, my big sister Sanna, whom I can rely on no matter what happens and with whom I share everything. You have been there when I have been struggling and stressing with article reviews, my thesis manuscript, and other work- and not so much work-related things. Similarly, you are the first person I talk to whenever I succeed in something. So thank you, being your sister is just amazing.

Last, but by no means least, I want to thank my husband, Pekka, and my son, Veikka, without whom I would not be where I am today. Pekka, I am extremely grateful to you for just being there, time-to-time listening to me, encouraging me and putting up with me when I stress the most. I especially thank you for having faith in me and not asking me how my thesis was getting on, thus letting me relax and get on with things and think about stuff other than research. Veikka, thank you for keeping me so busy over the last two years so that I have not been able to think about this day too much and how nerve-racking it will be for me. I hope you both know how much I love you!

Oulu, November 17th, 2018

Outi Keränen
### Abbreviations

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<th>Definition</th>
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<tbody>
<tr>
<td>e.g.</td>
<td>exempli gratia</td>
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<tr>
<td>GDP</td>
<td>gross domestic product</td>
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<tr>
<td>IMP</td>
<td>Industrial Marketing and Purchasing</td>
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<tr>
<td>INA</td>
<td>interaction and network approach</td>
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<tr>
<td>NPM</td>
<td>New Public Management</td>
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<tr>
<td>OBB</td>
<td>organizational buying behavior</td>
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<tr>
<td>PPP</td>
<td>public-private partnership</td>
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<tr>
<td>RFQ</td>
<td>request for quotation</td>
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<td>TCE</td>
<td>Transaction Cost Economics</td>
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1 Introduction

1.1 Background to PPPs

Public procurement refers to acquisitions made by public organizations (Weiss, 1993), in which public authorities undertake public services and attend to the public interest (Erridge & Greer, 2002). Public procurement is thus regulated by both international and national laws and other principles (Kuusniemi-Laine & Takala, 2007, 23). The legal environment of public procurement makes public purchasing formal (e.g., Purchase, Goh, & Dooley, 2009; Wang & Bunn, 2004; Erridge & Greer, 2002) and ambiguous (e.g., Rainey & Bozeman, 2000). Specifically, the regulations make public procurement different from private purchasing, in which actors have more freedom in their purchasing activities (Wang & Bunn, 2004).

In the last 40 years, public procurement has undergone fundamental changes. In its history, public administration has witnessed the emergence of New Public Management (NPM) ideology, which dominated the traditional public procurement reform agenda by setting normative guidelines for renewing and improving public administration and management (e.g., Hood, 1995, 1991). Emerging demographic changes, tightening budgets and new technologies have since challenged public actors to find more effective ways to deliver public services (e.g., Guzmán & Sierra, 2012; Rees & Gardner, 2003). This has reformed the role of public authorities from being service providers to service organizers. That is, outsourcing public services has engendered a procurement environment in which public services are organized and delivered in relationship with private market actors (e.g., Osborne, 2010). In its present form, it is argued that public procurement relies on different types and context-dependent relationships and partnership thinking (e.g., Smyth & Edkins, 2007; Bovaird, 2006; Smith & Wohlstetter, 2006), and the understanding of public procurement and government policy implementation emerges from understanding these partnerships and their development.

The changes in the procurement environment have led to the development of innovative purchasing methodologies (e.g., Lawther & Martin, 2005; Panayiotou, Gayialis, & Tatsiopoulos, 2004). The European Commission (2004) has addressed the importance of partnering in public procurement in the Green Paper on public-private partnerships and Community law on public contracts and concessions. In the research on public procurement, different collaborative public-private efforts are referred to as public-private partnerships (PPPs) (Jamali, 2004; Schaeffer &
Loveridge, 2002). Loosely defined, PPPs are institutional arrangements between public and private actors (Hodge & Greve, 2007) to collaborate in delivering public services (Broadbent & Laughlin, 2003). PPPs include jointly determined goals and explicitly assigned roles and responsibilities to reach them (Jamali, 2004). In the European Union (EU), PPPs are specified to finance, build, renovate, manage, and maintain infrastructure or the delivery of public services (European Commission, 2004). It is argued that if properly managed, partnering between public and private actors increases the quality and reliability of public services (Kwak, Chih, & Ibbs, 2009) by expanding and reinforcing actors’ collaboration and resource exchange, reducing transaction costs, increasing risk sharing, and clarifying contract terms (Erridge & Greer, 2002).

PPPs depart from the more traditional form of relationships between public and private actors, in which intersectoral exchange is characterized by transactional and short-term agreements and arm’s length relationships (e.g., Lawther & Martin, 2005; Erridge & McIlroy, 2002). Therefore, PPPs and applying more collaborative procurement procedures within the regulatory framework of public procurement is challenging (e.g., Smyth & Edkins, 2007; Erridge & McIlroy, 2002) and different from private markets (Bovaird, 2006). Specifically, the legal framework and the organizational culture of public actors tend to engender institutional and strategic barriers, which risk breaking down relationships between public and private actors prematurely (Klijn & Teisman, 2003; Erridge & Greer, 2002). The obligation of public actors to invite private organizations regularly to tender, for example, create challenges for developing long-term supply relationships. It is further suggested that public authorities lack the skills to proactively build partnerships that rely on collaboration and trust (Smyth & Edkins, 2007).

Karjalainen (2011) finds that public procurement is increasingly centralized to save time and money and to attain lower unit costs from assembled purchases. In centralized procurements, professional public purchasers perform contracting to determine whether something is suitable for contracting, determine whether there are suitable private supplier organizations from which to purchase, and implement the bidding process (Brown & Potoski, 2003). Thereafter, tasks after contracting; that is, procurement implementation, is decentralized to individual public units that make orders and thus monitor and determine whether the private organization has fulfilled its responsibilities (Karjalainen, 2011). This type of centralization, which is stimulated by central procurement agencies (Directive 2014/18/EC) for public administration, is widely used in Europe, the US, South America, and Asia (Dimitri, Dini, & Piga, 2006, 49). Regardless of the attractiveness of centralization, it makes
relationships between the professional public purchaser, the public unit managing procurement implementation, and the private supplier organization multifaceted and challenging (Holma, Björk, & Virtanen, 2009). Specifically, the collaboration between the three actors increases the dynamics and interdependencies between them (Gutek, Groth, & Cherry, 2002). That is, the triad is the smallest form of net, which permits investigating the network dynamics (Vedel, Holma, & Havila, 2016). Therefore, to understand the challenges and dynamics in the PPP development, this thesis examines the development of PPPs in the centralized public procurement context.

1.2 Justifications for the research

PPP research is largely fragmented and it is reflected by different disciplines, for example, public administration and management, entrepreneurship, financing, and project management (Roehrich, Lewis, & George, 2014; Kivleniece & Quelin, 2012). Nevertheless, although PPPs raise problems that have sociological, political, and economic implications, neither organizational and strategic management nor marketing research has shown sufficient interest towards them (Roehrich et al., 2014). Bovaird (2006) suggests that PPPs are socially constructed in the public procurement process; therefore, they do not just stem from a specific market setting. This view highlights the proactive role of public and private actors in developing mutually rewarding and trustworthy partnerships (Smyth & Edkins, 2007; Erridge & Greer, 2002). In industrial marketing literature, it is argued that interaction forms the basis for relationships and their development (e.g., Håkansson & Snehota, 1995). In PPP research, scholars (e.g., Zheng, Roehrich, & Lewis, 2008; Koppenjan, 2005; Lawther & Martin, 2005) emphasize the urge for non-competitive forms of interaction in public procurement partnerships at the beginning of procurement process, but their insights after this early interaction are rather rare. That is, the interest in interaction processes and how interaction contributes to PPPs and related procurement arrangements has remained limited (Erridge & Greer, 2002). Thus, PPP research requires integration into the marketing discipline and specifically Industrial Marketing and Purchasing (IMP) research and the interaction approach to thoroughly understand partnering in public procurement. This is the first research gap of this thesis.

The centralization of public procurement (Karjalainen, 2011) has given rise to purchasing settings in which professional public purchasers, public units managing procurement implementation, and private organizations form triadic relationships
to deliver public services. Industrial marketing scholars argue that the development of triads is interdependent and dynamic (Gutek et al., 2002). In triadic relationships, the interaction between two actors is influenced, mediated, and facilitated by their respective interactions with the third actor and the roles they perform during the procurement process (Holma et al., 2009; Li & Choi, 2009; Havila, Johanson, & Thilenius, 2004). Regardless of the dynamic nature of PPPs (Smith & Wohlstetter, 2006), particularly in centralized public procurement, PPP research has tended to examine rather stagnant factors either inhibiting (e.g., Zhang, 2005; Jamali, 2004) or reinforcing PPPs (e.g., Zou, Kumaraswamy, Chung, & Wong, 2014; Li, Akintoye, Edwards, & Hardcastle, 2005; Jamali, 2004) in diverse PPP settings that range from different industries, management models, and stages in the PPP arrangement (Osei-Kyei & Chan, 2015). This research stream admittedly has its merits, but it seems to take an overly simplified and static view of PPPs and it has thus failed to address the influence of relationship dynamics on the development process of PPPs. Thus, the relationship dynamics involved in the PPP development require scholarly attention. This forms the second research gap within PPP research. Furthermore, there are a few good attempts in the industrial marketing literature to understand relationship dynamics, such as in service relationships (e.g., Nätti, Pekkarinen, Hartikka, & Holappa, 2014) and both maintenance (e.g., Holma et al., 2009) and recovery processes (e.g., Salo, Tähtinen, & Ulkiuniemi, 2010). Regardless of this, relationship dynamics in triads remain under-researched. This is the third research gap of this thesis.

Scholars state that public procurement is ambiguous (Rainey & Bozeman, 2000) and that PPPs are different from private market relationships (e.g., Purchase et al., 2009; Bovaird, 2006) and challenging to manage by public and private actors (e.g., Klijn & Teisman, 2003). Nevertheless, the importance of private firms initiating, developing, and maintaining relationships with public authorities has increased. That is, public organizations spend approximately 10 to 15% of GDP on purchasing public services and they are inclined to provide rather large and stable exchange rates for private actors (Purchase et al., 2009). The EU has further estimated that the public purchase of goods and services is worth of 16% of GDP (European Commission, 2018). The public procurement research includes research on innovative practices in public procurement partnerships (e.g., Lawther & Martin, 2005), relational governance, contracting, and management in long-term PPPs (e.g., Zheng et al., 2008; Smyth & Edkins, 2007; Lian & Laing, 2004; Parker & Hartley, 2003) and different partnership forms, types, and strategies in procurements (e.g., Smith & Wohlstetter, 2007; Erridge & McIlroy, 2002). In IMP research, although
it is argued that firms should attempt to initiate relationships with different types of actors from different types of contexts, scholars have nevertheless shown more interest in relationships with private firms (e.g., Torvatn & de Boer, 2017; Dwyer, Schurr, & Oh, 1987; Ford, 1980) than partnering between public and private actors. This reflects the shortcoming in the IMP research stream, which this thesis attempts to address.

1.3 Research problem

Drawing on the designated research gaps in the PPP and the IMP research streams, this thesis attempts to increase understanding of PPP development in the context of centralized public procurement. Specifically, by examining the interaction of actors and groups of actors within public and private organizations, the thesis aims to understand the transition from the traditional form of transactional relationships toward partnerships in public procurement and how these partnerships are initiated, developed, and maintained. The thesis regards PPPs as dynamic entities, embedded in their contexts. This implies that although PPP development is understood to rely on the intentional demeanor of relationship partners, the development happens in the context of networks, which influences the relationship directly and indirectly (e.g., Anderson, Håkansson, & Johanson, 1994). Furthermore, centralized public procurement includes three independent actors—the professional public purchaser, responsible for contracting, the public unit managing procurement implementation, and the private supplier organization that delivers the public services. Therefore, a triadic approach is applied to investigate PPP development and its dynamics in the context of centralized public procurement.

The research phenomenon of interest is the development of PPPs and thus the theoretical purpose of this thesis is to develop PPP research by integrating it into the tradition of the IMP research stream and the interaction approach. The thesis attempts to give managerial insights into the proactive development of PPPs and the influence of relationship dynamics on the process. To address this purpose, the main research question of this thesis is:

How are PPPs developed in a centralized public procurement context?

This research question is answered through the following three sub-questions:

1. What are the drivers and challenges that influence the development of PPPs?
2. How do the actors of centralized public procurement participate in the development of PPPs?

3. How does the transition process of public and private actors toward partnership thinking influence the development of PPPs in centralized public procurement?

This thesis includes three individual, but strongly interrelated research papers that further the understanding of PPP development from different theoretical and empirical perspectives. Furthermore, the findings of these research papers enable us to answer the research questions of this thesis. Table 1 reviews the three research papers and their bibliographic information, research questions, the contribution of the author, and how they answer the sub-questions of this thesis.

Table 1. The research papers of the thesis.

<table>
<thead>
<tr>
<th>Number</th>
<th>Bibliographical information</th>
<th>Paper-specific RQs</th>
<th>Author’s contribution</th>
<th>Answers</th>
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<tr>
<td>I</td>
<td>Keränen, O., &amp; Salo, J. (2018). Cooperative interaction in public-private partnerships. Manuscript.</td>
<td>How is cooperative interaction created during the public procurement process and what are its opportunities and barriers?</td>
<td>The author had the main responsibility for planning and writing the paper and gathering and analyzing the empirical data</td>
<td>RQ1 Partly RQ2</td>
</tr>
<tr>
<td>II</td>
<td>Keränen, O. (2017a). Roles for developing public–private partnerships in centralized public procurement. <em>Industrial Marketing Management</em>, 62, 199–210.</td>
<td>What types of roles do actors play to develop PPPs in centralized public procurement and how do these roles change during a centralized public procurement process?</td>
<td>The author had the sole responsibility for planning and writing the paper and gathering and analyzing the data</td>
<td>RQ2</td>
</tr>
<tr>
<td>III</td>
<td>Keränen, O. (2017b). Dynamics of the transition process towards partnership thinking in centralized public procurement. <em>Industrial Marketing Management</em>, 65, 86–99.</td>
<td>How is the transition process of public and private actors towards partnership thinking influenced by the relationship dynamics in the triadic setting?</td>
<td>The author had the sole responsibility for planning and writing the paper and gathering and analyzing the data</td>
<td>RQ3 Partly RQ1</td>
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The first sub-question of this thesis attempts to establish a basis for understanding PPPs by investigating why public and private actors feel the need to develop stronger partnerships and why their development is challenging. This question is addressed in research paper I examining how cooperative interaction is created
between public and private actors during the public procurement process and what its opportunities and barriers are, which either reinforce or hinder the development of PPPs. This is supplemented by the findings of research paper III.

The second sub-question relates to understanding how and when the actors in centralized public procurement engage in the development of PPPs. Research paper II investigates the roles actors play to develop PPPs in the context of centralized public procurement and how these roles change during the procurement process answer this question. This is supplemented by the findings of research paper I.

The third sub-question emphasizes the transition process of public and private actors from transactional arm’s length tendering toward partnership thinking in centralized public procurement. Research paper III responds to this question by examining the relationship dynamics of the transition process to partnering and how these dynamics influence the relationship development.

The main research question addresses the development of PPPs in a centralized public procurement context and it is answered by examining the drivers motivating and the challenges inhibiting PPP development, the way actors participate in the development process, and the dynamic paradigm shift of public and private actors from traditional transactional arm’s length tendering toward partnership thinking.

### 1.4 Theoretical positioning

This thesis integrates two different research streams to understand the research phenomenon of interest—the development of PPPs, which is investigated in the context of centralized public procurement. Thus, drawing on the research problem, the thesis integrates the PPP research into the IMP research stream, especially the interaction approach, emerging from the industrial marketing field, in order to understand interorganizational relationships between public and private actors in the specific context of centralized public procurement. In this thesis, markets are regarded as arenas for actors and groups of actors to interact for the purpose of exchange. This means that relationships between public and private actors do not exist without interaction, through which actors perform their activities and exchange important resources.

The term ‘PPP’ is multidisciplinary and its theoretical roots rely on divergent theories, from which Transaction Cost Economics (TCE) and theories of contract and organization are the most influential (Essig & Batran, 2005). These theories suggest extensive contracts to increase understanding from public procurement and its governance (e.g., Lui & Ngo, 2004; Lyons & Mehta, 1997). In this thesis, the
PPP research drawing on TCE and ‘classical’ contract theories are generally applied to understand the characteristics of PPPs and public procurement. These theories are nevertheless argued to provide a partial understanding of partnerships in public procurement, owing to their emphasis on discrete, short-term transactions (Zheng et al., 2008; Goldberg, 1976). Thus, to ruminate on PPPs as socially constructed during the public procurement process, the thesis relies on the PPP research, which is influenced by relational contract and organization theories. Specifically, insights from the research emphasizing relational contracting, governing and management mechanisms in PPPs (e.g., Zheng et al., 2008; Smyth & Edkins, 2007; Parker & Hartley, 2003) and more informal collaboration between public and private actors (e.g., Smyth & Edkins, 2007; Erridge & Greer, 2002) are utilized. To further the understanding of PPP development and extend the theoretical discussion on PPPs, the PPP research is integrated into the IMP research stream and the interaction approach. In the IMP research, actors’ interaction in the market is a central element in developing interorganizational relationships (Möller & Wilson, 1995, 23). Thus, it is argued that the IMP research provides important insights into the interaction between public and private actors and how it influences PPP development.

In a centralized public procurement context, the professional public purchaser, the public unit that manages procurement implementation, and the private supplier organization form a triadic relationship. In this thesis, the literature on triads (e.g., Caplow, 1956) and triadic business relationships (e.g., Vedel et al., 2016; Havila et al., 2004) is reviewed to examine the relationships of three actors and the activities they perform in developing PPPs. In the theoretical discussion on triads, the triad is understood as the smallest form of network, which enables us to investigate the question of how the relationships of its actors influence and are influenced by each other, and the way they relate to the surrounding context (Vedel et al., 2016). Thus, to understand more thoroughly the relationship dynamics in developing PPPs and their influence on the development process, the thesis merges the PPP research into the triadic approach. Furthermore, role theory (e.g., Biddle, 2013, 1986; Ashforth, 2000) that emerges from sociology is applied to examine the roles actors play to reinforce the PPP development in research paper II, but it is not part of the main theoretical discussions used to establish the theoretical framework of this thesis. That is, role theory is not found to assist in addressing the purpose of the thesis and answering the research questions.

The theoretical positioning of this thesis is illustrated in Figure 1. The main theoretical discussions applied are the PPP research, relying primarily on relational contracting and the theory of organization, and the IMP research stream. From the
IMP research, the interaction and triadic approaches are utilized. The thesis pursues to contribute primarily to the PPP research and subsidiary to the research on triads and the interaction approach within the IMP research stream. Theory is developed with regard to PPPs by integrating the PPP research thoroughly with the of IMP research tradition.

Fig. 1. Theoretical positioning of the research.

1.5 Key concepts of the research

In this thesis, public procurement refers to acquisitions of public organizations for public consumption (Weiss, 1993). Public procurement is a standard governmental function (Brown & Potoski, 2003), through which public organizations undertake public services and attend to the public interest (Erridge & Greer, 2002). The procurement process of public authorities is strictly governed by international and national laws and principles (Kuusniemi-Laine & Takala, 2007, 23).

Procurement centralization is defined as the centralization of activities up to and including the formation of the (framework) agreement for individual public units and the management of that agreement (Karjalainen, 2011). The centralized public procurement process includes two, partly intertwined, procurement stages, from which the professional public purchaser performs contracting to determine whether something is suitable for contracting, determine whether there are suitable
private supplier organizations from which to purchase and then execute the bidding process (Brown & Potoski, 2003). Thereafter, *procurement implementation* is decentralized to individual public units, for example schools and hospitals, and it includes the tasks of ordering, monitoring, and determining whether the private partner has fulfilled its responsibilities (Karjalainen, 2011; Brown & Potoski, 2003).

A *public-private partnership* (PPP) is defined as an institutional arrangement between public and private actors (Hodge & Greve, 2007) that is established to collaborate to reach shared goals and deliver public services effectively (Jamali, 2004; Broadbent & Laughlin, 2003). In the EU, PPPs are targeted to finance, build, renovate, manage, and maintain infrastructure or the delivery of public services (European Commission, 2004). In this thesis, aligned with the scholars of IMP, it is suggested that PPPs rest on ongoing, mutual interaction and interorganizational exchange (Holmlund & Törnroos, 1997) between reciprocally committed actors (Håkansson & Snehota, 1995, 25). *PPP development* thus refers to developing public-private relationships and it is a process of initiating, developing, maintaining, and, if required, terminating these partnerships during the procurement process (e.g., Dwyer et al., 1987; Ford, 1980). PPPs are further suggested develop through ongoing interaction between public and private actors, in which multiple activity links, resource ties, and actor bonds emerge and dissolve (e.g., Halinen & Tähtinen, 2002; Håkansson & Snehota, 1995; Möller & Wilson, 1995). In the public setting, this type of development tends to require the transitioning from traditional transactional arm’s length relationships toward partnership thinking.

The centralization of public procurement gives rise to PPPs, in which three actors collaborate under a procurement contract to deliver public services (Kwak et al., 2009). In this thesis, a triadic approach is applied to examine this setting; thus, a *triad* refers to a relationship in which three independent actors are directly linked to each other by exchange relationships for the purpose of trading goods and services (Tähtinen & Halinen-Kaila, 1997). In triadic relationships, three actors interact frequently to form a group that aims to reach shared goals (Madhavan, Gnyawali, & He, 2004; Thibaut & Kelley, 1959; Simmel, 1950). This type of tripartite interaction is dynamic (Gutek et al., 2002). *Relationship dynamics* thus refer to the dynamics emerging from the intrinsic nature of PPP development between the three actors and the dynamics that result in the network dynamics surrounding the triad.
1.6 Structure of the thesis

This thesis includes two parts: the introduction part presenting and summarizing the purpose of this research, for which the three original research papers seek to answer, and the part exhibiting these papers. The former part includes the first six chapters. The thesis begins with an introduction to the background of PPPs to understand the importance of exploring their development in centralized public procurement. Thereafter, the research purpose and the questions are presented, and the thesis is theoretically positioned. Furthermore, this first chapter determines the key concepts of this thesis.

In the chapter following the introduction, the nature of public procurement and the motivation to centralization are discussed. Furthermore, insights into the research on triads is presented, which allows for the characteristics of triads to be related to the context of centralized public procurement and other way around.

In the third chapter, the theoretical premises of this thesis are presented by introducing the theoretical roots for developing interorganizational relationships, particularly from IMP and the interaction perspectives, which in this thesis are the starting points for understanding PPP development. This chapter further presents the principle theoretical influences on PPPs and discusses the paradigm shift among public and private actors toward partnership thinking. In this chapter, the drivers and challenges of PPPs are introduced. The chapter concludes with an illustration of the theoretical framework of this thesis.

The fourth chapter starts by explaining the philosophical underpinnings of the methodological decisions, which is followed by the presentation of research design. Thereafter, the empirical data and contexts are introduced and the ways through which this data was analyzed are presented.

The fifth chapter recaps the three original research papers by presenting their theoretical and empirical premises and reviewing their findings and implications for both theory and practice.

The last chapter addresses the research questions. Thereafter, the theoretical and managerial contributions of this thesis are discussed, and the trustworthiness of the research assessed. Finally, the limitations are identified and future research suggestions are provided.
2 Centralization of public procurement

This chapter reviews the literature on centralized public procurement, which is the context of this thesis. Thus, to understand the centralization of public procurement, the characteristics of public procurement are presented first. Then, the motives and challenges of centralized public purchasing are presented and the characteristics of centralization and their implications to the development of PPPs discussed.

2.1 Public procurement

In prior literature, public procurement refers to a standard governmental function (Brown & Potoski, 2003), in which public organizations undertake to purchase public services (Erridge & McIlroy, 2002) for public consumption (Weiss, 1993). Private firms tend to aim for increasing revenues or decreasing expenses through their purchasing activities, but public authorities acquire to support their statutory duty of serving the public (Wang & Bunn, 2004). To pledge the probity of their procurement practices (Murray, 2007), public organizations must thus adhere to specific procurement laws and principles, imposed by both national governments and multinational legislative authorities (Kuusniemi-Laine & Takala, 2007, 23). The members of the EU, for example, must adhere to the EU directives on public procurement (Lindskog, Brege, & Brehmer, 2010) that aim for effective and fair trading (Lian & Laing, 2004; Wang & Bunn, 2004). The legal framework surrounding public procurement makes public purchasing formal (Purchase et al., 2009; Wang & Bunn, 2004; Erridge & Greer, 2002) and ambiguous (Rainey & Bozeman, 2000). Public contracting is governed by strict procurement regulations, guidelines, and procedures that are intended to guarantee the transparency of procurement activities (Wang & Bunn, 2004; Erridge & Greer, 2002; Rainey, Backoff, & Levine, 1976), and to prevent corruption (Lindskog et al., 2010; Murray, 2007). Therefore, whereas private organizations tend to utilize the methods that best match the firm’s needs and support their goal to develop long-term, trustful relationships with other organizations (Wang & Bunn, 2004), public procurement procedures are authoritatively stated processes (Rainey et al., 1976) that are set to promote the integrity and fairness of public authority decision-making (Lindskog et al., 2010). In the EU, although the freedom to use different procedures has increased (Torvatn & de Boer, 2017), there are stated procedures to be applied: open, restricted, and negotiated procedures (Heijboer & Telgen, 2002), and competitive dialog and innovation partnerships (Torvatn & de Boer, 2017). The
traditional EU procedures tend to favor competitive approaches with transactional, arm’s length interaction between public and private actors (Erridge & McIlroy, 2002). Nevertheless, bearing in mind the emergence of competitive dialog and innovation partnerships, interactivity in public procurement has increased and thus public actors are creating new arenas for dialog and interaction prior to the commencement of bidding (Torvatn & de Boer, 2017). Table 2 characterizes the EU procedures and the interaction between public and private actors in them.
<table>
<thead>
<tr>
<th>Procurement procedure</th>
<th>Characteristics of procedure</th>
<th>Influences on interaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open procedure</td>
<td>Single stage bidding process (Torvatn &amp; de Boer, 2017), in which any interested party is invited to submit a tender (Erridge &amp; McIlroy, 2002).</td>
<td>Purely competitive approach with arm’s length interaction and the purchaser dictating requirements without the flow of information downstream (Erridge &amp; McIlroy, 2002).</td>
</tr>
<tr>
<td>Restricted procedure</td>
<td>Two-stage bidding process (Torvatn &amp; de Boer, 2017), in which suppliers must apply to be permitted to tender (Erridge &amp; McIlroy, 2002).</td>
<td>Slightly more sophisticated competitive approach in that the purchaser dictates the quality of suppliers who may tender and invites fewer tenders, but the flow of information is upstream (Erridge &amp; McIlroy, 2002).</td>
</tr>
<tr>
<td>Negotiated procedure</td>
<td>Direct purchasing applied merely in exceptional situations (Torvatn &amp; de Boer, 2017).</td>
<td>Direct interaction between supplier and purchaser and the two-way flow of information in the contracting stage (Erridge &amp; McIlroy, 2002).</td>
</tr>
<tr>
<td>Competitive dialog</td>
<td>Interested suppliers may express their interest to tender and at least three qualify for the next stage, which leads to each supplier suggesting a technical solution. From these solutions, the purchaser decides on the solution utilized as specification in the competitive bidding round, open to the qualified suppliers. (Torvatn &amp; de Boer, 2017.)</td>
<td>Direct interaction and two-way information sharing between the purchaser and the qualified suppliers to each supplier to suggest their technical solution (Torvatn &amp; de Boer, 2017).</td>
</tr>
<tr>
<td>Innovation partnership</td>
<td>Public purchasers select partners on a competitive basis and have them develop an innovative solution tailored to their requirements (Torvatn &amp; de Boer, 2017).</td>
<td>Strong and direct interaction and two-way flow of interaction included for the purchaser and supplier(s) to develop potential solutions together (Torvatn &amp; de Boer, 2017).</td>
</tr>
</tbody>
</table>

Public procurement aims to embrace fair and open competition among private firms as the best way to secure efficient and effective purchasing (HM Treasury, 1998). The procurement decisions rest on many conflicting strands of goals, which are rooted in legislation (Erridge & McIlroy, 2002). This is different in the private setting, in which contracts are negotiated privately face-to-face (Wang & Bunn,
Table 3 summarizes the characteristics of public procurement and compares them with private purchasing practices.

Table 3. Public procurement characteristics.

<table>
<thead>
<tr>
<th></th>
<th>Public procurement</th>
<th>Private purchasing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement purpose</td>
<td>Supports legislative tasks and serves public interest</td>
<td>Increase revenues or decrease costs</td>
</tr>
<tr>
<td>Procurement process</td>
<td>Authoritatively stated procedures to facilitate effective and fair selection of proposals</td>
<td>Adaptable</td>
</tr>
<tr>
<td>Procurement decision</td>
<td>Multiple, sometimes conflicting goals, rooted in the legislation</td>
<td>Private face-to-face negotiations</td>
</tr>
</tbody>
</table>

2.2 Motivation for procurement centralization

Public organizations’ strategic and purchasing goals are different from goals in private markets (Larson, 2009). It is argued that private firms aim to maximize profits, whereas public authorities are required to merge different types of priorities and goals into their procurement (Purchase et al., 2009; Kernaghan, 2003). That is, public purchasers are regularly struggling to deliver more for taxpayers for less cost, combined with the urge to emphasize transparency and the regulatory framework of public procurement and to attend to the public interest (Erridge & McIlroy, 2002).

With the aim of resolving these conflicting goals and given the significant resource volumes involved in public purchasing, many authorities are seeking to optimize their procurement processes to distribute more value to society (Dimitri et al., 2006, 47). This starts by determining how purchasing practices are organized and managed in the organization. It has been identified that organizations’ sourcing strategies differentiate between three main structures: centralized, decentralized and hybrid structures (e.g., Trautman, Turkulainen, Hartman, & Bals, 2009a), from which the attractiveness of centralization has increased and it has turned into a trend within public procurement in Europe, the US, South America and Asia, for example (Karjalainen, 2011; Dimitri et al., 2006, 49). After an initial skepticism (McCue & Pitzer, 2000), in which centralization was assumed to increase monopolization and decrease competition among private firms, the revised EU directive (2014/18/EC) recognizes the benefits of a central purchasing authority (Dimitri et al., 2006, 49). These authorities acquire items and services intended for contracting authorities, or award public contracts and define framework agreements for works, supplies, and
services, intended for contract (Directive 2014/18/EC). In EU, public authorities have thus created many central procurement agencies in the past years, for example, in the UK, France, Denmark, Italy, Austria, Finland, and Sweden (Karjalainen, 2011). Specifically, procurement contracts stipulated by the central procurement agencies on behalf of public administration are frequently used. These types of centralized contracts make items available in a given period and at a particular price. (e.g., Dimitri et al., 2006, 48; Directive 2014/18/EC.)

EU directives set strict and distinctive requirements on public procurement. The directives require tenders higher than specified thresholds to be advertised in the Official Journal of the European Union (Gelderman, Ghijsen, & Brugman, 2006), which makes them regulated. Departures from these regulated procedures increase the probability of suppliers to protest (Karjalainen, 2011). Karjalainen (2011) argues that the main driver for centralization is therefore to dodge the burdensome process with regard to time and money alongside volume discounts from pooled purchases. That is, it is argued that centralization brings synergy benefits by helping to attain lower unit costs, especially by increasing market power through volume bundling, streamlining the purchasing processes and practices, and sharing purchasing knowledge and other resources (Trautman, Bals, & Hartmann, 2009b). In the EU, centralization is similarly stated to assist in attaining economies of scale, including lower prices and transactions costs, and in improving and professionalizing public procurement management (Directive 2004/18/EC). That is, centralizing purchasing expertise is understood to increase efficiency and economy and ensure the integrity of the purchasing system (McCue & Pitzer, 2000).

Nevertheless, centralization brings challenges with it. For example, sourcing services and centralization have been found to diminish the buying organization’s control over the quality of services during service delivery (van Iwaarden & van der Valk, 2013). Centralization further increases purchasing quantities and thus governmental invitations for tender wherein merely a few private firms are capable of fulfilling the requirements (Caldwell et al., 2005). In addition, procurement centralization might create attitudinal problems, control issues, and difficulties in sharing knowledge, which slows down responses to the diversity of needs of public units, served by professional public purchasers (Cousins, Lamming, Lawson, & Squire, 2008; Erridge, 2007).
2.3 Characteristics of centralized public procurement

Parikh and Joshi (2005) have determined centralization by the degree of hierarchy of authority. In fully centralized purchasing structures, important purchasing decisions and the responsibility for preserving the integrity of the processes rest with a single unit or department (McCue & Pitzer, 2000). The reverse decision for centralization is decentralization, in which purchasing is delegated to individual units (Joyce, 2006). Nevertheless, at times, centralization implies to a centralized supplier and contract management. In reality, firms tend to combine centralized and decentralized purchasing strategies (Munson & Hu, 2010). In this type of hybrid model, the tasks between the head and subsidiaries are divided (Trautman et al., 2009b). In this thesis, public procurement centralization resembles the use of framework agreements, but it is defined generally as the centralization of activities up to and including the formation of any kind of agreement for individual public units and the management of that agreement. Tasks following contracting are thereafter decentralized to individual public units. (Karjalainen, 2011.)

The implementation of public procurement tends to require greater expertise on procurement regulations and thus there is a need for an intermediary or bridge (see Li & Choi, 2009) to make contracts for individual public units. There are many models representing the public procurement process; McKevitt and Davis (2013) span the process over three phases that include pre-tender, tender, and post-tender. In this thesis, to clarify the roles of different public actors throughout the centralized procurement process, it is separated into stages, from which the third actor—a professional public purchaser—performs contracting by determining whether something is suitable for contracting, examining whether there are private organizations from which to purchase, and executing the bidding (Brown & Potoski, 2003). The contracting stage thus unites the pre-tender and tender phases, which the public purchaser is primarily responsible for. In the implementation stage, which is similar to the post-tender phase (McKevitt & Davis, 2013), public units, such as schools, retirement homes, and hospitals, make orders and monitor the procurement implementation by estimating the performance of the private firm and whether it has fulfilled its responsibilities (Karjalainen, 2011; Brown & Potoski, 2003).

Centralization increases the importance of partnering between the three actors; in centralization, the three actors must interact frequently to collaborate and learn how to work together to deliver public services (Kwak et al., 2009; Madhavan et al., 2004; Thibaut & Kelley, 1959; Simmel, 1950). Therefore, it is suggested that
centralization creates triadic relationships between the three actors (see Madhavan et al., 2004; Thibaut & Kelley, 1959; Simmel, 1950). That is, the three actors form either an open triad, in which the three actors are indirectly linked to each other, for example, through an intermediating actor, or a closed triad, in which all actors are directly linked to each other (Vedel et al., 2016). In this thesis, a triad refers to the closed triad and is defined as the relationship of three independent actors that are directly linked to each other by exchange relationships for the purpose of trading goods and services (Tähtinen & Halinen-Kaila, 1997). Closed triads tend to include group-like characteristics if the three actors are involved in mutually coordinated activities, involving specific adapted and individualized processes in which each actor has its own specific role and activities to perform (Vedel et al., 2016).

The interaction in triads is highly interlinked (Caplow, 1956), and if A interacts with B, it tends to restrict the possibilities of A to interact at the same time with C (Havila et al., 2004). The interaction of two actors is further influenced, mediated, and facilitated by their respective interactions with the third actor and the roles they perform in the triad (Holma et al., 2009; Havila et al., 2004). The relationship structure of the three actors is neither stable, nor is the dependency of participants apparent (Holma, 2010; Gutek et al., 2002). This establishes ongoing change and instability for the relationship structures between three actors (Li & Choi, 2009; Gutek et al., 2002), thus making the triad ‘transitive’ (Madhavan et al., 2004) and dynamic (Havila et al., 2004; Caplow, 1956). The relationship development in triads is further influenced, directly or indirectly, by other organizations and their relations (Anderson et al., 1994). This indicates that it is impossible to examine the partnering between public and private actors in centralized public procurement without examining the dynamic ways in which actors and their relationships are linked to other actors and their relationships (see Holma et al., 2009).
3 Theoretical framework for developing PPPs in centralized public procurement

In this chapter, the theoretical framework for developing PPPs in the centralized public procurement context is presented. In the marketing literature, there are different ways to view market exchange as ongoing relationships. The chapter thus begins by reviewing the theoretical roots of interorganizational relationships, which are utilized to discuss and justify the underlying theoretical premises of this thesis. Thereafter, to understand the development of PPPs, a background to relationship development theories is given, research on partnering between public and private actors is discussed, and the challenges of PPP development are introduced. To summarize the chapter, the theoretical framework of this thesis that illustrates the development of PPPs in centralized public procurement is presented.

3.1 Theoretical roots on interorganizational relationships

In the marketing literature, scholarly interest in relationships has established multiple research traditions that are related to the term ‘relationship marketing’. The purpose of relationship marketing is to understand relationships, networks, and interaction between firms and their customers (Gummesson, 1996). Relationship marketing refers to the marketing activities that aim to initiate, develop, maintain (Morgan & Hunt, 1994), and terminate relational exchange (Eiriz & Wilson, 2006), and it stems from multiple intertwined root theories and research traditions. These research traditions include services research, buyer-supplier relationships in business marketing, marketing channel research, and database and direct marketing (e.g., Möller, 2013; Eiriz & Wilson, 2006).

The research streams stress organizations’ external relationships and thus contribute to the shift from viewing market exchange through single transactions to investigating it as ongoing relationships (Möller & Halinen, 2000), although they take different perspectives. Möller and Halinen (2000), for example, distinguish between market- and network-based relationship marketing theories, from which the former examines simple exchange relationships and presumes a market context, whereas the latter deals with complex relationships and assumes a network-like business environment (Möller, 2013). That is, services and database and direct marketing research stress customer relationships within B2C markets, whereas channel and business marketing research has increased the theoretical knowledge of the interorganizational relationships and networks in B2B markets. This thesis
seeks to understand the relationships between public and private actors and thus the latter two theoretical perspectives are discussed more thoroughly below.

Channel marketing research focuses on understanding how different channel structures develop and how they influence relationships between channel members. From a relational perspective, the purpose is to understand how the context influences channel relationships and to determine effective and efficient governance structures for these relations (Möller, 2013). Therefore, the research on marketing channels tends to center attention on more static structures instead of processes (Möller & Halinen, 2000). This thesis regards relationship dynamics as an inherent part of PPP development; thus, the channel marketing research stream is not considered suitable for the purpose of this thesis.

Supply chain and channel management and industrial purchasing research has further influenced the emergence of a research tradition in interactive buyer-seller relationships and related networks, which has been introduced by the IMP Group. The scholars of IMP view marketing as interorganizational interaction processes (Ritter & Gemünden, 2003) and they are interested in the nature and form of ongoing interaction and relationships in markets (Turnbull, Ford, & Cunningham, 1996). The important part of the IMP research stream is the interaction approach, in which researchers find markets as grounds for exchange, within which actors interact, and thus researchers wish to understand this interaction in the relationship development of different organizations (Möller, 1994, 359). In the IMP research, the relationship is the unit of analysis rather than the transaction (Håkansson, 1982). Therefore, the IMP scholars are driven to gain an in-depth understanding of the development of these long-term relationships and what influences their formation (Möller, 1994, 359). Although the IMP research has tended to stress the interaction between two actors, the industrial network approach (INA) has extended this research tradition to include networks of actors (Håkansson, 1982). From this perspective, the interaction between multiple firms and organizations is considered important in order to understand industrial markets (Håkansson, 1982). Thus, the IMP Group takes a more dynamic approach to examining interorganizational relationships by drawing attention to both the structures and processes of dyads, nets, and networks (Möller & Halinen, 2000). Therefore, as shown in Figure 1, the theoretical premises of the IMP research stream suits the purpose of this thesis.
3.1.1 IMP perspective on interorganizational relationships

In the IMP research, relationships refer to the interdependent processes of ongoing interaction and exchange between actors (Holmlund & Törnroos, 1997). That is, relationships are mutual interaction between reciprocally committed parties. They are the build-up of internal, technical, administrative, and other types of activities and technological, material, knowledge, and other intangible resources that link and tie actors together and form social bonds between them (Håkansson & Snehota, 1995, 26). Relationships involve actors performing activities and governing resources, resources giving actors their power and catalyzing activities, and activities that are utilized by actors to achieve their shared goals by transforming resources (Ritter & Gemünden, 2003). Interaction thus has its role in relationships; that is, interaction refers to processes through which the exchange of resources is implemented and organized. In the literature, interaction is presented to include three interlinked processes: exchange, including social and resource exchange, adaptation, and coordination. (Möller & Wilson, 1995, 26–35.)

Håkansson and Snehota (1995) characterize interorganizational relationships by their continuity. That is, relationships tend to include a long-term characteristic (Holmlund & Törnroos, 1997; Hallén & Sandström, 1988), reflecting the mutual desire of the parties to maintain their relationship (Wilson, 1995). Relationships often emerge from repeated, short-term interactions and the exchange of actors that contribute to the long-term relationship development (Håkansson, 1982). Thus, they are typically gradually built into far-reaching exchange relations that include mutuality, commitment, and interdependencies between the actors (Holmlund & Törnroos, 1997; Håkansson & Snehota, 1995, 25). In this type of relationship setting, the actors are recognized as taking the initiative and promoting changes rather equally, which reflect the symmetry of relationships (Håkansson & Snehota, 1995, 8). The actors do not control their partners, although their roles can differ and establish different power positions (Holmlund & Törnroos, 1997). This relative power refers to actors’ opportunities to influence their partners (Håkansson, 1982) and it tends to emerge from the degree the actor is dependent on the resources of its partner (Hallén, Johanson, & Seyed-Mohamed, 1991).

Business relationships exist between organizations, but they are implemented by multiple individuals (Håkansson, 1982) with different kinds of statuses, roles in the organization, and personal backgrounds (Håkansson & Snehota, 1995, 7). This tends to influence the structure and nature of the relationship by making it complex and informal (Håkansson & Snehota, 1995, 7). Thus, although formal contracts are
important, interorganizational relationships tend to rely on informal bonding that emerges from past experience and develops the trust (Håkansson & Snehota, 1995, 8). From the IMP perspective, relationships are thus built through social interaction; social exchange processes that engender interpersonal relationships between the individuals within the firms (Håkansson & Snehota, 1995, 10). This develops the trust that assists in solving problems and surpassing the barriers of communication (Metcalf, Frear, & Krishnan, 1992).

From a process perspective, relationships are characterized by change; that is, rather than being static, processes within the relationship and in the surrounding network establish change and dynamics (Ritter & Gemünden, 2003; Holmlund & Törnroos, 1997). Håkansson and Snehota (1995, 9) recognize adaptations, the coexistence of both cooperation and conflict, social interaction and routinization to illustrate the process nature of relationships. In the IMP research, adaptations are parties’ significant investments in the relationship (Metcalf et al., 1992) and they stem from the need to organize the activities of the individuals and firms engaged in the relationship (Håkansson & Snehota, 1995, 9). Adaptations are thus important in building long-term relationships (Hallén et al., 1991) as they bind actors together and reflect their commitment to the relationship (Håkansson & Snehota, 1995, 9).

The interaction in relationships results in and contributes to the atmosphere of the relationship (Håkansson, 1982), which reflects the interpretations of the actors with regard to their relationship (Hallén & Sandström, 1988). The atmosphere is influenced by the relationship between cooperation and conflict. That is, although conflicts are considered important for keeping the relationship healthy (Håkansson & Snehota, 1995, 9), the positive attitude toward collaboration and the potential benefits of relationships are central in directing the actors to find solutions to their problems (Holmlund & Törnroos, 1997; Håkansson & Snehota, 1995, 9; Hallén & Sandström, 1988). This is further supported by the process of routinization that tends to happen when the relationship develops (Håkansson & Snehota, 1995, 10).

To put together the characteristics of interorganizational relationships, they are typically built gradually through interaction processes, in which problems tend to emerge and require resolution. Furthermore, relationships exist in time and thus their past and the future matter. (Håkansson & Snehota, 1995, 10.)

3.1.2 Background to relationship development theories

This thesis aims to understand the development of PPPs, particularly in the context of centralized public procurement. The development process of interorganizational
relationships has attracted scholarly interest and thus multiple classifications and categorizations on how relationships develop over time have emerged. Relationship development theories are generally categorized into three different types of theories: stages theories, states theories, and joinings theories (Batonda & Perry, 2003).

In stages theories (e.g., Andersen & Kumar, 2006; Heide, 1994; Kanter, 1994; Dwyer et al., 1987; Ford, 1980), relationships are understood to develop and grow through incremental and irreversible stages (Batonda & Perry, 2003). In this view, the relationship development is considered to begin by searching and assessing for potential exchange partners (e.g., Wilson, 1995; Heide, 1994; Ford, 1980). In this stage, Kanter (1994) suggests that two firms become attracted to each other and find their resource fit. This stage is followed by one in which actors negotiate, test, and define their mutual goals (e.g., Dwyer et al., 1987; Ford, 1980) to form a shared understanding of their relationship agenda (Wilson, 1995). This encourages actors to start working together (Kanter, 1994) and increase their interdependence (Dwyer et al., 1987). Furthermore, to maintain their relationship, the actors are described as building mechanisms for resolving conflicts and disputes (Kanter, 1994). This increases the adaptations and commitment between the actors (Wilson, 1995; Heide, 1994; Ford, 1980). In the stages theories, the termination of the relationship, in which the costs of the relationship are perceived to outweigh its benefits, is also acknowledged (Dwyer et al., 1987). Table 4 presents the different types of stages models on interorganizational relationship development.

Table 4. Examples of relationship development models.

<table>
<thead>
<tr>
<th>Reference</th>
<th>Relationship development stages</th>
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</thead>
<tbody>
<tr>
<td>Doherty &amp; Alexander (2004)</td>
<td>Relationships develop through recognition, search, evaluation, and</td>
</tr>
<tr>
<td></td>
<td>partnerships stages</td>
</tr>
<tr>
<td>Wilson (1995)</td>
<td>Relationships develop by selecting partners, defining goals, setting</td>
</tr>
<tr>
<td></td>
<td>relationship boundaries, creating relationship value, and maintaining</td>
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<tr>
<td></td>
<td>the relationship</td>
</tr>
<tr>
<td>Ring &amp; Van de Ven (1992)</td>
<td>Relationships develop through negotiation, commitment, and execution</td>
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<td>stages</td>
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<td>Heide (1994)</td>
<td>Relationships develop through initiation, maintenance, and termination</td>
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<td>stages</td>
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<td></td>
<td>and ‘maturity’ stages</td>
</tr>
<tr>
<td>Dwyer et al. (1987)</td>
<td>Relationships develop through awareness, exploration, expansion,</td>
</tr>
<tr>
<td></td>
<td>commitment, and dissolution stages</td>
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<tr>
<td>Ford (1980)</td>
<td>Relationships develop through pre-relationship, early, development,</td>
</tr>
<tr>
<td></td>
<td>long-term, and the final stages</td>
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</tbody>
</table>
Criticism of the stages theories relates to their hypothesis that relationships develop through incremental and irreversible stages. It is argued that the theories ignore dynamics larger than dyads, regardless of the importance of networks within the literature on marketing and purchasing. That is, although the stages theories do give valuable insights into investigating how relationships tend to develop, relationships are often too complex and vague to be predicted and defined through a step-by-step development process. This makes the stages theories somewhat inadequate for describing how relationships truly develop. (Batonda & Perry, 2003.) Thus, states theories (e.g., Anderson et al., 1994; Ford & Rosson, 1982) interpret relationship development to include strategic activities that take place in an unstructured and unpredictable way and therefore the development process is neither inevitably orderly nor progressive (Ford & Rosson, 1982). The states theories rest on the statement that the phase in the development process is just one of several other options (Batonda & Perry, 2003) and that the relationship at a certain state may re-enter at the beginning or skip redundant phases. Similarly, joinings theories find the dynamics of business networks to be driven and influenced by the entry strategy of firm (Thorelli, 1986). This means that when actors enter into networks, they experience strategic challenges of positioning and the position they take determines their ability to take further actions in that network in terms of initiating new relationships or improving existing ones (Batonda & Perry, 2003). Therefore, the states and joinings theories both regard relationship development as an ongoing and dynamic process where the development between different phases is difficult to identify (Claycomb & Frankwick, 2010).

In IMP research, interorganizational relationships are suggested to develop dynamically in the interdependent processes of ongoing interaction and exchange between the actors (Holmlund & Törnroos, 1997). That is, relationships develop over time as a chain of interaction episodes—a sequence of acts and counteracts (Håkansson & Snehota, 1995, 25), through which different activity links, resource ties, and actor bonds emerge or dissolve between the actors (Halinen & Tähtinen, 2002). The interaction and the relationship development are further identified to originate from the three processes of exchange, cooperation, and adaptation (Möller & Wilson, 1995, 26–35). In the relationship development process, the interaction tends to increase the number of activities and resources that relate and tie actors together and create bonds between them, thus reinforcing their mutual orientation and commitment (Holmlund & Törnroos, 1997; Håkansson & Snehota, 1995, 26).

The relationship development process does not happen in isolation. Instead, it takes place within the context of the network, which both directly and indirectly
influences the relationship (e.g., Anderson et al., 1994). This reflects the view that relationships are intertwined in the wider network and the performance in the relationship is reliant on that network (Håkansson & Snehota, 1995, 18). Thus, relationships are complex and long-term, and their present form is the result of the interactions in the network. To understand how relationships develop, it is thus important to understand what has happened in that relationship in the past; what is happening presently in that relationship and in other relationships that the firms are engaged in, and what happens in the network of relationships in which they are not engaged in. (Håkansson & Ford, 2002.) That is, the relationship development takes place in time and it is influenced by the past, present and future expectations related to that relationship (Halinen, Medlin, & Törnroos, 2012; Medlin, 2004).

3.2 Development of PPPs

The purpose of this thesis relates to understanding the development of PPPs. Thus, partnering between public and private actors is discussed next by reviewing the theoretical premises influencing PPP research and what it takes from public and private actors to transition from a traditional transactional form of purchasing that relies on ‘arm’s length’ procurement logic to partnership thinking.

3.2.1 Theoretical influences on PPPs

The term ‘PPP’ refers to different types of collaborative efforts between public and private actors (Jamali, 2004). This has led to multiple definitions for PPPs and theoretical ambiguities (Roehrich et al., 2014; Jamali, 2004). In its narrowest form, PPPs are particular types of arrangements between public and private actors (e.g., Chou & Pramudawardhani, 2015; Li et al., 2005), which are intended to finance, build, renovate, manage, and maintain infrastructure and the delivery of public services (European Commission, 2004). In loosely defined terms, PPPs refer to institutional arrangements of public and private actors (Hodge & Greve, 2007) to collaborate in reaching jointly defined goals through explicitly assigned roles and responsibilities (Jamali, 2004) and thus delivering public services (Broadbent & Laughlin, 2003). This thesis follows the latter definition as different types of public arrangements, ranging from purely competitive tendering to more innovative public procurements (Gidman, Blore, Lorentzen, & Schuttenbelt, 1995), are suggested to have the potential to gain from partnering and its underlying mechanisms, such as shared goals, mutuality, and trust.
It is proposed that the interest scholars and practitioners show towards PPPs emerges from the paradigm shift within public administration to NPM (e.g., Hood, 1995, 1991). In its history, NPM has pursued to improve the performance of public organizations by applying new procurement procedures and management models, borrowed primarily from private markets (Essig & Batran, 2005), and by stressing reciprocally rewarding partnership relationships and collaboration with private actors (e.g., Bovaird, 2006; Erridge & Greer, 2002). The theoretical premises underlying NPM are interlinked with reforms stipulating public authorities to deliver public services effectively together with private organizations (e.g., Bovaird, 2006; Essig & Batran, 2005; Savas, 2000). NPM relates to the internal organization of public authorities, which has led to the implementation of revised governance structures and contracting mechanisms. These mechanisms rest on outsourcing and thus they require new forms of public-private collaboration. (Essig & Batran, 2005.)

The principle theoretical influences on PPPs are 1) TCE theory (e.g., Bajari & Tadelis, 2001; Rindfleisch & Heide, 1997; Williamson, 1981), 2) theory of contract (e.g., Townsend, 1979) and 3) theory of organization (e.g., Selznick, 1948). TCE draws attention to transaction costs by interpreting that the understanding of transaction cost economizing is important to organizations (Williamson, 1981). That is, in TCE, scholars are interested in assessing governance structures between firms and markets and the organization of internal transactions in terms of reducing transaction costs. In TCE, firms internalize tasks, in which difficulties in market exchanges would create harmful costs. These difficulties are driven by uncertainty, frequency of exchange, and asset specificity. (Zheng et al., 2008.) TCE research thus investigates the structures of enterprises, inquires which tasks the firm should do themselves, and determines the way of organizing different human assets (Williamson, 1981). From the TCE perspective, public governance should pursue effectiveness and doing things right within the public procurement system by centralizing procurements, sharing their statutory tasks with private firms, and determining the effective governance structure for this public-private collaboration (Essig & Batran, 2005). Therefore, formal contracts are important to most supply arrangements; they provide a legally bound, institutional framework, in which each party’s rights and responsibilities are clarified and goals and strategies underlying the relationship defined (Zheng et al., 2008). TCE scholars argue that parties must protect themselves against the hazard of opportunism by applying legal agreements, which clarify what is permitted within the relationship and what is not (Williamson, 1981).
Contract theory is interested in determining the institutions for governing transactions between organizations (Goldberg, 1976). Theoretically interrelated with the TCE, ‘classical’ contract theory presumes that drafting wide-ranging contracts is possible (Lyons & Mehta, 1997) and that these contracts safeguard firms against opportunism and transactional ambiguity (Lui & Ngo, 2004). From a contractual perspective, unambiguous contracts between public and private actors thus mitigate the uncertainty of the future and reduce transaction costs (Brown, Potoski, & Van Slyke, 2007; Erridge & Greer, 2002). Nevertheless, drafting and monitoring costs and asymmetric information makes contracts problematic and imperfect (Zheng et al., 2008). That is, although formal contracts tend to promote effective exchange (Zheng et al., 2008), they are inherently imperfect instruments for governing interorganizational exchange (Brown et al., 2007). Traditional contract theory has thus been complemented by relational contract theory, which highlights the importance of informal and unwritten agreements and working methods that influence how actors work with others in the relationship and avoid the difficulties of formal contracts (Baker, Gibbons, & Murphy, 2002). In relational contract theory, scholars examine informal mechanisms for relational governance that are utilized to safeguard against the hazards of interorganizational exchange and promote the implementation of responsibilities. These mechanisms refer to social processes, such as trust, which promote norms of flexibility and information exchange. (Zheng et al., 2008.) The theory of organization relates to this by proposing that formal governance structures between organizations are reliant on informal and collaborative structures between actors (Selznic, 1948).

This thesis relies on PPP research, which is influenced by relational contract theory and the theory of organization. Although the literature on TCE and ‘classical’ contract theory has increased the knowledge of the strengths and failings of PPPs (Parker & Hartley, 2003), their strong emphasis on discrete transactions and contract drafting by means of the lowest transaction costs has positioned them as being rather impersonal and ‘short-term’ transaction-centered approaches (Zheng et al., 2008; Goldberg, 1976). Thus, they tend to provide a somewhat incomplete understanding of partnerships between public and private actors, which in this thesis are regarded as socially constructed during the public procurement process.
3.2.2 Partnering between public and private actors

Transition towards partnership thinking

Public procurement is dominated by the transactional paradigm, in which savings and effectiveness are reached in competitive tendering (Lian & Laing, 2004). The formal regulations and principles of equal treatment and transparency surrounding public procurement tend to encourage actors to utilize this paradigm (Erridge & Greer, 2002) by promoting merely competitive tendering wherein the purchaser determines specific requirements and manages only those suppliers that meet them. This stimulates tendering with a wide spread of private firms competing against each other. The emphasis in the transactional paradigm is thus on transactional exchange and short-term agreements that give rise to arm’s length, contractually organized relationships between public and private actors, instead of reciprocally rewarding, trustful partnerships (Klijn & Teisman, 2003; Erridge & McIlroy, 2002). The transactional paradigm is further likely to increase the length and formality of the public procurement process (Erridge & Greer, 2002; Rainey & Bozeman, 2000), generate transaction costs, and diminish the freedom of public authorities in their decision-making (Wang & Bunn, 2004; Erridge & McIlroy, 2002). Furthermore, it is suggested that arm’s length relationships limit the assessment of risks and other uncertainties of different procurement arrangements (Erridge & McIlroy, 2002).

In the transactional paradigm, comprehensive contracts are used to mitigate the risk of opportunism and transactional ambiguity (Lui & Ngo, 2004; Lyons & Mehta, 1997). Specifically, contracts tend to diminish the uncertainty related to actors’ expectations and transaction costs (Erridge & Greer, 2002). Information required in the contract formation is, nevertheless, rarely sufficient, which makes contracts more or less imperfect and problematic instruments for governance (Brown et al., 2007). This has steered the contemporary paradigm shift in public administration and management by promoting the establishment of new procurement strategies and practices that stimulate the shift from a traditional transactional arm’s length procurement strategy to building reciprocally rewarding, trustworthy partnerships with private actors. This is suggested to change the way public and private actors must interact (Lawther & Martin, 2005). That is, instead of a competitive form of interaction, partnering is argued to require cooperative interaction, which refers to actors’ intentional attempts to foresee a shared future by creating shared goals and procedures and resolving problems together (e.g., Alajoutsijärvi, Klint, & Tikkanen, 2001; Alajoutsijärvi, Möller, & Rosenbröijer, 1999; Möller & Wilson, 1995). The
cooperative interaction reflects the mutuality in relationships, which is defined as an intentional development of a cooperative relationship that is grounded in mutual acts and shared benefits between the actors (Möller & Wilson, 1995, 37). The atmosphere of a relationship is thus important for influencing the form and nature of interorganizational interaction (Hallén & Sandström, 1988) and the formation of relational mechanisms, such as trust (Zheng et al., 2008).

Parker and Hartley (2003) and Zheng et al. (2008) suggest the joint utilization of contractual and relational mechanisms to improve the implementation of public procurement. Specifically, formal contracts facilitate effective exchange (Carson, Madhok, & Wu, 2006), but the mechanisms underlying partnerships complement them by reinforcing contractual ties (Brown et al., 2007) and fostering collaboration (Smyth & Edkins, 2007) by developing trust and knowledge exchange between public and private actors (Erridge & Greer, 2002). In addition, partnering is found to help in sharing resources and know-how, reducing transaction costs and risks, and clarifying request for quotation (RFQ) and contract terms (Erridge & Greer, 2002).

Mechanisms underlying partnerships

Relationships between public and private actors are different from those in private markets. Initially the term ‘PPP’ was related to the privatization of public services, but it is admitted nowadays that there is no single PPP model. In PPP research, the term relates to a range of collaborative efforts between public and private actors. (Jamali, 2004.) Smith and Wohlstetter (2006) suggest that PPPs differ by their origin, content, form, and depth, and diverge from ‘weak’ and insubstantial to ‘strong’ and meaningful partnerships. Specifically, the diversity of procurement strategies result in different relationship forms from arm’s length relationships to true partnerships (Erridge & McIlroy, 2002). Regardless of their diversity, public-private relationships rely on some degree and depth of cooperative interaction, with the process being less formal and complemented by informal ties between the actors (Lian & Laing, 2004). Specifically, cooperative interaction increases the degree of coordination between the actors (Erridge & McIlroy, 2002; Schaeffer & Loveridge, 2002) through creating informal relational governing mechanisms, such as trust (Zheng et al., 2008). The degree of coordination illustrates the level of cooperation in the relationship (Metcalf et al., 1992), which refers to the extent of both formal and informal mutual activities that are set for coordinating resource
exchange and other procurement terms, thus aiding parties to attend to their shared goals (Möller & Wilson, 1995; Metcalf et al., 1992; Anderson & Narus, 1990).

Thus, cooperation is related to and influenced by actors’ collaborative attitude; that is, cooperativeness, which reflects their willingness to resolve problems and the long-term commitment (Campbell, 1985). In the public setting, defining mutual goals (e.g., Lawther & Martin, 2005; Jamali, 2004), coordinating responsibilities and roles effectively but flexibly, and forming shared working practices (e.g., Jacobson & Choi, 2008; Jamali, 2004) are identified to create commitment (e.g., Jacobson & Choi, 2008). The degree of cooperation and coordination is further influenced by knowledge exchange (Wang & Bunn, 2004). That is, partnering tends to change knowledge-sharing routines and practices from top down to the two-way flow of information, which support the establishment of a shared understanding and defining mutual goals and norms (Jamali, 2004; Schaeffer & Loveridge, 2002).

Cooperative interaction and information exchange assist in developing trust and mutuality (Erridge & Greer, 2002). That is, trust and mutuality emerge in frequent, cooperative interaction (Morgan & Hunt, 1994; Ring & Van de Ven, 1992). Specifically, cooperative interaction establishes interpersonal bonds between actors, which promote problem-solving and trust development (Metcalf et al., 1992). Thus, trust and informality tend to be better mechanisms for relationship development than contractual arrangements (Håkansson & Snehota, 1995, 8). That is, they aid in restricting the inhibitors of interaction (Metcalf et al., 1992) and thus in trusting partnerships, it is presumed that information flows freely amongst partners (Parker & Hartley, 2003). In reality, information exchange is needed to implement public contracts and help suppliers understand the needs of a public customer (Wang & Bunn, 2004). Therefore, instead of traditional contracting, negotiations before and after contract award are critical (Lawther & Martin, 2005). Furthermore, trust and reputation are important in public procurement as different cultural and institutional backgrounds of public and private actors (e.g., Arlbjørn & Freytag, 2012; Purchase et al., 2009; Klijn & Teisman, 2003; Rainey & Bozeman, 2000) can create mistrust (Rees & Gardner, 2003).

Wang and Bunn (2004) suggest that the nature of partnering between public and private actors rests on the degree of cooperative norms the participants share and the level of information exchange. In their taxonomy, relationships between public and private actors are either arm’s length, supervisory, recurrent, or collaborative (Wang & Bunn, 2004). Schaeffer and Loveridge (2002) categorize public-private partnerships similarly by the extent to which actors coordinate their activities and suggest that public and private actors may form a leader-follower
relationship, a resource exchange relationship, a joint venture, or a partnership. These forms are congruent with the work of McGuire (2000), in which public and private actors are identified as collaborating through strategy-making, resource exchange, and project-centered collaboration activities. Bovaird (2006) adds to this by suggesting that there are two important public procurement trends driving organizations towards partnering: The shift to more collaborative working within public organizations, and the shift to more complex forms of coordination in the procurement process. In his framework, three types of market relationships are identified to exist, which are relational contracting, partnership procurement, and distributed commissioning. (Bovaird, 2006.) Table 5 illustrates the continuum of different relationship types, from weaker relationships to strong partnerships, and sums up their characteristics. This thesis attempts to understand the development of PPPs; the transitioning process from traditional transactional arm’s length relationships toward partnerships in public procurement and how these partnerships are initiated, developed, and maintained.
Table 5. Characteristics of relationship types between public and private actors.

<table>
<thead>
<tr>
<th>Relationship type</th>
<th>Examples identified from PPP research</th>
<th>Information sharing</th>
<th>Coordination</th>
<th>Cooperation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arm’s length</td>
<td>Arm’s length relationship (Wang &amp; Bunn, 2004); leader-follower relationship (Schaeffer &amp; Loveridge, 2002)</td>
<td>Infrequent, top-down information sharing that is related to tendering and is guided by the purchaser</td>
<td>Limited relational norms defined either in formal contracts or achieved through experience</td>
<td>Arm’s length, transactional interaction or more implicit form of cooperation</td>
</tr>
<tr>
<td>Exchange relationship</td>
<td>Exchange relationship (Schaeffer &amp; Loveridge, 2002; McGuire, 2000); recurrent relationship (Wang &amp; Bunn, 2004); relational contracting (Bovaird, 2006)</td>
<td>Information is shared, but its frequency is reliant on goods and services exchanged</td>
<td>Mechanisms for coordination differ and are reliant on goods and services exchanged</td>
<td>Repeated exchanges, in which cooperation and competition appear simultaneously</td>
</tr>
<tr>
<td>Joint venture</td>
<td>Joint venture (Schaeffer &amp; Loveridge, 2002); project-centered collaboration (McGuire, 2006)</td>
<td>Both public and private actors contribute to information sharing</td>
<td>Coordination is achieved, but true joint decision-making may not be possible</td>
<td>Brings together actors with complementary capabilities</td>
</tr>
<tr>
<td>Partnership</td>
<td>Partnership (Schaeffer &amp; Loveridge, 2002); partnership procurement (Bovaird, 2006); collaborative relationship (Wang &amp; Bunn, 2004); strategy-making collaboration (McGuire, 2000)</td>
<td>Frequent, substantial sharing of knowledge and ideas</td>
<td>Shared cooperative norms and a need to work together to reach mutual goals</td>
<td>Mutuality created by sharing risks and rewards</td>
</tr>
</tbody>
</table>

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Challenges of PPPs

The emerging interest in PPPs has attracted scholars to examine what promotes (e.g., Zou et al., 2014; Li et al., 2005; Jamali, 2004) and hinders PPPs (e.g., Zhang, 2005; Jamali, 2004; Klijn & Teisman, 2003; Erridge & Greer, 2000), and to research how partnering advantages (e.g., Barlow, Roehrich, & Wright, 2013; Erridge & Greer, 2002) or disadvantages public procurement (e.g., Roehrich & Caldwell, 2012; Zheng et al., 2008). Specifically, the identification of challenges is understood as an important step toward good PPPs.

Purchase et al. (2009) suggest that the legislation, which is designed to ensure a non-discriminatory procurement process, hinders public actors’ attempts to establish relationships with private organizations. That is, even though the need for stronger relationships and partnering between public and private actors is widely addressed (e.g., Purchase et al., 2009; Erridge & Greer, 2002), it is suggested that the characteristics of public procurement influence the interaction and relationships between public and private actors and how they develop. For example, public authorities are responsible to political authorities and the community to ensure the probity of their procurement activities (Murray, 2007; Wang & Bunn, 2004; Erridge & Greer, 2002). Therefore, public authorities have formerly been discouraged from building personal involvements (Wang & Bunn, 2004) and engaging in intimate interaction with the supplier side.

The organizational culture surrounding public procurements is recognized to impede collaboration between public and private actors (Erridge & Greer, 2002). Public purchasers must act correctly with regard to their legal framework and should stress legality (Kernaghan, 2003). In reality, the request to treat suppliers fairly tends to diminish the cooperative interaction, especially before a contract is awarded, as creating an equal situation for private actors to negotiate without a public actor favoring a particular party is challenging (Arbibson & Freytag, 2012). The resistance of public actors toward collaboration and coordination is further seen as being significant (Erridge & Greer, 2002). Specifically, there is a fear that deeper relationships and interaction with private actors can result in corruption (Lindskog et al., 2010). It is thus noted that public authorities might lack the capability and understanding in terms of implementing innovative procurement practices and partnering that would aid them in improving their interaction and knowledge exchange with private market actors (e.g., Walker, Schotanus, Bakker, & Harland, 2013; Bingham & O’Leary, 2006). That is, public procurement tends to rest on the transactional procurement logic with short-term negotiations and
arm’s length relationships. This seems to be reflected to the private markets as private firms prefer traditional procurement routes (Zhang, 2005). Finally, it is suggested that different strategic, institutional, organizational, and interpersonal differences between the partners might hinder the establishment of a shared understanding and generate PPP failures (Jamali, 2004; Klijn & Teisman, 2003).

3.3 Developing PPPs in centralized public procurement

This section summarizes the previously discussed theoretical background and presents a theoretical framework illuminating the development of PPPs in a centralized public procurement context. This framework is illustrated in Figure 2.

Fig. 2. Developing PPPs in a centralized public procurement context.

This thesis examines the development of PPPs in the context of centralized public procurement. In the centralized public procurement context, a professional public purchaser, a public unit that manages procurement implementation and a private
supplier organization form a triadic relationship to collaborate under a procurement contract to deliver public services (Kwak et al., 2009). These relationships are proactively and socially constructed by the actors during the public procurement process (Bovaird, 2006; Erridge & Greer, 2002). Therefore, public and private actors intentionally initiate, develop, and maintain PPPs through their ongoing cooperative interaction and interorganizational exchange (Holmlund & Törnroos, 1997). PPP development includes a sequence of interactive acts and counteracts (Håkansson & Snehota, 1995, 25), through which multiple different activity links, resource ties and actor bonds emerge and dissolve between the actors (Halinen & Tähtinen, 2002). Furthermore, it is suggested that this development is reliant on the formation of relational mechanisms, which are influenced by the non-competitive form of interaction (Lawther & Martin, 2005); that is, cooperative interaction (e.g., Alajoutsijärvi et al., 2001; Alajoutsijärvi et al., 1999; Möller & Wilson, 1995).

In the context of centralized public procurement, the actors’ roles and relational structures between the three actors change during the public procurement process (Li & Choi, 2009). In the contracting stage, the public purchaser interacts strongly with private actors, but in the procurement implementation stage the stress shifts to the relationship between the public unit managing procurement implementation and the private partner. The development of PPPs is further, directly and indirectly, influenced by the network in which the PPP is embedded (Anderson et al., 1994). The relationship is thus intertwined in the wider network and thus the present form of relationship is the result of the interactions in the network (Håkansson & Ford, 2002; Håkansson & Snehota, 1995, 18). Furthermore, the legal framework and the organizational culture in public procurement engender challenges in developing PPPs. Thus, public-private relationships are typically characterized by transactional, short-term exchange and arm’s length, contractually organized collaboration (e.g., Lian & Laing, 2004; Erridge & McIlroy, 2002) and thus the development of PPPs tends to require the paradigm shift toward partnership thinking.

To summarize, PPP development is dynamic and thus the dynamic ways in which actors and their relations are linked to other actors and their relationships are central in understanding of how PPPs are developed in the context of centralized public procurement.
4 Methodology

This chapter introduces the research philosophy and designates the methodology that emerges from the philosophical premises of this thesis. Thereafter, the research process and the methods for gathering and analyzing the empirical data is described.

4.1 Research philosophy

The philosophical premises guide the researcher to identify her research methods and strategy (Eriksson & Kovalainen, 2008, 12; Guba & Lincoln, 1994, 105). The ontological, epistemological, and methodological questions are interrelated and they determine how the researcher understands and interprets the form and nature of reality, the grounds of knowledge, and the relationship between human beings and their environment. This forms implicitly and explicitly a paradigm that refers to a set of beliefs that guide action. (Burrell & Morgan, 1979, 1–2.)

In the search for understanding, individuals, and the relationships between them, two research paradigms are applied: Critical realism and constructionism (e.g., Peters, Pressey, Vanharanta, & Johnston, 2013; Järvensivu & Tönnroos, 2010). These paradigms are somewhat intertwined and, as a result, this thesis uses both of them to determine its philosophical premises. In line with critical realism, the reality is layered into the three levels of the real (the mechanisms that generate the phenomenon; that is, the events that happen), the actual (the events that happen), and the empirical (the actors’ experiences and interpretations of those events) (e.g., Peters et al., 2013). The mechanisms forming the phenomenon are issues that are impossible to examine, but they create events that researchers then empirically investigate. Nevertheless, the investigation of those events might not represent the reality as the reality is imperfectly understandable through empirical data (Easton, 2002).

Therefore, the reality itself is not merely a social construction. Nevertheless, there is a social reality, that is, PPP is regarded as socially constructed during the public process (see Peters et al., 2013). PPPs do not thus exist independently of the actors participating in or researchers examining them. Instead, the researcher’s theoretical frames and the divergent institutional backgrounds of the actors in PPPs do influence the way in which the development of PPPs is understood and interpreted. This might further engender different ways in which actors think PPPs develop or are developed in the context of centralized public procurement, which reflects the relativistic ontology of this thesis. The possibility of multiple different
viewpoints of the truth is thus acknowledged, which permit the researcher to move toward finding local, community forms of truth (see Järvensivu & Törnroos, 2010). This is in line with the research paradigm of moderate constructionism, which underlines the multiple perspectives of different communities on reality (Järvensivu & Törnroos, 2010). Therefore, there is no single, true reality, which would explain comprehensively how PPPs develop or are developed in the context of centralized public procurement. Instead, PPPs are unique and their development is context- and actor-dependent. Furthermore, the truth is specific to the local and it is established in dialog within and between different communities (Järvensivu & Törnroos, 2010) by creating a shared understanding between the actors in those communities.

From the epistemological perspective, the interacting forms of local truth are created through dialog in different communities, deriving from empirical data (Järvensivu & Törnroos, 2010). Therefore, the knowledge is reliant on the social actors in PPPs and their subjective interpretations and experiments in them (Guba & Lincoln, 1994, 111). This thesis relies on subjectivist epistemological traditions (Guba & Lincoln, 1994, 110–111) by understanding the actors to shape the reality and truth and how it is understood and interpreted. Specifically, when aligned with the paradigm of critical realism, the actors hold the power to change the partnership and the continued existence of interorganizational relationships is dependent on the activity of actors. The social structures are thus reliant on actors’ understanding of what they are doing in their activity. (Peters et al., 2013.) Therefore, this thesis is interested in the experiences of different actors in terms of how PPPs develop and are developed by them in centralized public procurement. It is further suggested that the researcher and the respondents create and affirm their findings together in dialog (see Järvensivu & Törnroos, 2010) in a way that permits the researcher to develop her understanding from the research phenomenon by collaborating with respondents (see Mir & Watson, 2000).

Aligned with the underlying ontological and epistemological questions, this thesis applies a qualitative research methodology to answer its research question of how PPPs are developed in the context of centralized public procurement. The qualitative methods aid in addressing the questions of how social experiences are formed and given meanings by stressing the qualities of entities, processes, and existing meanings (Denzin & Lincoln, 2011, 8). That is, it is argued that the qualitative methods enable holistic and detailed illustrations of examined events (Stake, 1995, 47), which are difficult to define through specific variables (Gephart, 2004). Furthermore, the qualitative methods stress the socially constructed nature of reality, which helps the researcher describe, understand, and explain the human
interactions, meanings, and processes that generate real-life organizational settings (Gephart, 2004), such as PPPs that are intricate and interactive systems of actors and groups of actors from different organizations. Thus, qualitative methods suit the social nature of PPPs. The qualitative methods further permit the investigation of the research phenomenon in its own, natural environment, and understanding it through meanings that the actors give to them (Denzin & Lincoln, 2011, 2). That is, they place a strong emphasis on contextual details unfolding over time (Gephart, 2004), which is useful for examining the development of PPPs in a centralized public procurement context.

4.2 Research process

The research process of this thesis is grounded in abductive reasoning (Dubois & Gadde, 2002), which is a research logic where new knowledge emerges from the interplay between theory and empirical data. In this type of research process, the existing theory is found to strengthen empirical analysis but in a less theory-driven way, as it permits new and surprising findings to emerge from the empirical world (Järvensivu & Törnroos, 2010; Eriksson & Kovalainen, 2008, 219).

The research process of this thesis originated from the researcher’s personal interest in understanding public procurement and the procedures of advancing it. At the beginning of the research process, the researcher applied the theory and her existing understanding of public procurement to revise her initial interest from understanding the purchasing process of public organizations to examining partnering between public and private actors in public procurement. That is, the problem of how public authorities implement their purchasing and examining the performance of a public buyer were soon seen as insufficient for understanding interorganizational exchange. This remark guided the researcher to change her theoretical emphasis from organizational buying behavior (OBB) and public procurement to PPP research and the literature on relationship development from IMP and interaction perspectives. The empirical data of the thesis was gathered in two stages during the research process, which further permitted clarification of the research phenomenon and revision of the theoretical premises of this research by bringing forward new findings and perspectives to understand PPPs. Specifically, the first round of data gathering led the researcher to investigate PPPs from a triadic perspective to understand PPP development in the context of centralized public procurement. Therefore, the ongoing dialog between theory and empirical data improved the theoretical and empirical understanding of PPPs throughout the entire
The thesis includes three research papers that guided the research process by influencing the theoretical and methodological decisions the researcher made. Therefore, the research process relied more on induction than deduction. That is, the interviews related to food procurement gave hints on the challenges that public and private actors face when interacting during the public procurement process and initiating PPPs. The first research paper utilized the literature on interaction strategies to examine how cooperative interaction is created during the public procurement process and what its opportunities and barriers are. Although this research paper examined food-related PPP as a dyad, its empirical findings drew attention to the centralized public procurement context, in which three actors work together to implement public procurements. This triggered the researcher to view PPPs from a triadic perspective and examine how the three actors in the centralized public procurement process reinforce PPP development through the activities they perform, thus determining their roles. The following research paper examined the roles actors play to develop PPPs and how these roles change in the centralized procurement process. To address this purpose, the research paper applied both role theory and research on roles in business relationships. The purpose of the third research paper emerged from practical and theoretical necessity to understand PPP breakdowns more thoroughly. The third research paper investigated the transition process from transactional arm’s-length tendering toward partnership thinking in centralized public procurement and how relationship dynamics influence PPPs and their development. The research paper is grounded on the theoretical discussion on different types and forms of relationships between public and private actors and the mechanisms underpinning them, and the research on relationship dynamics in triads. Figure 3 illustrates the abductive research process of this thesis.
Fig. 3. The abductive research process.
4.3 Research design

4.3.1 Case study method

This thesis applies a case study method to understanding the development of PPPs in centralized public procurement. It is argued that the case study method is suitable for marketing research (Bonoma, 1985). Specifically, it is useful for gaining knowledge from individuals and groups of organizations and the relations between them (Halinen & Törnroos, 2005; Johnston, Leach, & Liu, 1999), which this thesis particularly attempts to understand. The case study refers to a specific type of research strategy exploring, with the use of multiple data sources, a phenomenon in its naturalistic context, with the purpose of ‘confronting’ theory with the empirical world (Piekkari, Welch, & Paavilainen, 2009). The relationship between theory and data is thus examined, destabilized, and reconstructed in the research process, which develops the theory by going ‘back and forth’ between in-depth insights from the empirical world and the context and the theory, thus enriching understanding from the research phenomenon of interest (e.g., Dubois & Gadde, 2014, 2002; Järvensivu & Törnroos, 2010). This reflects the intrinsic flexibility that is an inherent part of the case study method (Beverland & Lindgreen, 2010; Piekkari et al., 2009; Dubois & Araujo, 2004). Therefore, we argue that it suits the purpose of this thesis to examine complex and dynamic interactions between public and private actors in the development of PPPs.

The case study is considered to be the research of the particular, which provides an understanding of human experience (Stake, 1995, 38). Therefore, aligned with the subjectivist epistemological traditions of this thesis, it enables an understanding of the experiential knowledge and interpretations of actors of PPPs and their development. Instead of relying on statistical representativeness, the case study is utilized to provide depth and comprehensiveness, as it tends to allow for the establishment of a holistic and rich understanding of the research phenomenon (Easton, 1995, 475; Stake, 1995, 47). Specifically, qualitative case study research is advantageous when examining a research subject that is difficult to understand if removed from its own context (Bonoma, 1985). The method thus permits exploring the development of PPPs without separating the partnerships from their spatial, social, political, technological, and market structures, which makes them unique and context-specific (e.g., Halinen & Törnroos, 2005; Anderson et al., 1994), and which are important for understanding the dynamics in their development (see Halinen & Törnroos, 2005). Thus, by being an intensive and
intimate research strategy, the case study method provides a multidimensional view of the research phenomenon, as it makes it possible to examine different dimensions of PPP development and investigate how it is influenced by and interrelated with the public procurement context in which the development takes place (Halinen & Törnroos, 2005).

In this thesis, interorganizational relationships are determined as including intricate layers of actors, resources, and activities within and between organizations. This increases the need to gather multiple forms of data from the development of PPPs, the standardization and aggregation of which is not straightforward (Dubois & Araujo, 2007; Easton, 1995). The use of multiple forms of data is acknowledged as important in proceeding toward the specific local, personal, and community-bound forms of knowledge and truth (Järvensivu & Törnroos, 2010) by finding different ways of seeing the phenomenon of interest. In this thesis, this is important as PPPs tie together actors from divergent institutional backgrounds, which might influence their way of understanding and interpreting the relationship. Therefore, by gathering different types of data from public and private actors, and from different organizational levels, it is possible to create new knowledge from the development of PPPs in centralized public procurement.

In the methodology literature, the existence of single and multiple case study strategies is recognized. It is argued that using multiple cases permits the researcher to increase the robustness of findings by replicating them through cases (Eisenhardt, 1989). Regardless of this, and the fact that two different types of PPPs are examined in this thesis to establish an understanding of PPPs in different procurement settings, the number of cases is limited with the purpose of establishing rich and contextual insights into the PPP development in a centralized public procurement context (see Dyer & Wilkins, 1991).

### 4.3.2 Selecting and describing the cases

This thesis is interested in understanding the development of PPPs in a centralized public procurement context. The relationship development between public and private actors in centralized public procurement is regarded as the case of this thesis. Thus, to guarantee the learning (Stake, 2005, 451) from the development of PPPs in centralized public procurement, a suitable case for examination includes 1) the relationship between public and private actors, which is formed to deliver either public goods or services, and it takes place in 2) the context of centralized public procurement.
The type and organization of procurement influence how actors manage their selling and purchasing processes and reflect the way in which PPPs develop. That is, the context and network, in which the partnership is embedded, is suggested to influence the PPP development. Two types of cases, having at the beginning the characteristics of arm’s length and exchange types of public-private relationships (Table 5), are selected from different kinds of contexts, ranging from a standardized product procurement to a more diversified service procurement. The cases show the development and the potential development toward partnering, and thus they permit investigating the transitioning process from traditional transactional arm’s length relationships toward partnership thinking in public procurement.

Specifically, the food-related PPP between a public procurement unit, public units providing catering services from the federation of municipalities X, and a private food supplier is examined to exemplify the standardized procurement type. That is, food is a typical example of a standardized product; food products are rather similar as they must meet specific food legislation and nutritional criteria in public procurements, and therefore food procurements are straightforward for public purchasers to determine themselves in contracting. The home nursing–related PPP between the public procurement unit that performs contracting, the public unit managing procurement implementation, and the private home nursing provider, in turn, demonstrate PPP development in the partial outsourcing of public home nursing services in town Q. The unique characteristics of services that make them inseparable from their providers generate a high degree of diversity in service quality and how they are delivered in practice. This makes them complex with regard to contracting, which is further suggested to influence the development of PPPs.

**Characteristics of food industry and food-related PPP**

In Finland, the food industry is the largest producer of goods that are delivered for the public, and thus the fourth largest industry, with 38 000 personnel in 1700 firms (Finnish Food and Drink Industries’ Federation, 2018). In its history, the Finnish food industry has undergone structural changes that have emerged from its business environment and the technology utilized in the industry (Ahtonen & Virolainen, 2009). The industry has shifted from being safeguarded and isolated to deregulated, which has increased the global challenges and competition within the industry. Specifically, the food industry has being predisposed to competition between both Finnish and international firms, thus increasing imports and the restrictions of the
substantial export market in Russia. (Brännback & Wiklund, 2001.) Changing customer preferences are further requiring persistent product development and innovations (Ahtonen & Virolainen, 2009). Regardless of this, the Finnish food industry is characterized by the high utilization of domestic raw materials (82%) and self-sufficiency (Finnish Food and Drink Industries’ Federation, 2018). The industry includes many firms under five employees (65%), producing specialized items, and relatively few larger organizations (Finnish Food and Drink Industries’ Federation, 2018). These firms are challenged by logistical issues; the perishability of food requires effective and reliable logistic processes, which increases the need for interorganizational collaboration (Ahtonen & Virolainen, 2009).

The case investigated in this thesis is in the food branch, which is the largest branch (23%) in the Finnish food industry. This branch includes two larger firms and an increasing number of smaller organizations, providing work for 5000 workers. (Finnish Food and Drink Industries’ Federation, 2018.) In the public procurement setting, the goods of this branch are regarded as standardized goods and therefore straightforward to specify in RFQs. In the federation of municipalities X, the contracting of standardized product procurements are centralized in a single procurement unit. This public procurement unit was responsible for purchasing the food products (EUR 2 300 000), intended for the preparation of 170 public units that deliver catering services to other public organizations, such as state schools, retirement homes, and hospitals. The procurement unit performed their contracting responsibilities mostly by applying a traditional open procurement procedure that permitted potential private food suppliers to receive the tendering reports and submit their offers freely. Nevertheless, the large food quantities and the perishable nature of food items purchased increase the requirements on effective logistics. Therefore, the private food markets are highly limited with regard to these specific food items, and thus the contracting process was subjugated by two largest firms in this food branch.

The procurement centralization makes it possible for the procurement unit to maintain higher levels of procurement expertise that are required by national and EU regulations, but it tends to establish the lack of knowledge related to different procurement types. The members of public units thus assisted the procurement unit during the contracting of food procurement to define specific procurement terms. Thereafter, the role of the public procurement unit shifted to one of supervision; that is, in the implementation stage, their responsibilities relate to keeping track of the procurement contract. Thus, the interaction between the public procurement unit and the private food supplier is characterized as one that diminishes when the
private partner starts to work with the public units delivering catering services. This forms the food-related PPP between the public procurement unit and individual public units responsible for catering services in the federation of municipalities X and the private food supplier. A relatively high level of partnering is important for exchanging goods on schedule and optimizing effective support services to form and control the food delivery processes. The procurement contract was made for the period 1 August 2012–31 July 2014, with a two-year option.

**Characteristics of home nursing markets and home nursing–related PPP**

The purpose of home nursing services is to support individuals living at home through a range of health services. In Finland, 76,000 individuals utilize home nursing services that are traditionally delivered by public organizations instead of private markets. The public home nursing markets are nevertheless undergoing structural changes, emerging as a result of the aging of the population. By 2040, the number of older people is estimated to have increased significantly, although the number of those of working age is expected to remain unchanged (Groop, 2014). This has led governments to search for new ways to meet the increasing health needs of older people and shift from ‘against market’ welfare position to a ‘pro-market’ view that tends to stress public organizations’ ineffectiveness to organize resources for welfare purposes (Anttonen & Häikiö, 2011). Specifically, different laws and the government’s structural policy programs are urging the discovery of new and effective ways to deliver preventative health services instead of the institutionalization of the elderly (Groop, 2014). This is promoted by legal reforms that stress the utilization of for-profit providers and the market mechanisms to deliver public health services (Anttonen & Häikiö, 2011). In 1993, the legal reform influencing the freedom of municipalities to decide how their services are arranged and delivered has made it possible to purchase public services from private service providers (Anttonen & Häikiö, 2011). This has increased the need for collaboration between public and private markets with regard to home nursing services.

In Finland, the new governmental structural policy highlights the importance of reducing the institutionalization of older people with the aid of the private market. Nevertheless, home nursing is new to public procurement and private home nursing markets are just emerging, which influences the level of expertise of public and private actors in home nursing procurements and their implementation. Home nursing service procurement is further challenged by the characteristics of the services that make them inseparable from their providers and thus influence the
quality and practices of how private service providers deliver these services. That is, although private service providers must adhere to the laws related to the elderly and their nursing, home nursing procurements are characterized by high diversity.

In town Q, the public procurement unit specializes in procurements of public services for the elderly and thus their responsibilities related to the outsourcing of 10% of the town’s home nursing for the period 1 January 2013–31 December 2015, with an option to a permanent contract. The procurement unit has strong and highly specialized expertise in the public services of elderly citizens, which the unit utilized to perform contracting by organizing a technical dialog to improve the rigor of their tendering reports and to develop an incentive system to monitor the performance of private service providers in the procurement process. Thereafter, the public procurement unit applied a traditional open procedure for the service contract with the private home nursing provider for delivering home nursing services to town Q. This engendered a home nursing–related PPP between the public procurement unit, the private home nursing provider and the public home nursing unit managing the service delivery. The procurement required partnering between the three actors as it improved the effective implementation of home nursing services and the monitoring of the private partner’s performance during the public procurement process. Nevertheless, shortly after starting the collaboration, problems and tensions started to emerge between the three actors, which led the private service provider to sacrifice their procurement agreement for a new private partner that agreed to take charge of delivering home nursing with the existing terms and staff. This change initiated a new home nursing–related PPP between the two public units and the new private home nursing provider and further required the parties to suggest better ways to implement home nursing.

### 4.4 Gathering empirical data

This thesis primarily uses qualitative interviewing to increase understanding of the development of PPPs in the context of centralized public procurement. Interviews are characterized by the interaction between the researcher and the interviewees and thus they enable specific local, community-bounded, interacting forms of truth to be found (Järvensivu & Törnroos, 2010). Interviewing is central in investigating the interpretations and perceptions of individuals and groups (Fontana & Frey, 2000, 645) that shape the reality and truth, and how it is understood. This assists in creating an in-depth understanding of the interactions and processes that form real-life organizational settings (Gephart, 2004).
Interviewing takes different forms, ranging from individual to group interviews and from structured to unstructured interviews (Fontana & Frey, 2000, 645). Thematic interviews rely on a specific agenda, but they are only lightly structured. That is, the interviewer is free to attend to new ideas, probe responses, and request for clarifications during the interview (Arksey & Knight, 1999, 7). The interview data of this thesis was acquired through 16 individual or pair thematic interviews, from which six interviews relate to food-related PPP (Table 6) and ten to home nursing–related PPP (Table 7). The interviews include personal and telephone interchanges with the individuals in the public procurement units, the public units that manage procurement implementation, and the private supplier organizations. The interviews started with the managers of public procurement units that gave suggestions regarding other interviewees. The snowball sampling (Biernacki & Waldorf, 1981) was thus utilized until the findings started to saturate (Guest, Bunce, & Johnson, 2006) and the interviewees did not suggest any new interviewees. The responsibilities of the interviewees related to contracting and/or procurement implementation and interviewing them gave essential insights into the development of PPPs in centralized public procurement. Regarding home nursing–related PPP, the interviewees further included the town’s senior management, which provided insights from the town’s procurement organization and culture, and two private organizations that assisted the public procurement unit in preparing their tendering reports. The interviews of the food-related PPP were organized in 2012 and the interviews of home nursing–related PPP in 2014. The interviews ranged from 30 minutes to nearly two hours, and the themes drew attention to the centralized public procurement process, the collaboration between public and private actors, and how it developed during the procurement process.
Table 6. The primary data of food-related PPP.

<table>
<thead>
<tr>
<th>Actor of triad</th>
<th>Organization</th>
<th>Interviewed informant(s)</th>
<th>Motivation for interview</th>
<th>Date and duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public purchaser</td>
<td>Procurement unit</td>
<td>Service Manager &amp; Procurement Specialist</td>
<td>Insights into contracting and procurement implementation</td>
<td>October 2012, 1 h</td>
</tr>
<tr>
<td>Public unit managing procurement of hospital</td>
<td>Food and sanitation service unit</td>
<td>Procurement Secretary Regional Manager</td>
<td>Insights into procurement implementation</td>
<td>November 2012, 40 min June 2013, 50 min</td>
</tr>
<tr>
<td>Private supplier organization</td>
<td>Food supplier</td>
<td>Sales Manager Food Service Specialist</td>
<td>Insights into contracting and procurement implementation</td>
<td>October 2012, 45 min November 2012, 40 min</td>
</tr>
<tr>
<td>Potential food supplier</td>
<td>Two Key Account Managers</td>
<td></td>
<td></td>
<td>September 2012, 1 h</td>
</tr>
</tbody>
</table>
Table 7. The primary data of home nursing–related PPP.

<table>
<thead>
<tr>
<th>Actor of triad</th>
<th>Organization</th>
<th>Interviewed informant(s)</th>
<th>Motivation for interview</th>
<th>Date and duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public purchaser</td>
<td>Procurement unit</td>
<td>Manager of Procurement Unit &amp; Manager of Home Nursing Unit</td>
<td>Insights into contracting and procurement implementation</td>
<td>November 2014, 1 h 45 min</td>
</tr>
<tr>
<td>Public unit managing procurement implementation</td>
<td>Home nursing unit</td>
<td>Service Manager I</td>
<td>Insights into procurement implementation</td>
<td>November 2014, 50 min</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Service Manager II</td>
<td></td>
<td>December 2014, 1 h 15 min</td>
</tr>
<tr>
<td>Private supplier organization</td>
<td>Home nursing service provider</td>
<td>Regional Manager &amp; Team Leader</td>
<td>Insights into procurement implementation</td>
<td>November 2014, 1 h 50 min</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales Analyst</td>
<td></td>
<td>November 2014, 1 h 5 min</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chief Executive Officer</td>
<td></td>
<td>December 2014, 50 min and January</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2015, 20 min</td>
</tr>
<tr>
<td>External experts</td>
<td>Procurement law specialist</td>
<td>Procurement Manager</td>
<td>Insights into contracting</td>
<td>November 2014, 50 min</td>
</tr>
<tr>
<td></td>
<td>Procurement development specialist</td>
<td>Development Manager</td>
<td>Insights into innovative contracting</td>
<td>November 2014, 1 h 5 min</td>
</tr>
<tr>
<td></td>
<td>Town Q</td>
<td>Town Manager</td>
<td>Insights into town’s procurement structures, culture and R&amp;D</td>
<td>November 2014, 50 min</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Development Manager</td>
<td></td>
<td>October 2014, 35 min</td>
</tr>
</tbody>
</table>

The interview data was complemented and triangulated (e.g., Denzin, 1987) by the data that included information from the web pages of researched organizations and firms, establishing an understanding of their business and responsibilities, and the range of different types of procurement reports, including RFQs that gave insights into different types of collaborative efforts during the public procurement process. Regarding the food-related PPP, the data included an interview with a food industry expert and multiple site visits to the premises of a potential food supplier to increase understanding of the structure of the food industry and other contextual factors influencing the partnership. The data on the home nursing–related PPP included multiple regional newspaper articles and industry reports to understand home.
nursing procurement, and the state of home nursing markets. The information on procurement regulations and data from four public procurement-related seminars and lectures held by national public procurement professionals and lawyers supported the efforts of the researcher to build up her understanding of the EU’s public procurement procedures and practices. This data was gathered during the research process and it was utilized several times in the research papers.

The gathered data is primarily retrospective, which suits the purpose of this thesis in that it helps to understand the development of PPPs in centralized public procurement. That is, retrospective data permits process-centered analysis by making it possible to understand how the research phenomenon develops and why it develops how it does (Halinen & Mainela, 2013). The data thus includes the characteristics of process data by handling a temporally embedded sequence of eclectic ‘events’ that embrace multiple levels and units of analysis (Langley, 1999).

4.5 Methods of analysis

The analysis of qualitative data begins in the research design stage and it progresses, although informally, during and after the interviewing (Arksey & Knight, 1999, 161). The data analysis of this thesis is thus characterized by the ongoing iteration of data gathering and analysis (see Dubois & Gadde, 2002). In the research papers, the empirical analysis started during the data gathering phase and created a preliminary understanding of the research phenomenon of interest. Furthermore, the analysis influenced the interviewing by assisting the researcher in extending the interview themes. Furthermore, the abductive logic of reasoning (Dubois & Gadde, 2014, 2002) reinforced the interaction between the theory and the data. That is, although the researcher had her preliminary theoretical understanding from the research themes related to the development of PPPs in the context of centralized public procurement, the data guided her to revise her theoretical frameworks. This understanding from theory then improved the data analysis, which thereafter enriched the theoretical frames with supplementary knowledge on developing PPPs. Thus, the theoretical perspectives reinforced the analysis of the research papers, although new findings and results were permitted to emerge from the data. Nevertheless, the three research papers rely slightly differently on theory and data. That is, the analysis of the first research paper rests on themes emerging rather strongly from theory, whereas the other research papers are more data-driven, which reflect their reliance on induction more than deduction (see Järvensivu & Törnroos, 2010).
In the research papers, the purpose of the empirical analysis was to interpret meanings and make justifiable inferences from text and words (see Weber, 1990). The researcher thus primarily applied thematic analysis (Miles & Huberman, 1994) to make sense of the qualitative data. This method refers to the analysis in which the researcher distinguishes recurring patterns and themes to understand thoroughly the different parts of data, which include the patterns of variables, involving similarities or differences between categories, and patterns of processes, including links within time and space in their own context (Miles & Huberman, 1994, 246). The method strives to go further than calculating words or phrases or identifying and describing implicit and explicit ideas within the data, that is, themes (Guest, MacQueen, & Namey, 2011, 9).

The data analysis of the research papers started with the researcher reading the data to get a general view from it. This permitted the researcher to synthesize the timeline of researched procurements and related PPPs. Thereafter, the researcher read the transcripts of thematic interviews and other material word-by-word and implicitly and explicitly utilized the categorizing strategy from Maxwell and Miller (2008) to group and mark the data by themes, emerging both from the theory and the data. The analysis went forward by investigating and contrasting the themes. That is, the researcher wrote notes and created mind maps to categorize text and link them into larger patterns to identify the relationships within different categories and how the findings relate to other findings in their context. The written reports of these qualitative analysis processes are thus characterized by the mix of narrative and categorizing strategies to retain the unique context of investigated PPPs and the data related to them. (see Maxwell & Miller, 2008.) Regardless of this, the analyzing methods of the three research papers differed slightly to answer to their specific research questions.

In the first research paper, the analysis sought to understand how cooperative interaction is created during the public procurement process and to identify its opportunities and barriers. The primary data of this research paper included six thematic interviews with regard to the food-related PPP. In the first stage of analysis, the interviews were read word-by-word and the nVivo program was utilized to categorize the data into themes that emerged primarily from the theory. Thereafter, the researcher addressed these themes by writing notes from interpretations on how they relate to each other and how the themes emerged within its context, to identify the ways of creating cooperative interaction during the public procurement process. This further assisted the researcher to group different types of opportunities and barriers underlying the collaboration between public and private actors, and then
by investigating their similarities and differences to categorize the findings into larger themes, which originated from the theory and the data. The findings of the research paper were reinforced by the complementary data that was interpreted synchronously with the interviews.

The second research paper is interested in the roles for developing PPPs and how these roles change during the centralized public procurement process. The beginning of analysis was influenced by the empirical data that primarily included 16 thematic interviews from the PPPs related to food and home nursing. That is, the data analysis phase began by exploring and reading the interviews and then by utilizing mind maps to inductively group the activities the three actors performed during the different stages of the public procurement process. The findings were then contrasted within their context to identify the resemblances and thus reassert the importance of performed activities and reduce the information that was not germane to the purpose of the paper. In the next step, the theoretical framework of the paper was utilized to make interpretations on the meaning of these activities regarding PPP development, and to categorize them into the theoretically suggested role categories. In the last stage, the findings from the two procurement contexts were contrasted to identify how public procurement type- and other contextual factors influence the roles that reinforce the development of PPPs. These findings were reasserted by the complementary data that was analyzed synchronously with the interviews.

The third research paper examined the relationship dynamics influencing the transition process, from traditional transactional arm’s length tendering towards partnership thinking in centralized public procurement. The primary data of this research paper include ten thematic interviews from the home nursing–related PPP. The data analysis of this paper began with the researcher reading and making notes from individual interviews to synthesize the timeline of the home nursing procurement process. The challenges of partnering between public and private actors and the ways of promoting partnering were thereafter identified and sorted by utilizing the theory to some extent. Then, by analyzing the findings inductively and making notes from them, they were categorized into bigger themes depending on their interrelatedness. The findings were reasserted and the differences resolved by the complementary information, which was gathered from newspaper articles and information on tendering reports.
5 Findings and contributions of the papers

The purpose of this thesis—to understand the development of PPPs in the context of centralized public procurement—is addressed through three original research papers. These research papers are summarized in Table 8.

Table 8. Summary of the research papers.

<table>
<thead>
<tr>
<th>Summarizing point</th>
<th>Research paper I</th>
<th>Research paper II</th>
<th>Research paper III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research question</td>
<td>How is cooperative interaction created during the public procurement process and what are its opportunities and barriers? (RQ1 and RQ2)</td>
<td>What types of roles do actors play to develop PPPs in centralized public procurement and how do these roles change during a centralized public procurement process? (RQ2)</td>
<td>How is the transition process of public and private actors toward partnership thinking influenced by the relationship dynamics in the triadic setting? (RQ1 and RQ3)</td>
</tr>
<tr>
<td>Key findings</td>
<td>The paper identifies the relationship atmosphere to influence the formation of cooperative interaction between public and private actors. Specifically, cooperative interaction is found to contribute to public procurement by reinforcing reciprocal knowledge exchange, but it is hindered by initial mistrust between public and private actors.</td>
<td>The paper identifies three types of roles and the activities these roles include that actors perform to develop PPPs. An actors' role-related performance is further shown to change during the centralized public procurement process and it is influenced by the public procurement context and the roles other actors undertake.</td>
<td>The paper shows how transactional procurement logic hinders the transition to partnering and how partnership thinking changes this logic. The paper illustrates the transactional procurement logic of a single actor and the logic underlying the relationship of two actors to engender and intensify the problems of triad and partnering between the two actors to promote reciprocal and trustful collaboration in the triad.</td>
</tr>
</tbody>
</table>
Together, the three research papers answer the research questions and thus increase the understanding of the development of PPPs in centralized public procurement. These research papers and their theoretical, methodological, and empirical premises and implications are discussed next.

### 5.1 Research paper I: Opportunities and barriers for PPP development

Research paper I by Keränen and Salo (2018) examines the questions of how cooperative interaction is created during the public procurement process and what are its opportunities and barriers. The theoretical framework of the paper draws upon two interrelated concepts that are cooperative interaction (e.g., Alajoutsijärvi et al., 2001; Alajoutsijärvi et al., 1999; Möller & Wilson, 1995) and relationship atmosphere (Hallén & Sandström, 1988; Håkansson, 1982), which are integrated into the public procurement research. It is suggested that the atmosphere in the relationship influences interorganizational interaction and exchange; therefore, it is applied to understand the formation of cooperative interaction during the public procurement process. The research paper’s data relies on six thematic interviews
from the public procurement of food, which is utilized to examine the activities of public and private actors influencing the relationship atmosphere and further the way of how cooperative interaction is created.

The research paper shows that the relationship atmosphere influences the form of interaction between public and private actors, either by promoting or inhibiting the establishment of cooperative interaction. The paper identifies the ways in which cooperative interaction is created in the public procurement process. The findings illustrate that using power subtly in contracting tends to increase both formal and informal negotiations and knowledge exchange with private supplier organizations, which aid public and private actors to create a shared understanding of procurement terms and reinforce mutuality in the PPP. This influences the cooperation, closeness, and trust between public and private actors by steering private firm’s actions toward fulfilling their responsibilities and determining joint practices for coordinating the product exchange and problem solving.

To understand how the form of interaction influences procurement practices and specifically why cooperative interaction is challenging for public and private actors to create, the research paper exhibits both the opportunities and barriers for such interaction. The findings of the paper suggest that cooperative interaction contributes to the effectiveness and quality of public procurement by promoting the development of interpersonal relationships and mutual trust, and further increasing reciprocal knowledge exchange. This is important in that initial mistrust between public and private actors is shown to hinder PPPs by influencing actors’ willingness to apply interactive contracting methods and collaborate during the procurement implementation stage.

The research paper demonstrates the dynamic nature of interaction between public and private actors. The interaction is illustrated to change dynamically from informal to formal and back to informal interaction and so on throughout the public procurement process. This finding emerges from the empirical setting, showing that the private partner collaborates with both—the public purchaser that is responsible for contracting and the public unit managing procurement implementation—during the public procurement process. The findings further illustrate that the cooperative form of interaction applied in the contracting stage influences the determination of procurement terms and shared understanding from them, thus influencing the interaction and practices in the procurement implementation stage. The public unit responsible for contracting thus facilitates the formation of cooperative interaction in PPPs.
The research paper contributes to the PPP research by integrating the research on public procurement into the research on interorganizational interaction and relationship atmosphere. In this way, the paper increases the understanding of the ways in which relational mechanisms are created between public and private actors, how it is reliant on the form of their interaction, and why it is important. The paper further adds to the understanding of the dynamics with regard to the nature of interaction between public and private actors in public procurement.

5.2 Research paper II: Roles for developing PPPs in centralized public procurement

The purpose of research paper II by Keränen (2017a) relates to understanding the development of PPPs in centralized public procurement by exploring 1) what types of roles do actors play to develop PPPs in centralized public procurement and 2) how do these roles change during a centralized public procurement process. Specifically, the paper examines the roles of the professional public purchaser, the public unit that manages the procurement implementation, and the private supplier organization.

The research paper rests on role theory (e.g., Biddle, 2013, 1986) and defines roles as behavioral patterns (Turner, 1990) that establish the basis for developing PPPs. In this paper, roles are understood to emerge from the expectations of others and intentional meanings that are changed by the actors themselves (e.g., Heikkinen, Mainela, Still, & Tähtinen, 2007). Therefore, the role is determined to relate to PPP development activities rather than defining that role through positions, as actors perform multiple roles required by their formal and informal positions (Anderson, Havila, Andersen, & Halinen, 1998). In the search for roles that reinforce the development of PPPs, and to form the theoretical framework for the paper, the typologies of managerial and intermediary roles in an interorganizational context were categorized into three types of role groups with an emphasis on how they contribute to the relationship development process. This categorization was empirically grounded by thematically analyzing the performed activities, which determine actors’ roles in developing PPPs in the centralized public procurements of raw food and home nursing services.

The research paper shows that the actors play different roles to reinforce the development of PPPs. The findings of the paper identify three specific types of developmental roles: 1) relationship initiator, 2) relationship builder, and 3) relationship facilitator, through which actors, it is suggested, strengthen PPP
development and which are played by relying on different degrees of interaction and knowledge exchange. The paper demonstrates the dynamics existing between the roles that actors perform to contribute to the development of PPPs. The findings show how an actor’s role-related performance changes and is influenced by the roles of the other two actors in the centralized public procurement process. The research paper further illustrates the context-specificity of roles by showing how context influences actors’ roles and the activities through which these roles are played.

The research paper contributes to the research on PPPs and the relationship dynamics of triadic relationships by identifying the roles actors perform to reinforce PPP development, specific activities these roles include, and their meaning with respect to PPP development, the actors performing them in the centralized public procurement process, and how contextual factors and other actors’ roles influence the way these roles are performed. For managers, the findings of this paper provide knowledge of how to reinforce the development of PPPs in different procurement contexts.

5.3 Research paper III: Transitioning towards partnership thinking in centralized public procurement

Research paper III by Keränen (2017b) examines the transitioning process of public and private actors from traditional transactional arm’s length tendering to partnership thinking in centralized public procurement. In the research paper, it is suggested that the actors in centralized public procurements form a triadic relationship, which is characterized by ongoing change and instability. The research paper thus addresses the question of how is the transition process of public and private actors towards partnership thinking influenced by the relationship dynamics in the triadic setting. This is followed by two sub-questions that are: What are the challenges that hinder the transitioning towards partnership thinking in public procurement and how is partnering promoted during the transitioning towards partnership thinking in the triad.

The theoretical part of the paper reviews the research on PPPs; specifically, the different forms of PPPs and the relational mechanisms underlying them. The research paper characterizes different procurement logics and how public organizations may attempt to shift from transactional arm’s length procurement logic to partnering. The research on triads is further applied to illustrate the relationship dynamics of partnering in a centralized public procurement context and
to frame in theory how relationship dynamics influence the transition process to partnership thinking in the triadic setting. This is qualitatively examined in the empirical setting of centralized home nursing service procurement.

The findings of the research paper show that the procurement logic underlying the dyadic relationship influences partnering in the triad both within and between different public procurement stages. That is, the transactional procurement logic of single actor and the logic underlying the relationship of two actors engendered and intensified the problems of triad. The paper further shows that problems emerge from the traditional transactional arm’s length procurement logic by retaining the arm’s length procurement culture and organization. Transactional procurement logic impeded the utilization of interactive and collaborative procurement practices, engendered a competitive atmosphere in the procurement, and tempted the public purchaser to initiate a partnership with the lowest bidder, which in this case was found to be unsuitable. The procurement logic in contracting further galvanized the actors to rely on similar kinds of thinking in procurement implementation. At this stage, specifically, the transactional procurement logic hampered partnering by promoting the negative attitude in resolving conflicts and demonstrated the actors’ inability to collaborate and commit themselves to shared procurement goals. The paper further illustrates that partnering between two actors promotes reciprocal collaboration in the triad. A shared understanding of jointly agreed procurement goals is shown to reinforce the shift from transactional arm’s length relationships to partnering, by permitting actors to express their commitment and establish mechanisms for collaboration and reciprocal knowledge exchange, resolving problems, and developing trust.

The research paper contributes to the theoretical discussion on the transition of public and private actors to partnership thinking in public procurement in three ways. First, the paper examines the transition process as a whole by investigating the multiplicity of challenges and promoters of transitioning at different levels, how underlying transactional procurement logic creates the challenges in partnering, and how partnership thinking changes this procurement logic. Second, the transitioning literature is extended by examining the dynamics of the transition process of public and private actors toward partnership thinking in the triadic setting. Third, the research fosters the understanding related to relationship dynamics in the triad by identifying how the activities of a single actor can strengthen and harm triadic partnering, particularly by influencing the development of trust. The empirical analysis carried out in a public service outsourcing setting is the final contribution of this paper. From a managerial point of view, the paper
gives specific insights into the challenges that possibly hinder the transition to partnering, and makes suggestions regarding how managers should change their mindset and demeanor to reinforce their partnership thinking. Furthermore, the findings of this paper increase the understanding of how relationship dynamics might influence the attempts to move toward partnership thinking in centralized public procurement.
6 Discussion and implications

This chapter discusses the findings of this thesis and presents the theoretical and managerial implications. Thereafter, the trustworthiness of the research is assessed, limitations discussed, and future research proposals suggested.

6.1 Review of the results

The purpose of this thesis was to understand the development of PPPs in a centralized public procurement context. Thus, to address this purpose, the following research question was formed: How are PPPs developed in a centralized public procurement context? This research question was approached through three supplementary sub-questions: 1) What are the drivers and challenges that influence the development of PPPs? 2) How do the actors of centralized public procurement participate in the development of PPPs? 3) How does the transition process of public and private actors toward partnership thinking influence the development of PPPs in centralized public procurement? The research questions of this thesis are answered through the theoretical and managerial understanding that is gained from the three research papers. The three sub-questions are answered next and they are followed by the answer to the main research question.

1) What are the drivers and challenges that influence the development of PPPs?

The first sub-question of this thesis is answered through the findings gained from research papers I and III (Keränen, 2017b). The answer to this research question includes insights into the opportunities and barriers to the formation of cooperative interaction and how different types of procurement logics promote and hinder the development of PPPs.

In this thesis, cooperative interaction is defined as firms’ intentional attempts to foresee a shared future by establishing shared goals and procedures, and resolving problems together (e.g., Alajoutsijärvi et al., 2001; Alajoutsijärvi et al., 1999; Möller & Wilson, 1995). The thesis suggests that cooperative interaction is central in developing PPPs as it is identified to engender opportunities that drive public and private actors to strengthen their collaboration and partnership. The finding preserves and extends the existing presumption of a paradigm shift within public administration and management that tends to emphasize the urge for a non-
competitive form of interaction between government, private markets, and non-profit organizations to harness the expertise of these actors (Lawther & Martin, 2005). Specifically, in research paper I, cooperative interaction is suggested to engender opportunities for reciprocal knowledge exchange between public and private actors, which influences the effectiveness and quality of public purchasing.

The thesis shows that knowledge exchange is an important driver influencing the development of PPPs. In research paper I, knowledge exchange is identified to enable public and private actors to establish a shared understanding and jointly agree on procurement goals and terms, which improves the feeling of mutuality and promotes trust. Furthermore, jointly agreed procurement goals are found to make actors commit themselves to the relationship more strongly and to form effective and flexible mechanisms for nurturing and sustaining their collaboration and knowledge exchange (Keränen, 2017b). The thesis thus suggests that knowledge exchange is important in promoting the shift from traditional transactional arm’s length procurement logic to partnership thinking in public procurement. The need for reciprocal knowledge exchange is nonetheless context-dependent; that is, actors that have less understanding of their procurement type tend to feel a greater need to share and exchange information and ideas during the public procurement process than those involved in standardized procurements (Keränen, 2017a). This finding implies that although partnering creates advantages in different public procurement settings, the degree of partnering varies depending on the procurement type. This reasserts the notion of Erridge and Greer (2002), who suggest that there are both advantages and disadvantages in partnership thinking and in a pure non-interactive form of competitive tendering, and thus no single method is superior.

The findings of this thesis reveal that the development of PPPs, especially in centralized public procurement, is challenging. Keränen (2017b) identifies that the challenges of partnering in public procurement are interlinked and they emerge from transactional arm’s length procurement logic. The underlying transactional procurement logic is specified to engender problems by retaining the arm’s length procurement culture and organization (Keränen, 2017b). This supports and extends the findings of Erridge and Greer (2002) from the organizational culture of public organizations to hinder the development of interorganizational relationships and trust. Research paper I supplements this by arguing that the problems stem from the initial mistrust between public and private actors. Research paper I and Keränen (2017b) further show that mistrust influences the atmosphere of a relationship. That is, the initial mistrust is revealed to hinder partnering attempts in contracting by making public authorities resistant to collaboration and to stress rules if they are
not familiar with the new and interactive forms of procurement procedures and practices, and by establishing a competitive atmosphere in the contracting stage, which tend to make public purchasers shy away from risks of lawsuits and initiate partnerships with the lowest bidders, who may at the time be unsuitable. In the procurement implementation stage, in turn, the mistrust is illustrated to influence the degree of collaboration and knowledge exchange by creating a negative attitude to resolve conflicts and a lack of commitment to the procurement goals (Keränen, 2017b). Nevertheless, the thesis further shows that sharing knowledge assists in managing the challenges of PPP development. In research paper I and Keränen (2017b), knowledge sharing clarified the tendering reports and diminished the risks of lawsuits, for example, thus having a positive influence on trust between actors.

Relying on the findings of this thesis, it is argued that the development of PPPs is challenging, but there are different types of drivers promoting public and private actors to surpass these challenges and initiate reciprocal, trustworthy relationships in different procurement contexts. In summary, the thesis presents that it is the reciprocal knowledge exchange and the benefits it engenders that assist public and private actors to manage the challenge of mistrust in the development of PPPs and motivate the actors to rely more on partnership thinking instead of transactional procurement logic in public procurement.

2) How do the actors of centralized public procurement participate in the development of PPPs?

The second sub-question is addressed primarily in research paper II (Keränen, 2017a) and partly in research paper I. The answer to this includes insights into the form of interorganizational interaction, and how it influences the development of PPPs. The answer further includes the identification of specific roles the actors play to develop PPPs in centralized public procurement.

This thesis suggests that the dimensions of the relationship atmosphere (e.g., Hallén & Sandström, 1988; Håkansson, 1982) influence the development of PPPs. Research paper I identifies that public and private actors participate in the development of PPPs by influencing the atmosphere of the relationship and thereafter the form of interorganizational interaction and exchange. Specifically, the actors promote the relationship development through the formation of cooperative interaction; that is, through the subtle utilization of power and by creating the feeling of mutuality, which are revealed to influence the degree of cooperation, closeness, and trust between the relationship partners. In research
paper I, cooperative interaction is further shown to increase the informality of the procurement by reinforcing interpersonal relationships and mutual trust, thus improving the knowledge exchange between public and private actors. The findings increase the understanding of relational mechanisms in public procurement (Zheng et al., 2008) by identifying how these mechanisms are created in the procurement process and how they supplement formal contracts. This is important as public authorities are accused of merely reacting to the changes in markets rather than proactively attempting to build trustworthy partnerships with private firms (Smyth & Edkins, 2007). That is, public purchasers tend to apply merely formal tendering without any opportunities for interaction (Lian & Laing, 2004). Therefore, the findings of this thesis add to the knowledge of PPP development by demonstrating the ways in which public procurement procedures and practices can be changed in order to empower public actors to initiate, develop, and maintain trustful and reciprocally rewarding partnerships with private market actors.

In this thesis, role-related performance develops through interaction and how actors understand and interpret their own and others’ behavior (Biddle, 1986). Therefore, what forms the particular role is jointly determined; that is, roles originate from creative participation in a reciprocally adaptive system of activities (Ashford, 2000; Anderson et al., 1998). Roles are thus defined as behavioral patterns (Turner, 1990) that establish the foundations for relationship development, and they emerge from both the expectations of others and intentional meanings that are changed by the actors themselves (Heikkinen et al., 2007). This thesis finds that the actors of centralized public procurement engage in PPP development by performing different types of activities, which determine their developmental roles. The PPP research acknowledges the importance of understanding why some PPPs tend to fail while others do not (e.g., Zou et al., 2014; Li et al., 2005; Jamali, 2004). The existing research nevertheless falls short in explaining how individual actors in PPP contribute to its development. This thesis increases the understanding of PPPs by clarifying the roles of actors who participate in the PPP development in three ways: 1) by initiating the PPP by formally connecting the three actors together, and establishing the foundation for PPP development, 2) by building PPP by fostering the development of PPPs by influencing trust, and 3) by facilitating PPP development by supporting the development process through knowledge sharing (Karänen, 2017a).

The thesis shows that the actors in the centralized public procurement process play different roles. The activities, which determine the roles actors perform with
respect to PPP development, are found to change in contracting and procurement implementation and influence the roles of the other two actors in the triad and the general direction of PPP (Keränen, 2017a). The findings stress the dynamic nature of roles and the development of PPPs in centralized public procurement. In the literature, PPPs are frequently characterized by rather stagnant lists of factors that either inhibit or reinforce them. Regardless of the significant contributions of this research stream, there is a lack of knowledge on how the roles of the actors and the relationships structures between them change during the procurement process. This thesis attempts to fill this gap by examining the dynamics of PPP development.

Erridge and McIlroy (2002) propose that public organizations need diverse purchasing strategies to manage their relationships with private organizations. The findings of this thesis further this view by identifying how the context of PPP influences public and private actors’ roles with regard to PPP development and how they are played in the process. In centralized public procurement, PPPs are initiated by professional public purchasers, but their efforts are facilitated by the other two actors in the triad that share their information with the purchasing unit. In the stage of procurement implementation, nevertheless, the public purchaser may either take the role of follower, and the responsibility for developing the PPP is left to the public unit that manages implementation and the private organization, or it may contribute to the PPP development equally with the other two actors of the triad. In standardized product procurements, the development work is further seen to rely on the procurement contract and respecting that, whereas more diversified service procurements tend to require actors to rely more on different types of relational mechanisms, such as shared goals and knowledge exchange. (Keränen, 2017a.) This confirms the context-specificity of roles (Knight & Harland, 2005) as actors with similar formal positions are identified to perform different types of behavioral roles, which are determined by the context instead of their position (see Anderson et al., 1998; Dimaggio, 1992). The findings further reflect those of Vedel et al. (2016) on the difference between closed triads formed by sets of three linked actors and closed triads with group-like structures; the more the actors are linked to each other and the more they strive for mutual goals, the more the structure of the triad develops in a group-like way.

The way in which public and private actors interact in contracting influences the procurement implementation. The findings of this thesis show that contracting steers partner actions in the procurement implementation stage. In research paper II (Keränen, 2017a), a shared understanding from jointly agreed procurement goals prevailed initially in the relationship between the public purchaser and the private
organization, from which it strengthened the ties between the other two actors and empowered them to work together to reach those goals. The thesis thus presents that the role of the public organization responsible for contracting practices is critical in promoting PPP development. Specifically, research paper I and Keränen (2017a) identify that the professional public purchaser acts as a ‘bridge’ (Li & Choi, 2009) or a boundary spanner (e.g., Zheng et al., 2008) between the public unit that manages procurement implementation and the private partner. Research paper I demonstrates that this position vanishes during the implementation stage of public procurement, but a trustworthy and cooperative relationship between the public purchaser and the private organization is understood to foster knowledge exchange and the trust development between the private firm and the public units.

Relying on the findings of this thesis, it is suggested that the way in which public and private actors participate in the PPP development in centralized public procurement relies on activities that determine their dynamic and context-dependent roles. In summary, the thesis suggest that the three actors of a centralized public procurement process participate in the PPP development through initiating, building, and facilitating the development work and it requires the formation of cooperative interaction from them.

3) How does the transition process of public and private actors toward partnership thinking influence the development of PPPs in centralized public procurement?

The third sub-question is answered through the findings of research paper III (Keränen, 2017b). The answer includes insights into the relationship dynamics involving the transition of public and private actors from traditional transactional arm’s length tendering towards partnership thinking in the context of centralized public procurement.

Transactional paradigm refers to the mechanisms underlying the procurement, in which savings and effectiveness are achieved through competitive tendering (Lian & Laing, 2004). In traditional tendering, thus, the exchange is transactional and the relationships short-term and arm’s length (Erridge & McIlroy, 2002). This thesis finds that the transactional paradigm has its shortages, especially with regard to PPP development, and therefore new kinds of public strategies and practices that promote the shift from transactional arm’s length tendering to building reciprocally rewarding partnerships are required. This paradigm change is reasserted to change how public and private actors interact and how their relationships are governed.
(e.g., Zheng et al., 2008; Lawther & Martin, 2005). Nevertheless, little research has examined the transition process from transactional arm’s length procurement logic toward partnership thinking in public procurement. This thesis thus furthers the understanding of this transitioning by addressing the influence of a third actor and the surrounding relationship dynamics on the process.

The thesis shows that the change from a transactional arm’s length paradigm to partnership thinking is challenging and it requires the development of relational mechanisms to supplement formal procurement contracts. The findings reveal that it is the transactional procurement logic that hinders partnering between the professional public purchaser and potential private partners during contracting and engenders problems at the procurement implementation stage between the public unit managing procurement implementation and the private organization (Keränen, 2017b). In the research of Keränen (2017b), the transactional paradigm retained the transactional procurement culture and organization and thus hampered attempts to utilize collaborative procurement practices, creating a competitive atmosphere in the contracting stage and tempting the public purchaser to award the contract to the lowest bidder. Furthermore, the transactional paradigm hindered the attempts to restore the problematic relationship, leading to poor conflict-solving skills and a lack of commitment to the procurement goals, which established distrust between the three actors (Keränen, 2017b).

It has been identified that the transition process from traditional transactional arm’s length procurement logic toward partnership thinking requires changing the mechanisms underlying public procurement. Instead of relying on an arm’s length approach, the thesis suggests that the shared understanding of jointly agreed procurement goals and commitment to them promotes partnering. Keränen (2017b) illustrates that in the transitioning to partnership thinking, knowledge sharing reinforces collaboration and learning from each other, and thus it is considered important for PPP development. These findings lend support to the idea that relational mechanisms are critical in transitioning to partnership thinking together with contractual governance (e.g., Hartmann, Roehrich, Frederiksen, & Davies, 2014; Zheng et al., 2008), but extends it by investigating the dynamic interplay between these different procurement logics.

The thesis argues that partnering between public and private organizations, especially in centralized public procurement, is characterized by ongoing change and instability. Thus, the transition process to partnership thinking influences PPP development through the relationship dynamics it includes. Keränen (2017b) shows the transactional procurement logic of a single actor and the logic underlying the
relationship between two actors to engender and intensify the problems within the triad. The trustworthy, cooperative relationship between two actors is further identified to promote and foster reciprocal knowledge exchange and trust between the other actors in the triad (Keränen, 2017b). The findings exemplify the direct links between the three actors of the triad (see Vedel et al., 2016 Madhavan et al., 2004) and how collaboration in triads tends to be more problematic than in dyadic relationships (see Holma et al., 2009). This fosters the understanding of the relationship dynamics in triads by identifying how the activities of single actors might either strengthen or harm triadic relationship development by influencing the development of trust. This reasserts the presumption of Hartmann et al. (2014) that strategic procurement practices of professional public purchasers reinforce partnering and furthers it by specifying that in the context of centralized public procurement, the three actors engaged in a triad must understand and address their own ways to manage and reinforce the partnership.

In summary, this thesis proposes that the transitioning process to partnership thinking in centralized public procurement makes the development of PPPs more dynamic and it requires learning new ways of thinking that rely on the ongoing interplay between contractual and relational mechanisms.

How are PPPs developed in a centralized public procurement context?

The primary research question is finally answered by relying on the answers to the three sub-questions. This thesis proposes that PPP development in a centralized public procurement context is an ongoing and dynamic process, involving three individual actors forming a triad. The interaction between the professional public purchaser, the public unit managing procurement implementation, and the private supplier organization is interlinked and dynamic; the way the actors participate in the development process tend to change during the centralized procurement process and it is influenced by the activities of the other two actors in the triad and the procurement type. The procurement logic of a single actor or the procurement logic in the relationship between two actors may further engender and intensify the problems of the triad or promote the partnership thinking in the triad. That is, the development of PPPs is influenced by both positive and negative relationship dynamics.

It is argued that the development of PPPs is dependent on the ongoing interplay between relational and contractual governing mechanisms. The thesis appraises the importance of formal contracts in public procurement, but it highlights that it is
relational mechanisms that assist in the transition from traditional transactional arm’s length tendering to partnership thinking. It is suggested that the cooperative interaction contributes to the development of PPPs by reinforcing informality and mutuality, and thereafter reciprocal knowledge exchange and the formation of other relational mechanisms in PPPs, such as shared understanding from jointly agreed procurement goals, commitment to them, and mutual trust. The thesis finds that the cooperative interaction is created through the subtle utilization of power and by increasing the feeling of mutuality, which influence the degree of cooperation, closeness, and ultimately, trust between public and private actors. The nature of relationship between cooperative interaction and relational mechanisms is, though, iterative; that is, although cooperative interaction influences the formation of relational mechanisms in PPPs, relational governing further improves collaboration and knowledge sharing in the relationship.

This thesis shows that knowledge exchange is required in developing PPPs as it is strongly intertwined with trust. That is, the development of PPPs is found to rest on different degrees of interaction and knowledge exchange, which influence the degree of trust between the actors. Specifically, the procurement type influences the way in which knowledge is shared and trust built. In standardized procurement types, the need for meetings and pre-negotiations in contracting and procurement implementation is less than with more diversified service procurements. Therefore, in standardized product procurements, trust is built rather formally by respecting the legal agreement, while in more diversified service procurements the three actors contribute to PPP development by relying more on relational dimensions.

The thesis illustrates that through their role-related performance, the actors reinforce the development of PPP in centralized public procurement. The single actor may reinforce the development of PPPs by initiating, building, and facilitating PPP development. Specifically, the actors may perform the activities of connecting the three actors formally together and establishing the foundation for development work, fostering the development of PPPs by influencing the degree of trust within the triad, and by supporting the development process through their knowledge sharing. The thesis shows that the professional public purchaser has a significant role in reinforcing PPP development in the triadic setting. The public purchaser influences the development by leveraging the partnership thinking throughout the triad by fostering reciprocal knowledge exchange and trust between the other two actors in the triad. Regardless of this, each of the three actors of centralized public procurement must understand and identify ways of facilitating the partnership. Nevertheless, the actors may not participate in the development process equally or
in the same way in similar formal positions; instead, the way actors participate in the development of PPPs can vary during the public procurement process and it is dependent on the other two actors and the procurement context. This illustrates again the relationship dynamics embedded in PPP development.

Finally, this thesis recognizes that the network in which the relationship is embedded influences the development both positively and negatively. The external network may create challenges to develop PPPs by engendering a competitive atmosphere into the contracting stage, for example, or the network may promote partnership thinking by empowering public authorities to try new and interactive procurement procedures and practices. The findings of this thesis with regard to how PPPs are developed in a centralized public procurement context are illustrated in Figure 4.

Fig. 4. Empirically adapted framework for developing PPPs in a centralized public procurement context.
6.2 Theoretical contributions

This thesis examined the development of PPPs in centralized public procurement, which formed four specific theoretical contributions. First, the thesis contributes to the research on relational contracting, governing, and management in PPPs (e.g., Zou et al., 2014; Zheng et al., 2008; Smyth & Edkins, 2007; Parker & Hartley, 2003) and informal collaboration between public and private actors (e.g., Smyth & Edkins, 2007; Erridge & Greer, 2002) by integrating PPP research into the tradition of IMP research stream and the interaction approach. Specifically, by applying the IMP research to interaction processes and how interaction creates and contributes to the development of interorganizational relationships, the thesis shows that cooperative interaction is essential with regard to initiating, developing, and maintaining PPPs, not just at the beginning of public procurement (e.g., Zheng et al., 2008; Koppenjan, 2005; Lawther & Martin, 2005), but throughout the entire process. That is, the cooperative interaction promotes the formation of relational mechanisms and assists in the transition from transactional arm’s length tendering to partnership thinking in public procurement. In this way, the findings of this thesis supplement the limited understanding of PPPs as a social construction during the procurement process (e.g., Bovaird, 2006; Erridge & Greer, 2002) and enrich the traditional, rather simplified and rational view of PPPs.

Second, the thesis enriches the theoretical understanding of PPP development by applying the triadic approach in examining the relationship dynamics involved in the development of PPPs. The existing research on PPP has made a tremendous effort to identify factors hindering (e.g., Zhang, 2005; Jamali, 2004) and promoting PPPs (e.g., Zou et al., 2015; Li et al., 2005; Jamali, 2004) in the attempt to understand the failures and successes of PPPs. Regardless of the important insights given by this research stream, it is somewhat limited in terms of relationship dynamics and how these dynamics influence the development of PPPs. The findings of this thesis thus increase the understanding of PPPs by showing that the development of PPPs in centralized public procurement is an ongoing and dynamic process, in which the influence of the three actors on the process changes in different procurement stages. The thesis identifies that the actors reinforce the development of PPPs by initiating, building, and facilitating the development process. The participation of a single actor in the development process of PPPs is influenced by dynamics emerging from the activities of the other two actors in the triad, the network surrounding the triad, and the procurement type. This thesis thus
extends the knowledge of PPPs as dynamic entities (e.g., Smith & Wohlstetter, 2006).

Third, this thesis contributes to the literature on business triads by illuminating the nature and formation of relationship dynamics in the relationship development of triads. The thesis identifies that the transactional arm’s length procurement logic of a single actor or that underlying the relationship of two actors can engender and intensify the problems in the triad with regard to its development and, in reverse, partnering in the relationship between two actors can promote partnership thinking throughout the triad. This adds to the understanding of the connectedness of actors in triads (e.g., Vedel et al., 2016; Holma et al., 2009) by demonstrating empirically how actors’ actions engender relationship dynamics and influence the triad. The findings further highlight that each of the three actors engaged in the triad influence the partnership, either negatively or positively. This is reliant on the activities of the other parties in the triad and the network in which the triad is embedded. Specifically, the strategic procurement practices of a professional public purchaser may promote the formation of partnership thinking in the triad (Hartman et al., 2014). Thus, this thesis develops the understanding of using relationship dynamics in leveraging partnership thinking throughout the triad and the procurement process.

Fourth, the PPP research is largely fragmented in different disciplines, but in marketing, the role of PPPs is limited (Roehrich et al., 2014). This thesis brings together the PPP research and marketing research streams by investigating the relationship development between public and private actors that lies in the center of the marketing discipline, especially the tradition of IMP research stream. That is, although persistently emerging and increasing, the IMP research on relationship development in a public setting has been until now rather rare (see Torvatn & de Boer, 2017). Therefore, this thesis extends the understanding of public-private relationships by thoroughly examining the development of PPPs in centralized public procurement from public and private actors’ perspectives. Specifically, the specific drivers and challenges related to this development process are identified. In this way, the thesis further adds to the knowledge of PPPs’ context-dependency (e.g., Smyth & Edkins, 2007; Bovaird, 2006; Smith & Wohlstetter, 2006) by showing how the context in which the partnership is embedded influences the way PPPs are initiated, developed, and maintained.
6.3 Managerial contributions

The growing interest in partnering in delivering public services illustrates the need for a greater understanding of PPP development in public procurement. In this thesis, it is argued that the development of PPPs requires a change of thinking; instead of relying merely on traditional transactional arm’s length procurement logic, the managers of public and private organizations should attempt to apply partnership thinking in public procurement. The major implication of this thesis thus lies in fostering the understanding of managers in terms of partnering, and how partnership thinking is reinforced in public procurement.

In attempting to apply partnership thinking, managers should attempt to create formal and informal knowledge and information sharing routines and practices that are based on non-competitive form on interaction. This would allow public and private actors to negotiate and agree on shared goals during contracting, and to build both effective and flexible mechanisms to collaborate and monitor the implementation of procurement. Through interactivity and reciprocal knowledge exchange, individuals develop mutual trust, which further strengthens their interorganizational ties and helps to moderate the potential tensions between organizations. In public settings, using these types of interactive and collaborative procurement practices is nevertheless challenging. Erridge and Greer (2002) characterize the organizational culture in public procurements by the resistance of public actors to collaborate. That is, public actors tend to be afraid that deeper relationships with private actors may result in corruption (Lindskog et al., 2010) and influence the effectiveness and fairness of procurement. Specifically, creating an equal situation for private actors to negotiate without the public actor favoring a particular party is considered challenging (Arlbjørn & Freytag, 2012). Individuals in public purchasing units therefore require motivation and encouragement to engage in interactive and collaborative ways of implementing public procurements. In this, training and juridical support is important. Individuals in private firms would similarly benefit from instructions on how to respond to new procurement practices and their requirements.

The transition from transactional procurement logic to partnership thinking requires more robust promotion by policy makers and senior public management. Specifically, in formulating national and international procurement strategies, principles, laws, and other regulations, flexibility must be emphasized. Flexibility in using different public procurement procedures would empower and encourage
public organizations to find and apply new and collaborative yet fair procurement implementation procedures.

Nevertheless, the degree of partnering varies, depending on the procurement type. From a manager’s point of view, it is important to identify the characteristics of the procurement type and assess how much and what type of knowledge is required to implement the procurement with high quality. Managers participating in standardized product procurements may not need to share that much of information compared to those working in more diversified service procurements. Service procurements, meanwhile, tend to be more problematic to determine, and therefore public and private actors must be willing to share information, especially during contracting, and learn from each other to jointly form the goals and terms of collaboration. This seems to happen best in technical dialogs and thus using them is highly recommended.

The other major implication of this thesis relates to the context of centralized public procurement, in which three actors collaborate to deliver public services. It is thus suggested that centralization increases the relationships dynamics of PPPs, from which this thesis extends managerial understanding. That is, PPPs develop dynamically; they are influenced by positive and negative relationship dynamics. These dynamics are an inherent part of the triad or they may emerge from the network surrounding the PPP. The managerial challenge is nevertheless to identify them and understand how they may influence the partnership. This would allow managers to identify potential problems hindering the procurement implementation and foremost to take the required actions in time to surpass them. The identification of potential benefits emerging from relationship dynamics also requires managerial recognition to identify new opportunities for collaboration.

Regardless of that the network in which the PPP is embedded does influence PPP development, developing PPPs rests on the intentional developmental efforts of the three actors in centralized public procurement. Often, individuals may not participate in the development equally or in the same way in similar kinds of formal positions. Therefore, individuals in public and private organizations should identify how and when they may reinforce the partnership. They must further understand that their participation in the development process might vary during the public procurement process. This requires an understanding of the factors on which the participation of organizations and the individuals in them may depend. For example, the way individuals participate in PPP development may be dependent on the individuals in other organizations and the public procurement context.
6.4 Trustworthiness of the research

Research are generally assessed by the three criteria of reliability, validity, and generalizability. These criteria are nevertheless designed for quantitative research, reflecting the positivistic research tradition (Gibbert, Ruigrok, & Wicki, 2008). Therefore, they are rarely suitable for qualitative research, which tends to rely on relativistic ontology and subjectivist epistemology (Eriksson & Kovalainen, 2008, 294). Thus, to better address the philosophical starting points of this thesis, the criteria of credibility, transferability, dependability, and confirmability are applied (Lincoln & Guba, 1985, 294–301) to assess the trustworthiness of this research.

**Credibility** refers to the degree to which the findings are agreed to represent the data truthfully (Lincoln & Guba, 1985, 269). Thus, credibility reveals the degree of research to reflect reality (Walle, 2015, 133). In credible research, the researcher is highly familiar with the research phenomenon, and the findings are sufficiently verified by the data (Eriksson & Kovalainen, 2008, 294). Informants must further acknowledge that the findings of the researcher reflect their views (Sandelowski, 1986). To reinforce the credibility of this thesis, the researcher has thus thoroughly examined the research phenomenon in question and its context, theoretically and empirically from the perspectives of public and private actors, and in doing so has gathered different types of data from two empirical contexts.

**Transferability** reflects the extent to which one piece of research has some sort of similarity with other research contexts (Eriksson & Kovalainen, 2008, 294). Transferability does not thus reflect the degree of replication required to generalize the findings; instead, it refers to analytical generalizability and the appropriateness of applying the findings to other contexts (Järvensivu & Törmroos, 2010; Yin, 2003). Transferability is determined by those using the research, not by the researcher herself (Lincoln & Guba, 1985, 297). The researcher must thus give the reader enough information to judge the research and the possible ways of applying it to other contexts (Walle, 2015, 136). In this thesis, transferability is increased by giving information on the details of the research design, the characteristics of researched PPPs and their contexts, and the quantity and quality of the empirical data gathered. Analyzing the theoretical links of this work to existing research and assessing its limitations and future research further increase the transferability.

**Dependability** refers to the degree to which informants consistently agree when discussing something (Walle, 2015, 140). Furthermore, in dependable research, the researcher gives information from the research process to show that it is logical, traceable, and documented (Eriksson & Kovalainen, 2008, 294). In this thesis, the
entire research is designed to reflect its purpose to understand the development of PPPs in the context of centralized public procurement and to answer to specific research questions through the research papers. The theoretical and methodological decisions are further explained and justified to help the reader understand the logical reasoning of the researcher. The dependability was additionally improved by gathering different types of data, reflecting on different perspectives, to increase the consistency of the findings.

**Confirmability** is defined as the degree to which others agree with the results of the research (Walle, 2015, 141). Eriksson and Kovalainen (2008, 294) suggest that findings require linking to the data in ways that can be understood by others with no difficulty. In this thesis, specifically, the methods of analysis and the processes of transforming the gathered data into specific theoretical and managerial implications are thoroughly explained and justified (see Symon & Cassell, 2012). The findings in the research papers were further verified by direct quotes from the interviewees.

### 6.5 Limitations and future research

Every research has its limitations. These limitations require assessment in the light of the investigated research phenomenon. This thesis attempted to understand the development of PPPs in the context of centralized public procurement by applying the research on the relational contracting, governing, and management of PPPs and integrating it into the research tradition of IMP. These theoretical discussions are justified to increase the understanding of PPPs by giving interesting insights into how interaction engenders and contributes to PPP development. The theoretical positioning of this thesis nevertheless limits the findings of the research on PPPs to the designated perspectives. Research from different theoretical perspectives would create additional knowledge from PPPs.

The triad between two public units and the private organization in centralized public procurement is investigated to understand the development of PPPs in the context of centralized public procurement, and it is argued to advance procurement implementation. Therefore, the purpose of this thesis is intentionally limited to the partnership between public and private actors. This is nevertheless understood to give merely a partial understanding of service delivery in the public setting. The delivery of public services no longer takes place exclusively between public authorities acting in the public interest and the private partner; instead, the role of users and other members of the community in shaping procurement decisions and
outcomes has grown (e.g., Torvinen & Ulkuniemi, 2016; Bovaird, 2007). Thus, more research is required on how service users and their communities could be part of service planning and delivery in the public setting, together with private market actors.

It is argued that PPPs develop dynamically through the intentional activities of actors taking part in them and the indirect and direct influences that emerge from the network surrounding PPPs. The purpose of this thesis is to understand PPP development by acknowledging the influence of both intentional and unintentional mechanisms in the process. Although this was not the purpose of this thesis, the empirical data gave hints on public authorities and their partnerships with private actors to shape private markets. Therefore, more in-depth research (e.g., Edler & Georgiou, 2007) is required to thoroughly understand how partnering between public and private actors shapes markets.

This thesis is positioned within the research paradigms of critical realism and moderate constructionism, from which moderate constructionism stresses the possibility of multiple viewpoints on knowledge and truth (Järvensivu & Törnroos, 2010). The possibility of differences in how public and private actors, working in different institutional settings, understand and make sense of their partnerships is thus acknowledged. Nevertheless, the thesis is primarily interested in answering the research question of how PPPs are developed in the context of centralized procurement without specifically addressing the differences in how individuals in different organizations understand their relationship. Future research should thus more thoroughly address individuals’ sense-making and how that influences the way PPPs are developed. This would further the understanding of PPPs.

The findings of this thesis suggest that PPP development is an ongoing and dynamic process. In terms of methodology, gathering retrospective data to examine this process is justified; that is, it is argued that retrospective data makes it possible to understand how the research phenomenon develops and why it develops in its way (see Halinen and Mainela, 2013). Nevertheless, retrospective data brings with it some limitations to this research. Research using real-time, longitudinal data could thus add something new to the understanding of PPPs and how they develop by giving a more systematic way of examining the different development phases in PPPs and what happens in them. Furthermore, examining two different kinds of procurement contexts provided opportunities to gather rich contextual insights that permitted the generation of a context-specific understanding of PPP development. The findings of this thesis might be utilized to analyze other related contexts (Yin, 2003; Lincoln & Guba, 1985). Interorganizational relationships are rather unique
and thus future research should include research in different procurement contexts to better understand partnering between public and private actors and why some fail to partner when others manage to develop strong PPPs. Specifically, future research into partnering in service delivery settings is recommended. Public services (e.g., public health services) are nowadays increasingly outsourced to private partners, and to ensure good service quality, strong partnerships between these actors are required.
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