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PARTNERING RELATIONS – JUSTIFICATION AND SUCCESS FACTORS FROM FACILITIES MANAGEMENT SERVICES PERSPECTIVE

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Tero Lehtonen

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Abstract

There is an on-going transition towards more collaborative approaches (i.e., usage of partnering relations) in the procurement of facilities management (FM) services. However, sometimes partnering is used also in cases in which it is not the most appropriate choice. This may happen due to the fact that most organizations do not have adequate knowledge of the advantages and disadvantages of different relationship approaches. In addition, confusion prevails about the nature of partnering relations as relationships and the manner in which they should be managed.

This study looks at issues surrounding the selection of relationship type and the management of partnering relations between a client and FM service providers, and integrates five scientifically reviewed research papers. The objectives of the study are to find out in which situations partnering approach is chosen and to identify the factors rendering a partnering relation a success. Furthermore, reasons for the dissolution of earlier relationships are identified.

The empirical part of the study consists of two phases. The first phase is qualitative one, and the data are collected by semi-structured and focus group interviews. It aims towards deeper understanding of the selection criteria of relationship type, the differences between alternative relationship types in FM services, and partnering success factors. Although the focus is on the client's perspective, the representatives of service providers are also interviewed in order to achieve greater wealth of information. In order to confirm the findings of the first phase and, furthermore, to recognize the procurement trends of FM services, a survey is carried out as a second part of the empirical study. The data are collected using an internet-based questionnaire provided by client companies.

The results provide understanding of partnering phenomenon in the FM services context and suggest new insights on when to choose partnering approach and how to manage partnering relations successfully. The results indicate that companies should adopt a more strategic approach towards sourcing decisions in relation to FM services. Furthermore, in order to ensure the partnering success, precise goal setting with organized forms of cooperation and interaction is needed.

Keywords
Service procurement, inter-organizational relationships, partnering, facilities management services

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Tekijä Tero Lehtonen	
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Tiivistelmä

Toimitilapalvelujen hankinnassa ollaan siirtymässä vaiheeseen, jossa ulkoistetaan entistä strategisempia toimintoja ja keskitetään jo ulkoistettuja palveluja yhdelle tai korkeintaan muutamalle palveluntuottajalle. Muutoksen seurauksena on syntynyt tarve kehittää toimintamalleja, jotka tähtäävät pitkäkestoiseen, molempia osapuolia hyödyttävään yhteistyöhön. Perinteisestä hinnalla kilpailuttamisesta ollaan siirtymässä kohti kumppanuusajattelua, joka onnistuakseen vaatii asennemuutosta ja uudentyyppistä tietotaitoa liikesuhteiden johtamiseen.

Tämä väitöskirja koostuu yhteenveto-osasta ja viidestä julkaistusta artikkelista. Tutkimuksessa keskitytään kumppanuusmallisten yhteistyösuhteiden johtamiseen sekä liikesuhteen tyypin valintaan vaikuttaviin tekijöihin toimitilapalveluympäristössä. Lisäksi analysoidaan, mitkä tekijät ovat vaikuttaneet aiempien liikesuhteiden päättymiseen. Tutkimuksen tavoitteena on selvittää, missä tilanteissa yritykset valitsevat kumppanuusmallisen yhteistyösuhteen sekä määrittää, mitkä ovat kumppanuusmallisten suhteiden menestystekijät.

Tutkimuksen empiirinen osio koostuu kahdesta vaiheesta. Ensimmäisen vaiheen aineisto kerättiin puolistrukturoiduilla haastatteluilla sekä ryhmähaastatteluilla. Tavoitteena oli kerätä tietoa liikesuhteen tyypin valintaan vaikuttavista tekijöistä, erityyppisten liikesuhteiden ominaisuuksista sekä kumppanuusmallisten suhteiden menestystekijöistä. Haastatteluja suoritettiin sekä palveluntuottaja- että tilaajapuolella. Empiirisen osion toinen vaihe toteutettiin palvelun tilaajille suunnattuna internet-pohjaisena kyselytutkimuksena. Tavoitteena oli selvittää kiinteistöpalvelujen hankintaa koskevat trendit sekä eri menestystekijöiden merkitys ja painoarvo kumppanuusmallisen yhteistyösuhteen onnistumiselle.

Tutkimuksen tulokset selittävät, minkä takia kumppanuusmallisia yhteistyösuhteita sovelletaan tänä päivänä myös toimitilapalvelujen kaltaisissa strategisesti vähemmän merkittävissä hankinnoissa. Lisäksi tulokset tarjoavat tietoa erityyppisistä yhteistyömalleista sekä kumppanuusmallisten yhteistyösuhteiden menestystekijöistä toimitilapalveluympäristössä. Käytännön suosituksena esitetään, että toimitilapalvelujen hankintaan ja johtamiseen tarvitaan aiempaa systemaattisempi ote. Systemaattisuutta voidaan lisätä esimerkiksi hankintastrategioiden ja yhteistyösuhteiden johtamismallien avulla.

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Helsinki, September 2006

Tero Lehtonen

LIST OF APPENDED PAPERS

This dissertation of doctor of science in technology summarizes the following publications:

Paper 1.
Salonen, A., Lehtonen, T., and Ventovuori, T. (2005), A review and classification of empirical research in facilities management, in *Proceedings of the 4th European Research Symposium in Facilities Management*, pp. 477-485.

Paper 2.
Lehtonen, T. and Ventovuori, T. (2006), The nature of inter-organizational relationships in FM services, in *Proceedings of the 5th European Research Symposium in Facilities Management*, pp. 443-455.

Paper 3.
Lehtonen, T. (2004), Attributes and success factors of partnering relations – a theoretical framework for facility services, *Nordic Journal of Surveying and Real Estate Research – Special Series*, Vol. 2, pp. 31-46.

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Lehtonen, T. (2006), Collaborative relationships in facility services, *Leadership & Organization Development Journal*, Vol. 27, No. 6, pp. 449-464.

Paper 5.
Lehtonen, T. and Salonen, A. (2006), An empirical investigation of procurement trends and partnership management in FM services – A Finnish survey, *International Journal of Strategic Property Management*, Vol. 10, No. 2, pp. 65-78.

The contribution of the author to Papers from 1 to 5 is as follows:

Paper 1: The paper is the result of cooperation with the co-authors. All authors contributed equally to reviewing the literature, analyzing the data and writing the paper.

Paper 2: The author of this dissertation is responsible for initiating this paper and had main responsibility in writing the paper. The data were collected and analyzed in cooperation with the co-author.

Paper 3: The author is fully responsible for writing this paper.

Paper 4: The author is fully responsible for writing this paper.

Paper 5: The author is responsible for initiating this paper and had main responsibility in writing the paper. The data were analyzed in cooperation with the co-author.

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ABBREVIATIONS

CEM	Laboratory of Construction Economics and Management
CEM/FSR	CEM Facility Services Research
CIB	International Council for Research and Innovation in Building and Construction
CIB W70	Working Commission for Facilities Management and Maintenance
CREM	Corporate Real Estate Management
FM	Facilities Management
IPSERA	International Purchasing and Supply Education and Research Association
RAKLI	Finnish Association of Building Owners and Construction Clients
TCE	Transaction Cost Economics
Tekes	National Technology Agency of Finland

1 INTRODUCTION

1.1 Background

The markets in which firms compete are increasingly influenced by international competitors, demanding customers, rapid technological change, and shorter product life cycles. Most of the firms have attempted to counter these competitive forces by downsizing their workforces in an effort to reduce costs and refocus on their core competencies. Companies have also increased their level of outsourcing, which refers to firms purchasing goods and services that were previously provided in-house (e.g. Quinn and Hilmer 1994, Möller and Halinen 1999, Hui and Tsang 2004). As the number of outsourced functions and relationships with suppliers has grown, greater attention should be directed to determining the optimal number of suppliers for a given function (Krause 1997, Cousins 1999) and the type of relationship to be applied to these supply relations (Dyer et al. 1998, Gadde and Snehota 2000). It is clear that partnering relations should not be used in every situation and two firms involved in discrete and arm's length transactions can also have a high-quality relationship (Bensaou 1999, Gadde and Snehota 2000, McCutcheon and Stuart 2000). As Krause et al. (1998) state, major challenge facing managers nowadays involves deciding when and how to make the transition from arm's length relations to partnering relations, and once established, how deploy these relationships within the supply chain to meet the buying firm's competitive needs.

Consequently, the role that purchasing plays within the organization is changing. Traditionally, the supply function was viewed by top management as performing a service role in the organization. Supply performance was often measured by how quickly requests by user departments were satisfied and how low a price was obtained from suppliers (Blenkhorn and Leenders 1988). Nowadays, in most companies purchasing as a function has become more strategic (Macbeth 1994, Arnold 2000) with a smaller number of highly qualified buyers and with closer relationships with remaining suppliers (Cousins 2002).

These new challenges have also been recognized in academia. The number of studies related to the nature of the buyer-supplier relationships and the advantages or disadvantages of different relationship types has grown substantially in recent years in supply management and industrial marketing research (Bensaou 1999, Mentzer et al. 2000, O'Toole and Donaldson 2000). One of the most popular topics has been to describe and analyze the shift from traditional arm's length relationships towards longer-term, more collaborative relationships in which buyers and suppliers regard each other as partners (Patterson et al. 1999).

However, the literature on the subject is still deficient in some important respects. When looking at the studies intended to add the knowledge on how to effectively operate in business markets and manage relationships, there is one sector that lacks attention, namely, the business services (e.g. Bryntse 1996, Sheth and Sharma 1997, Ellram et al. 2004, van der Valk et al. 2005). Nearly two decades ago, Stock and Zinszer (1987) identified the growing need for a research related to the acquisition of services. Nevertheless, the examples and models used in academia tend to centre on the manufacturing sector and toward the physical transfer of goods. However, services are increasingly developing into a larger part of organization's purchasing expenditures.

In addition, the process of purchasing services has been found to be more complex than the purchasing process of goods (Jackson et al. 1995, Fitzsimmons et al. 1998, Smeltzer and Ogden 2002). Services are intangible, inseparable, perishable and heterogeneous: these characteristics affect the purchasing process so that some elements become more important, more difficult or just different in comparison to goods (Axelsson and Wynstra 2002). For example, in services, it is often difficult to understand in advance the precise content of the service. This increases the complexity associated with specification.

The need for additional research in services is not limited only to the purchasing phase only. In contrast to goods, the service purchase does not end with the contract, but extends throughout the period that a supplier provides services to the buying company (van der Valk et al. 2005). Services marketing researchers have been pointing out that services are produced and consumed in interactive processes between the supplier and the buyer or end-user (Zeithaml and Bitner 1996, Grönroos 2000). This indicates that after the contract has been signed, suitable buyer-supplier interfaces need to be designed to ensure satisfactory service delivery.

This study will present one step in filling the void in the research of business services from facilities management (FM) services perspective. When comparing FM services to other business services, one essential characteristic distinguishing them from other business services, is that they are delivered in or related to the premises of clients (Bröchner 2001). Although the relative importance of different business services differs across sectors, industries and individual companies, companies need a workplace (i.e. a physical place and related services) for carrying out their activities and for instance, Fearon and Bales (1995) have found that FM services is the most important service category in terms of volume.

As in other areas of purchasing, a transition appears to be occurring in the way organizations approach buyer-supplier relationships in FM services (Incognito 2002, Salonen 2004b). Consequently, more research needs to be conducted in this field. In fact, FM as a whole is a relatively new profession and only since the late 1980s, it has gradually gained a foothold as a service discipline and profession within the real estate and construction industries (Gilleard et al. 1994, Tay and Ooi 2001). While FM as a profession is new, the history of academic research and publishing in the field of FM is even shorter and the development of FM to date has been unsupported by theory. Although the 1990s have seen an increasing rise in serious theoretical investigation of FM (Price and Akhlaghi 1999), the field of FM still remains under-researched (Nutt 1999)[1].

1.2 Scope and objectives

This study considers issues surrounding the selection of the relationship type and the management of partnering relations between a client and FM service providers. In general, these issues have been a subject of vivid debate and research both in practice and in the academic world as in many companies, partnership sourcing has been seen as an important tool for achieving dependable, high quality supplies of strategic items at the lowest acquisition costs (Ploetner and Ehret 2006). However, in the context of FM

[1] Paper 1 presents a review and classification of earlier empirical research in FM.

services, partnering relations seems to be a new and unexplored phenomenon (Paper 1, Lehtonen 2001, Salonen 2004b). On the other hand, as a consequence of restructuring of provision and procurement of FM services, the issues related to partnering approach are attracting more and more attention in both client and service provider companies.

The scope of this study is considered to be important but also very challenging. Partnering relations are nowadays offered as a panacea for any business problems but it is notable that despite of the fact that they have many advantages they can fail as well. Furthermore, as the formation and maintenance of closer relationships are costly and time-consuming processes (Virolainen 1998, Lambert and Knemeyer 2004) so companies need to obtain more thorough understanding of the nature of partnering relations, when it is worthwhile to choose a partnering approach, and how partnering relations should be structured and managed. Consequently, a more strategic and analytical approach is needed to decide which relationship type to apply.

The purpose of this study is to increase knowledge about motives for partnership sourcing in FM services and to deepen the understanding of issues related to the management of partnering relations. The main focus is on ‘hard’ FM services, which are services related to space and infrastructure. Because the terms ‘partnership’ and ‘partnering’ are widely used with variety of definitions[1], this study also aims to clarify the differences between various forms of relationships in FM services. The objectives of the study are to find out in which situations partnering approach is chosen and to identify the factors rendering a partnering relation a success. In other words, this study explores the following questions:

- Which conditions lead the client company in selecting the partnering approach to maintain its relationships with FM service providers?
- How do partnering relations differ from arm’s length relations in FM services?
- Which factors have had an impact on the dissolution of earlier relationships?
- Which factors do participants in partnering relations feel are contributing to long-term success?

This study approaches the field under consideration both theoretically and empirically. The theoretical part endeavors to introduce the underlying theoretical concepts of this study, FM as the research field and the findings from earlier research in different industries related to partnering relations. As there seems to be a gap in FM research in areas of relationship types and partnering relations, the theoretical foundation of this study is mainly based on general body of knowledge in the supply chain management. The empirical part of this study analyzes the selection of relationship type and partnering relations in FM services through the findings of interviews and the questionnaire.

[1] In this study, it is my intent to use the terms “partnership sourcing” and “partnering relation”. The former refers to a sourcing model and the latter to a relationship type. In addition, the term “partnering approach” is used when referring to procurement and relationship management activities related to partnering relations. Correspondingly, the term “arm’s length relation” refers to a relationship type and “transactional approach” to procurement and relationship management activities related to arm’s length relationships.

1.3 Research approach and methodology

According to Burrell and Morgan (1994:21-35), there are essentially four paradigms a researcher may consider in conducting an empirical examination in the organizational sciences: functionalist, interpretive, radical humanist, and radical structuralist. Of these four, the two most common are the functional paradigm and the interpretive paradigm. Correspondingly, Gummesson (1991:14-18) suggests that two schools of philosophy can be distinguished in management research: the positivistic (similar to functionalistic) and the hermeneutic (similar to interpretivitic). The notion of a single method, as well as hypothetical-deductive method, is central to positivism, which is also based on the ideals of natural sciences. Hermeneutical research, in turn, usually refers to methods that aim to understand the phenomenon and, on the other hand, there is no absolute truth. Thus, the findings cannot be generalized as such to all various circumstances and environments. The hermeneutic approach, although in most cases based on qualitative data, also allows for more freedom in the choice of methods.

Both approaches have their strengths and weaknesses. One of the strengths of positivism, as applied through large sample statistical analysis, is its ability to identify generalized patterns of event regularities. Then again, its primary weakness, is the inability to generate a reliable causal explanation in an open social system[1]. In other words, reliable identification of cause and effect through the use of statistical analysis to uncover a pattern in an event is possible in closed systems with stable environments and constant, unchanging processes and actors. However, in social systems such as companies, where the external business environment is generally accepted as unstable, the presence of human beings in the internal and external company environment with their reflexive, unpredictable behavior usually prevents system closure.

The choice of research approach depends, of course, on the nature of the research problem as well as on the objectives set for the study. The purpose of this study is to increase the general knowledge about motives for partnership sourcing in FM services and to deepen the understanding of issues related to the management of partnering relations. As the focus lies in understanding, the study is interpretative in nature. Therefore, the scientific philosophy of this study that guides the research process is based on a non-positivistic approach. In addition to the focus on understanding partnership sourcing and management, the interest of this study lies in further development of theory about partnering as a phenomenon in FM services context. This aim, as well, is opposed to the focus of a positivistic approach to the theory verification. In other words, the hermeneutic approach was considered the most suitable for this study.

As regards the selection of research approach, a researcher must decide upon the research logic i.e. how to build the understanding of the phenomenon under investigation. Three kinds of research logics can be recognized, which are deductive, inductive and abductive logic (e.g., Dubois and Gadde 2002). Inductive research starts with real world data and builds theories based on that input, whereas deductive research starts with existing theories and develops hypothesis that are tested. This study utilizes the third type of logic, namely, the abductive logic[2]. This kind of approach lays more

[1] For more detailed discussion of the dynamics of open social systems, see Simon (1969:475).

[2] For more detailed description of abduction, see Eco (1984:39-43).

emphasis on empirical data and allows for more dynamic interaction between data and theory than the deductive or inductive methods. As Perry et al. (1998) state pure induction might prevent the researcher from benefiting from existing theory, just as pure deduction might prevent the development of new and useful theory. Moreover, it has to be noticed that the starting and ending points for the abductive logic can be found in theory or phenomenon or in both.

The abductive logic includes a kind of a hermeneutic circle, an interpretation of facts of which one has pre-understanding[1]. Furthermore, the abductive approach often results in the accomplishment of several empirical studies calibrating theories and reality until the researcher is able to describe, analyze and present a phenomenon as close to reality as possible. Therefore, the abductive approach has significant impact on the analysis and forming of theory and the gathering of empirical data. However, there are risks incorporated in such an approach. If we constantly adapt theory to empirical results and back again, how do we then learn about theory that did not "fit in" or the choices that have been made affecting the description of the phenomenon? Researchers must give up the constant justification of reality according to their findings and dare to make mistakes. Only by making mistakes and sharing this information with others it is possible to really learn about the phenomenon studied (Åkerlund 2004).

As the choice of hermeneutic approach and abductive logic suggests, the findings presented here should be viewed as my subjective interpretation of the phenomenon. However, the whole research process is tried to be described precisely – including the theoretical work, gathering and analysis of empirical data, and mistakes made during the process – which has influenced this subjective interpretation. In fact, according to Gummesson (1991:14-18), either the understanding is never objective; every case or person in the society is unique and cannot be subordinated. Instead, both understanding and interpretation always take a standpoint in the individual or subject in order to generalize the results. This study bases its theory generation on the experiences of the respondents and on the interpretations of them as well as on the researcher's interpretations of the respondents' mental constructs of partnering relations in FM services. The respondents view the partnership sourcing and management in their local and specific company contexts. To improve the accuracy of the outcomes based on my interpretations, multiple methods of data collection and analysis are utilized. The completed research concentrates on description and explanation.

What comes to the selection of research methods, there is no recipe or formula in making decisions because no rigid rules can describe what data to gather to investigate a particular interest or problem. Thus, no single, ideal standard exists. Any given design inevitably reflects some imperfect interplay of resources, capabilities, purposes, possibilities, creativity, and personal judgments by the people involved (Patton 2002:12). Thinking about design alternatives and methods choices leads directly to consideration of the relative strengths and weaknesses of qualitative and quantitative data.

Qualitative methods facilitate the study of issues in depth and detail. Approaching the fieldwork without being constrained by predetermined categories of analysis contributes to the depth, openness, and detail of qualitative inquiry. Quantitative methods, on the other hand, require the use of standardized measures so that the varying perspectives

[1] For similarities in abductive and hermeneutic logic, see Eco (1979).

and experiences of people can be fit into a limited number of predetermined response categories to which numbers are assigned. The advantage of a quantitative approach is that it is possible to measure the reactions of a great number of people to a limited set of questions, thus facilitating comparison of the data. This enables a succinct presentation of a generalizable set of findings. By contrast, qualitative methods produce a wealth of detailed information about a much smaller number of people and cases, which increases the depth of understanding of the cases and situations studied but reduces generalizability (Patton 2002:14).

On the other hand, as Robson (1993:289-291) states, using more than one method in an investigation may have substantial advantages, although it almost inevitably adds to the time investment required. This approach is called as triangulation. In fact, the term triangulation has its roots in land surveying. Knowing a single landmark only locates you somewhere along a line in some direction from the landmark, whereas with two landmarks you can take bearings in two directions and locate yourself at their intersection. Similarly, an organizational researcher can improve the accuracy of his or her judgments by collecting different kinds of data bearing on the same phenomenon (Jick 1979). The logic of triangulation is based on the premise that no single method ever adequately solves the problem of rival explanations. Because each method reveals different aspects of empirical reality, multiple methods of data collection and analysis provide more grist for the research mill. Studies that use only one method are more vulnerable to errors linked to that particular method than studies that use multiple methods in which different types of data provide cross-data validity checks (Patton 1999).

Altogether, there are four kinds of triangulation (Patton 1999):
- *Methods triangulation*: Checking out the consistency of findings generated by different data collection methods.
- *Triangulation of sources*: Examining the consistency of different data sources within the same method.
- *Analyst triangulation*: Using multiple analysts to review findings.
- *Theory/perspective triangulation*: Using multiple perspectives or theories in interpreting the data.

Triangulation can result in greater confidence in results, creation of inventive research methods, better understanding of divergent results, enriched explanation of the research problem, and more effective integration and development of theories (Jick 1979). However, a common misunderstanding about triangulation is that the point is to demonstrate that different data sources or inquiry approaches essentially yield the same result. Actually, the point is the testing for such consistency. Different kinds of data may yield different results since different types of inquiry are sensitive to different real world nuances. Thus, understanding inconsistencies in the findings across different kinds of data can be enlightening (Patton 2002:248).

1.4 Research design

1.4.1 Selection of research methods

As the number of earlier studies related to the procurement and management of FM services was limited (Lehtonen 2001, Paper 1), and in addition, the manner of purchasing of services varies between different types of services (van der Valk et al. 2005)[1], it was considered necessary to seek a deeper understanding of the subject under exploration through a qualitative study. This qualitative data were collected through interviews[2]. According to Adams and Schvaneveldt (1991), the essential advantages of interviews are:

- The interviewer is present to explain, clarify, and correct any misinterpretations.
- It is possible to observe the respondent.
- People are more willing to talk than write.

Nevertheless, interviews have their disadvantages as well. Firstly, interviewing is time-consuming as interviews require careful preparation and interview sessions themselves may become lengthy. Secondly, sometimes it appears difficult to obtain cooperation from the potential interviewees (Robson 1993:229-230). Thirdly, interviews are exposed to observer bias. As a result, the data may be distorted, resulting in wrong generalizations. In spite of the best efforts the personal bias cannot be totally eliminated in this method (Prasad 1983:144-145). However, it is my belief that interviewing was the most suitable method with regard to the aims of this study, particularly due to the under-researched nature of the subject.

To achieve greater confidence in results and better understanding of divergent findings, all four kinds of triangulation were utilized. Theory triangulation[3] was tapped by using different theoretical concepts to build the understanding of the phenomenon under the investigation and to examine empirical findings, analyst triangulation by analyzing the second set of interviews by two researchers, and triangulation of sources by collecting the data from both sides of the relationship dyad[4]. Respectively, methods triangulation often involves comparing the data collected through some kinds of qualitative methods with the data collected through some kind of quantitative methods (Patton 1999). In this study, in order to confirm and assess the findings of interviews, a survey was carried out. According to Jick (1979), survey research may also contribute to the increased generalizability of the results.

To sum up, the empirical studies discussed in this dissertation result in both qualitative and quantitative data, with emphasis on qualitative data. The data are collected using interviews and a questionnaire. The study is both exploratory and descriptive. Firstly, the interview phase represents exploratory approach. In general, exploratory approach is

[1] Furthermore, as Cox (1996) states, it is important to note that the relationships that function well in one business environment may not be as successful when transplanted elsewhere. Consequently, the researcher must be careful when utilizing earlier findings from other industries in his/her study.

[2] For more detailed discussion of the types of interviews used in this study and conducting of the interviews, see Section 3.1.

[3] The point of theory triangulation is to understand how findings are affected by different assumptions and fundamental premises (Patton 1999).

[4] For more detailed information about analyst triangulation and triangulation of sources used in this study, see Section 3.1.1.

defined as attempting to find out what is happening, to seek new insights, to ask questions, and to assess phenomena in a new light. Exploratory studies are usually based on qualitative methods (Robson 1993:42). Secondly, the survey phase of this study represents descriptive approach. Descriptive approach attempts to portray an accurate profile of persons, events or situations. It requires previous knowledge of the situation to be researched or described so that the researcher knows appropriate aspects on which to gather information (ibid.).

1.4.2 Research process

This section describes the progression of this dissertation and links the appended papers into the phases of the research process. This study consists of three separate but partly overlapping phases (Figure 1). The first phase was a literature review the objective of which was to recognize and analyze the theoretical concepts related to FM and the selection and management of various relationship types. The second phase (i.e., the interview phase) was a qualitative one which consisted of semi-structured interviews and focus group interviews, and aimed to increase the empirical understanding of the aforementioned issues in the context of FM services. Based on the findings of these two earlier phases, a questionnaire was drawn up. This constituted the third phase of this study (i.e., the survey phase) which endeavored to refine the findings and to increase the generalizability of the results.

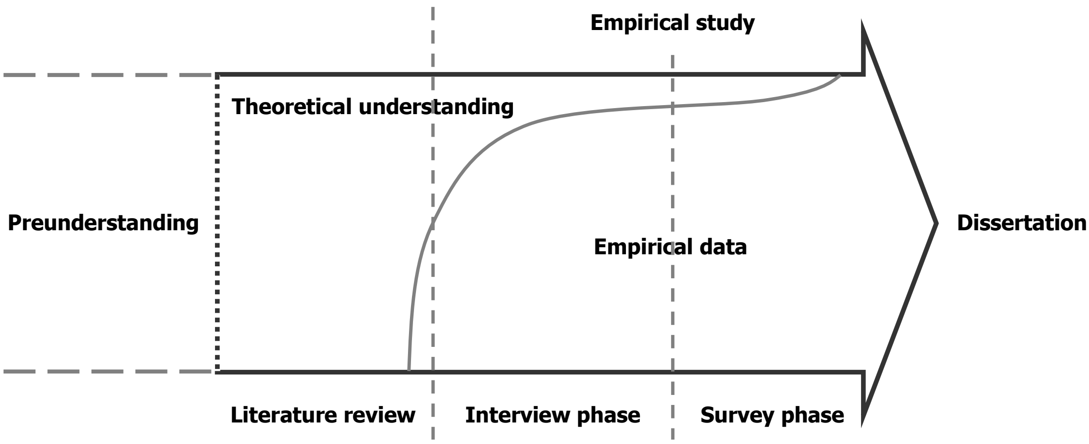

Figure 1 Research process

Before those three primary phases, pre-understanding[1] was needed to generate the basic idea and motivation for the project. In fact, the whole research process of this dissertation can be seen as a hermeneutic circle or spiral in which pre-understanding is refined to understanding used as pre-understanding of the next phase. According to Gummesson (1991:61), the hermeneutic spiral can be illustrated by the following statements: “no understanding without pre-understanding” and “an understanding of the parts requires an understanding of the whole”. In other words, it is an iterative process whereby each phase of the research provides us with knowledge.

[1] Pre-understanding refers to, for instance, a person’s knowledge, insights, and experience before he or she engages in a research project (Gummesson 1991:50)

The Master's Thesis of the author (Lehtonen 2001), which focused on the classification of FM services from the perspective of sourcing strategy, served both as pre-understanding and a starting point for this dissertation. It provided evidence of the existence of a gap in both supply chain and facilities management literature related to partnership sourcing from the business services perspective. In addition to the reviewed literature, theoretical knowledge of the research area and the objectives have increased through teaching and postgraduate studies at Helsinki University of Technology and Arizona State University, while empirical knowledge has grown during the collection of the empirical data.

Based on the findings in the author's Master's Thesis and on the empirical studies carried out in CEM/FSR at the Helsinki University of Technology (e.g., Heinimäki and Puhto 2001), two research projects were launched in cooperation with Tekes and industrial partners. During these projects, the qualitative data for this dissertation were collected. The first project focused on the quality and type of relationship between clients and FM service providers and was carried out by the author. In the second project, the focus was on sourcing strategies of FM services. The author of this dissertation participated in data gathering and analysis of this project and contributed to the creation of the theoretical framework. The empirical data of that project were used in Paper 2, which focuses on the selection of relationship type and differences between various relationship types.

The literature review was carried out mainly in 2001 to 2003. However, in accordance with the requirements of abductive logic, it continued in the background also during empirical phases in order to compare the empirical findings to the current body of knowledge and to discover possible new publications on the research area of the dissertation. As a consequence, underlying theoretical concepts, such as transaction cost economics (TCE), agency theory and portfolio theory, were examined and earlier findings related to inter-organizational relationships and facilities management were analyzed. This resulted in developing the critical review of the present state of research in area of FM (Paper 1), theoretical framework of attributes and success factors of partnering relations (Paper 3) and a tentative interview guide to the needs of semi-structured interviews. Furthermore, TCE and portfolio models were utilized when developing the theoretical understanding of the selection of relationship type.

The first phase of the empirical study (i.e., the interview phase) was carried out in 2002 to 2004, and it consisted of 37 semi-structured interviews and four focus group interviews. During this phase, the research proposal of this dissertation (Lehtonen 2004) was presented for public examination in the doctoral workshop arranged as a part of the 13th IPSERA Conference. This phase resulted in the writing of Paper 2, which discusses the selection criteria of the relationship type and differences between alternative relationship types in FM services and of Paper 4 which focuses on the underlying problems in earlier relationship practices, and partnering characteristics and success factors. The preliminary results of Paper 2 were presented by the author at the CIB W70 Hong Kong Symposium (Ventovuori, Lehtonen, and Miettinen 2004) and the preliminary results of the Paper 4 were presented by the author at the 14th IPSERA Conference (Lehtonen and Salonen 2005).

In order to develop and confirm the findings made in the interview phase and to study the potential for generalization of the findings, a survey was carried out. This constructed the second phase of the empirical study (i.e., the survey phase) and it was carried out between 2004 and 2005. The extrapolation of the results was tested with an internet-based questionnaire among the 50 most important buyers in the Finnish FM services market. This resulted in the publishing of Paper 5 which discusses the service procurement trends, the nature of partnering relations and the respective importance of different partnering success factors in FM services context.

Thus, during the three phases of the research process, five peer-reviewed papers were published (Table 1) constituting the dissertation with this summary part. Next, this summary part will continue with the introduction of theoretical concepts and empirical findings in the background of this study. Thereafter, the data gathering and analysis in the empirical study are described. Results from the empirical study are collected in Chapter 4 of this summary part. Finally, Chapter 5 concludes the summarizing part of the dissertation. It presents critiques and sets topics for further research.

Table 1 Phases and papers of the dissertation

Research phase	Data collection	Paper(s)	Main results
Literature review	Literature review (theoretical concepts and earlier research)	Paper 1 Paper 3	(1) Outlook of the FM literature (2) Theoretical framework of attributes and success factors of partnering relations
Interview phase	Semi-structured and focus group interviews	Paper 2 Paper 4	(1) Selection criteria of the relationship type (2) Differences between relationship types (3) Factors contributing in the dissolution of earlier relationships (4) Partnering characteristics and success factors
Survey phase	Questionnaire	Paper 5	(1) Procurement trends (2) The respective importance of different partnering success factors

2 THEORETICAL BACKGROUND

This chapter will introduce the essential theoretical concepts and earlier empirical findings in the background of this study. Firstly, different scientific theories explaining the rationale and existence of different kind of relationships are discussed. Secondly, empirical and theoretical findings from different industries related to inter-organizational relationships are presented. Thirdly, the concept and evolution of facilities management is described from the service purchasing point of view.

2.1 Theories of explaining rationale for partnering approach

2.1.1 Transaction cost economics

According to many economists, the extent to which resources will be allocated between different governance structures is based on transaction costs – the costs of writing, monitoring and enforcing contracts. This theoretical approach to resource allocation is known as transaction cost economics (TCE) and it combines economic theory with management theory. TCE attempts to describe transactions by using three dimensions (Williamson 1979): (1) the extent and form of asset specificity, (2) the frequency with which the transactions occur, and (3) the type and degree of uncertainty to which the transactions are subjected. The basic assumption is that the higher the values of those dimensions are, the closer the relationship needs to be. Of these three dimensions, asset specificity is the most important and most distinctive one (Williamson 1996).

Asset specificity refers to the degree to which an asset can be redeployed to alternative uses and by alternative users without sacrificing any productive value. In other words, the more specific the asset, the more difficult it is to deploy for alternative uses if the relationship utilizing the asset terminates. Williamson (1985) distinguishes four types of asset specificity: (1) site specificity, as where successive stations are located in close proximity to one another so as to economize on inventory and transportation expenses; (2) physical asset specificity relating to the development of specific equipment and systems tailored to a particular business need; (3) human asset specificity which arises when workers have developed extensive job-specific knowledge and expertise; and (4) dedicated assets which are discrete investments made to meet unique specifications or volume of production at the behest of a particular buyer. Later, two other types of assets specificity have been added: (5) brand name capital which refers to image-enhancing investments, and (6) temporal specificity which calls for time-critical investments (Williamson 1996).

The significance of TCE is widely accepted, and, for example, Grover and Malhotra (2003) state that TCE is relevant for studying supply chain management. Nonetheless, some criticism has been put forward as well. Williamson's view of asset specificity is based on existing 'sunk costs' and a productive view of firm. Cox (1996) criticizes this approach and suggests that an entrepreneurial approach would be better. Consequently, asset specificity should be defined in relation to whether or not specific skills or knowledge of the organization contribute in the maintenance or creation of sustainable positions for profit within specific supply and value chains. Based on this view, high asset specificity refers to the skills and expertise that are core competences of the firm in sustaining its position to make profit in a market. These skills are also those with high strategic importance.

The dimension of transaction frequency refers to the distinction between a one-shot exchange and a reoccurring exchange (John and Weitz 1988). The importance of transaction frequency centers on the argument that increases in frequency allow for fixed costs to be spread across or allocated over a larger volume, resulting in easier absorption of costs. However, as Blumberg (2001) states, the frequency is an obvious dimension in determining the optimal type of relationship but the volume is more appropriate if the meaning of frequency is less clear. The volume of co-operation describes the amount of money at stake. For example in FM services, frequency has two dimensions. The need for services is usually continuous and relationships with service providers are based on long-term contracts. As the frequency of purchasing transactions is low, and the frequency of service transactions is a mix of regularly recurrent and one-off service events, the concept of frequency is somewhat unclear.

The concept of uncertainty refers to the condition of being unable to predict relevant contingencies (John and Weitz 1988). This creates a problem in developing a contractual relationship because the contracts are somehow incomplete. Such contingencies may create opportunism, taking advantage of the situation in order to favorably interpret the contractual terms. The two types of uncertainty which may exist are uncertainty due to (1) external environmental changes, such as those existing in an extremely high-tech market, and (2) internal or behavioral uncertainty referring to the difficulty of ascertaining the actual performance of or adherence to contractual agreements (Williamson 1985). Unlike environmental uncertainty, which is exogenously imposed on the exchange, behavioral uncertainty arises within the context of the exchange itself due to the opportunistic inclinations of the transacting parties.

In this study, these three salient dimensions (i.e., asset specificity, transaction frequency, and uncertainty) and their possible effects were taken into account when developing a theoretical understanding related to the selection of relationship type and to the various forms of inter-organizational relationships. Especially, if asset specificity is interpreted according to Cox's (1996) suggestion and transaction frequency according to Blumberg's (2001), both dimensions seem to be exploitable in the case of FM services as well. However, uncertainty seems to be based mainly on behavioral uncertainty. According to Salonen (2004a), significant external environmental changes in FM services context are unlikely because slight technical development leads to a stable environment.

Furthermore, some ideas were derived from other branches of economic theory, namely portfolio and agency theories, for deepening the theoretical understanding. The basic premises of the aforementioned theories are discussed in the next two paragraphs.

2.1.2 Agency theory

Agency theory, a branch of economic theory, is directed at a ubiquitous agency relationship in which one party (the principal) delegates work to another (the agent) who performs that work (Jensen and Meckling 1976). Agency theory is concerned with resolving two problems that may occur in agency relationships. The first one is an agency problem arising when (a) the desires or goals of the principal and agent conflict (i.e., goal incongruence) and (b) it is difficult or expensive to verify what the agent is actually doing (i.e., information asymmetry). The problem here is that the principal cannot verify that the agent has behaved appropriately. The second problem is a problem of risk sharing arising when the principal and the agent have dissimilar attitudes towards risk. The problem here is that the principal and the agent may prefer different actions due to the different risk preferences (Eisenhardt 1989a).

Moreover, agency theory deals with the concept of bargaining asymmetry. For instance, if the buying firm (principal) is much larger than the supplier (agent), bargaining power may be unequally distributed. In this case, the principal is modeled as having most of the bargaining power, in the sense that he is able to design the transaction and set the terms of the exchange. There are two beneficial factors for the agent that could mitigate his bargaining weakness. One is his ability to reject a proposed contract: this he will rationally do if and only if he has an alternative that, taking everything into account, is more profitable. The other is the fact that knowledge is power; and the supplier, being a specialist in his work, is likely to be better informed about the details of his production conditions than the buyer. He can use this superior knowledge to his advantage in the price negotiations over the (McMillan 1990).

The focus of the agency theory is on determining the most efficient contract governing the principal-agent relationship given assumptions about people, organizations, and information. Specifically, it is a question of whether a behavior-oriented contract (e.g., salaries, hierarchical governance) is more efficient than an outcome-oriented contract (e.g., commissions, stock options, transfer of property rights, market governance) (Eisenhardt 1989a). The agency theory predicts that the form of the principal-agent relationship (or contract) will depend on the relative costs of curbing agent opportunism, either through monitoring of agent behaviors or through structuring of incentives that pay off for outcomes desired by the principal. When the cost of monitoring agent behavior is high, the more efficient contract is outcome-based. However, because the agent is compensated solely on the basis of the performance outcomes (which may be influenced by factors other than the agent's effort), the agent will demand a premium for bearing the compensation risk. Thus, an outcome-based contract is efficient only if the cost of transferring risk (the risk premium) is less than the cost of monitoring. When agent behaviors can be monitored at a reasonable cost, a behavior-based contract is more efficient as it avoids the need to pay the agent the risk premium (Lassar and Kerr 1996).

Although the agency theory formally pertains to relationships within organizations, it may be applied to the external relationship between the buying company and its supplier (Jarillo and Ricart 1987, Eisenhardt 1989a, Lassar and Kerr 1996). The value of theory lies in its specification of how the risk is allocated among contracting parties, the trade-off between the costs of information and the costs of risk bearing, and the incentives operating in the contractual relationship. On the other hand, the agency theory presents a partial view of the world that, although it is valid, also ignores a good amount of the complexity of organizations. Thus, the recommendation is to use the agency theory with complementary theories (Eisenhardt 1989a), such as transaction cost economics (Lassar and Kerr 1996).

Clearly, an agency problem may arise in a relationship between the client and the FM service provider. As Eisenhardt (1989a) states, the existence of an agency problem is always probable whenever the two interdependent parties are engaged in cooperative behavior but may have differencing goals. On the other hand, the focus of this study is not on the incentives or monitoring mechanisms, therefore, agency theory is used just as a complimentary theory and particularly some concepts, such as goal incongruence, information asymmetry and bargaining asymmetry, are utilized. For instance, as regards the bargaining asymmetry, Salonen (2004a) states that partnering relations in FM services are in most cases buyer-dominated.

2.1.3 Portfolio models

When matching the external resources provided by suppliers with the internal needs of the buying firm, portfolio models are nowadays widely utilized. These models have their foundation in Markowitz's (1952) pioneering portfolio theory for the management of equity investments. Since then, portfolio models have been used especially in strategic planning, essentially at the strategic business unit level (Nellore and Söderquist 2000). Kraljic (1983) was the first to introduce portfolio models in the purchasing field. Later on, other models have been developed as well (Olsen and Ellram 1997, Bensaou 1999). Purchasing portfolio models can be used in analyzing the company's purchases to ascertain ideal relationship types for different purchases. It appears that this kind of segmentation is one of the reasons for the differential advantage of Japanese automakers (Dyer et al. 1998).

On the other hand, portfolio models have been criticized for their general structure in which the different dimensions are only approximate estimations of the parameters that are supposed to be measured (Turnbull 1990, Nellore and Söderquist 2000). In addition, the selection and description of the dimensions and the number of supplier categories are somewhat vulnerable. If the number of categories is large and the dimensions are very complex, the available resources of different supplier relationships will become too scarce, and vice versa, if the number of categories is small and the dimensions are too simple, the resources of the supply chain cannot be allocated properly (Olsen and Ellram 1997). However, as Nellore and Söderquist (2000) state, if regarded as indicators of how to deal with different suppliers, and as eye-openers for a number of possible action plans, portfolio models could provide useful inputs for supply management decision makers.

Purchasing portfolio models are usually based on using one internal and one external dimension. The internal dimension is related to the strategic importance of the purchase, and the positioning of the item will depend on competence, economic and image factors (Olsen and Ellram 1997). The competence factors describe the extent to which the item purchased is a part of the core competencies of the company, and the economic factors describe the economic importance of the purchase in terms of the financial value and the impact on the company's profits. The external dimension is related to market conditions which may create uncertainty. This dimension is described by Olsen and Ellram (1997) in terms of the difficulty of managing the purchasing situation which will depend on various attributes such as product novelty and complexity and supply market characteristics (e.g., dynamism, the suppliers' competencies and the availability of alternatives). Furthermore, especially in the case of partnership sourcing, an important market-related aspect is whether the firm finds a suitable partner interested in developing a partnering relation (McCutcheon and Stuart 2000).

Besides the aforementioned product and market characteristics, the structure of the organization also affects the alternatives of arranging a relationship portfolio. In large organizations, there are more opportunities for the development of a wide range of specialized expertise and for exercising of a more dominant role in structuring the supply base and supply relationships (Saunders 1997). The other important aspect of the structure of the organization is the dichotomy of centralization and decentralization. The choice between these two is closely related to geographical circumstances (Cotts and Lee 1992). Krumm et al. (1998) found that central coordination of the procurement of products and services may result in economies of scale and negotiating advantages. Instead of developing individual contracts, a centralized unit is able to purchase large quantities and offer the prospect of future purchases for the supplier. The scale of the purchase may also create a better starting point for establishing of collaborative relations.

In summary, purchasing portfolio models are used in this study to understand more deeply the factors affecting the selection of the relationship type. Furthermore, as earlier models focus on purchasing of materials, this dissertation endeavors to provide new insights into these models from the perspective of service purchasing.

2.2 Inter-organizational relationships

2.2.1 Relationship continuum

Traditionally, only markets and hierarchies were considered in the economic science for allocating resources and coordinating economic activities (Coase 1937, Williamson 1975). During the last few decades, both the industry and researchers have concentrated increasingly on cooperative forms combining markets and hierarchical allocation structures (e.g., Thorelli 1986, Webster 1992). These intermediate governance structures are usually called hybrids (Williamson 1991), and they have various forms; for instance, partnering relations are referred to as hybrids (Blomqvist et al. 2002).

Consequently, today, the range of business relationships is often described as a continuum ranging from vertical integration to pure transactions (Webster 1992, Cox 1996). This movement is associated with a growing number of suppliers (Parker and Hartley 1997). When trying to describe the characteristics of the different types of relationships, relationships have often been divided simply into arm’s length and collaborative relations (e.g., Macbeth 1994) to make the separation clearer. The problem with this view has been that collaborative relations have usually been introduced as superior, and arm’s length relations have been portrayed as disadvantageous compared to collaborative ones (Parker and Hartley 1997). Further, it has been suggested that at least two types of collaborative relationships should be distinguished (Dyer et al. 1998, Patterson et al. 1999, Mentzer et al. 2000, Cousins 2002). Mentzer et al. (2000) describe these relationships operational and strategic partnering whereas Cousins (2002) calls them tactical and strategic collaboration. The same terminology as used by Mentzer et al. (2000) is utilized when summarizing during next few sections the characteristics of arm’s length relations, operational partnering and strategic partnering. The relationship forms needing some equity investments, such as joint ventures, are excluded as they do not fall inside the scope of this study.

Williamson’s (1975) markets correspond to arm’s length relationships which are usually defined as short-term relations based on a competitive bidding. Purchased products are non-strategic and standardized, hence, the degree of buyer-supplier interdependence is low as well as the need for coordination. There are many alternative suppliers in the market, and thus, an easily determined basis of comparison is available for the buyer in order to determine the fairness of a given price. The buyer issues specifications and the supplier provides products based on them. The performance of the supplier can be easily assessed so even the goal incongruence between parties is acceptable. The amount of interaction is minimized and only a few people are involved in the management of relationship (Macbeth 1994, Patterson et al. 1999). It has also been argued that arm's length relations are based on distrust between parties. However, this view has been questioned by Parker and Hartley (1997) who state that also in arm's length relations, parties can trust each other. This finding can be connected to the definition of a weak form trust by Barney and Hansen (1994).

Operational partnering holds some moderate level of mutual benefits for both parties. It refers to working with few suppliers and focusing mainly on uncertainty reduction and process improvements, such as inventory policy, improvements in quality and so on. It is fostered in order to minimize the administrative costs of procurement and to allow suppliers to realize the economies of scale in production. By working with a limited number of (preferred) suppliers for consolidated purchases, the buyer can be more effective in communicating its needs and in inducing the suppliers to be more responsive to its immediate needs. Interactions between parties are not just problem-driven. Some involve information-sharing and are aimed at preventing difficulties. Others are explicitly for reasons of relationship building. Additionally, usually both parties of a relationship make some dedicated investments at least in inter-firm coordination mechanisms. The terms of these buyer-supplier relationships are enforced through extensive, formal contractual arrangements, however, they also include sufficient shared interests that make it attractive for both parties to continue the exchange over time. Strategic initiatives are not shared with partners but considerable operational coordination occurs. Compared to arm's length relations, higher levels of commitment, trust and openness are usually displayed between buyers and suppliers. The hierarchical controls remaining tend to make the relationships power-asymmetric, and also relatively frequent price benchmarking is acceptable in order to keep suppliers on their toes (Dyer et al. 1998, Patterson et al. 1999, Mentzer et al. 2000, Cousins 2002).

Strategic partnering is defined as an ongoing, long-term inter-organizational relationship for achieving strategic goals. Johnson (1999) suggests that the relationship between organizations is a strategic one when a firm perceives that it needs the relationship in order to be competitive in the industry and that if the partner goes out of business, it would have to change its competitive strategy. On this basis, the number of partners offering a certain product or service cannot usually be more than one in strategic partnering. Strategic partnering is characterized by high levels of communication, relation-specific investments, interdependence and commitment, and it involves sharing both risks and benefits. These relationships are controlled primarily through the use of socialization, norms, and common values rather than through any contractual or legal enforcement means. Furthermore, there is an extensive use of measurement tools that study both sides of the relationship critically in order to recognize the mutual responsibility for success or failure (Dyer et al. 1998, Patterson et al. 1999, Mentzer et al. 2000, Cousins 2002).

2.2.2 Nature of partnering relations

This section continues the analysis of the nature of partnering relations. The focus is on 'softer' issues or attributes which describe the partners' attitudes and atmosphere in an ideal partnering relation. As Ellram and Hendrick (1995) state, a partnering relation is, by definition, a "meeting of the minds" of two firms. However, no further division between operational and strategic partnering is made as it is supposed that the only difference between these two types of partnering relations is the degree of the existing different attributes (cf. Mentzer et al. 2000).

If the essential differences between the nature of arm's length and partnering relations are summarized from the attributes' point of view, it may be remarked that partnering approach requires more commitment, trust, interdependence, openness, involvement of different organizational levels, continuous development and sharing of benefits and risks[1]. A high level of commitment provides a context in which both parties can achieve their individual and joint goals without raising the specter of opportunistic behavior (Mohr and Spekman 1994). On the other hand, as Blomqvist (2002) states, there are always some short-term inequities in any relationship, which necessitates a need for trust (see also Sako 1992). As risks increase, so does the need for trust. Risks multiply, e.g., when the products and services exchanged become more complex, more transaction-specific investments are needed, or the number of potential partners is very limited.

Relationships based on a high reliance on trust are characterized by mutual interdependence and strong ties (Wicks et al. 1999). The greater the interdependence, the stronger the motivation towards forming a long-term partnering relation (Mentzer et al. 2000). On the other hand, the degree of interdependence asymmetry between firms affects the possibility of collaboration. Relationships that are asymmetric in relative dependence are more dysfunctional and less stable than symmetric relationships[2] (Anderson and Weitz 1989).

Related to strong ties, interaction must occur on several levels and across many functions between the firms (Ellram 1991b). The nature of the information shared differs according to the orientation of the partners: partners with a strategic partnering orientation share information that is both strategic and operational whereas partners with an operational partnering relation only share operational information (Mentzer et al. 2000). The participation and support of top management symbolizes the level of commitment of the organization to the partnering relation and its success, contributing to trust building among partner organizations (Brinkerhoff 2002). If a relationship is to overcome the inevitable divergence of interests between the participants, top executives have to share an understanding of the specific benefits of collaboration (Lee and Kim 1999). Furthermore, top management support also entails flexibility and consequent time savings in terms of making adaptations (Brinkerhoff 2002). It has been found that mutual adaptations of some kind are generally a prerequisite for the development and continued existence of a partnering relation between two companies. The two companies in a relationship tend to modify and adapt the products or services

[1] More detailed analysis of partnering attributes is presented in Paper 3.

[2] According to Mentzer et al. (2000), a symmetric relative dependence exists when both partners are equally dependent on each other.

exchanged, as well as the routines and rules of conduct, in order to function better in relation to each other (Håkansson and Snehota 1995).

Altogether, the implementation and management of partnering relations takes time and resources (Virolainen 1998, Lambert and Knemeyer 2004). Consequently, a partnering approach should also yield mutual benefits (Ellram 1991b), and these benefits should be shared proportionally with respect to the investments of the various parties (Ring and van de Ven 1994). Like benefits, risks should also be shared (Brinkerhoff 2002). As Ganesan (1994) states, partnering relations bring about efficiencies through joint synergies resulting from investment in, and exploitation of, idiosyncratic assets and risk sharing.

2.2.3 Partnering success factors

The previous section introduced the essential attributes describing the nature of partnering relations. This section examines the success factors of partnering relations. While attributes are related to the partners' attitudes and to the prevailing atmosphere in the relationship, success factors are more concrete and can be exploited in developing guidelines for the implementation and management of partnering relations (cf. Ellram 1995). However, both attributes and success factors may have an effect on perceived success of relationship (cf. Mohr and Spekman 1994, Lee and Kim 1999). Therefore, some authors (e.g., Whipple and Frankel 2000) have classified some attributes, such as trust, also to partnering success factors.

Before developing a relationship with a supplier, the buying company must determine whether partnering is an appropriate solution for achieving the objectives of the sourcing strategy and whether the supplier has similar intensions and is willing to co-operate in establishing a close, long-term relationship (Ellram 1991a, Monczka et al. 1998). Thus, the success in partnering relations depends on the partners having a common vision of the future (Ellram 1995, Spekman et al. 1998, Brinkerhoff 2002), and as Whipple and Frankel (2000) state, the success of a relationship requires the establishment and execution of clearly-defined goals. In order to achieve these goals, well-defined procedures must be clearly communicated to the managers involved with the relationship. Furthermore, Ellram (1995) found that buyers felt the training of managers in partnering philosophies and methods to be fairly important for guaranteeing the partnering success.

In the above-mentioned context, the success of relationship is based on the ability of the partners to meet performance expectations. It concerns the execution of the goals of the relationship. Thus, well-defined (e.g., written) performance measures are needed to assess and monitor the partners' performance (Whipple and Frankel 2000). If there are some deficiencies or deviations, it should be evaluated whether or not the partner even possesses the necessary skills and capacity. Nevertheless, there may also be constraints beyond the control of the partnering relation which can inhibit its performance. These might include, for example, legal or regulatory policies imposed by a government agency (Brinkerhoff 2002).

As partnering relations are long-term by nature, it is probable that some conflicts may take place between parties during the relationship. In fact, some amount of conflict might even be necessary in order to keep the relationship between two companies healthy (Håkansson and Snehota 1995). However, it is important to know and describe how the conflicts will be solved (Mohr and Spekman 1994, Monczka et al. 1998). The impact of conflict resolution on the relationship can be productive or destructive. It is important that parties do not concentrate on blaming each other but rather try to find a solution to the problem and to ensure that the problem does not arise again. When parties engage in joint problem-solving, a mutually satisfactory solution may be reached, thereby enhancing the success of the relationship (Mohr and Spekman 1994).

In her study, Ellram (1995) found two-way information sharing to be the most important factor in establishing and maintaining partnering relations. Mohr and Spekman (1994) and Landeros et al. (1995) support this observation. Landeros et al. (1995) also state that awareness and detailed knowledge of each partner's requirements and expectations is obtained through mutual exchange of information and through open and candid communication flow on all levels and across functional areas. In other words, a partnering relation should entail the full participation of all member partners, according to their comparative advantages and agreed roles. This includes decision-making, as well as participation in meetings, relevant discussions, and program activities (Mohr and Spekman 1994, Monczka et al. 1998, Brinkerhoff 2002). Furthermore, the content and frequency of information sharing and meetings should be defined, and different kinds of meetings are necessary, for instance, meetings designed to assess the ongoing progress towards the goals of the relationship (Whipple and Frankel 2000).

However, business relationships tend to become institutionalized over time (Ford 1980). This can create problems since in the long term, old routines may not meet the requirements of either party. Routinization can be prevented by continuous development of the relationship. It is important that both parties participate in the planning and development activities (Macbeth 1994, Monczka et al. 1998, Mohr and Spekman 1994). Additionally, both parties must be flexible, and the agreement itself must be flexible (Ellram 1995, O'Toole and Donaldson 2002), so as to allow for contingencies and adjustment to changing circumstances.

On the whole, the partnering success factors seem to involve goal congruence, mutual involvement, information sharing, and the partners' ability to meet performance expectations. These factors should be taken into account when implementing and managing partnering relations. In this study, these findings were utilized to support the development of the interview guide and the analysis of empirical data.

2.3 Facilities management

Some decades ago, businesses primarily operated in their own buildings constructed to their specifications, and real estate decisions were typically made by business unit managers or the facilities staff. When corporations grew, specialized real estate management functions were established (Krumm et al. 1998, Page and Valenziano 2000). Tasks given to these units are nowadays often grouped under the terms corporate real estate management (CREM) and facilities management. CREM is held to be more strategic as it involves long-term asset management of real estate portfolios whereas FM is considered more tactical as it involves day-to-day operations of individual facilities (Bon et al. 1998). However, as Miciunas (2002) states, CREM and FM both possess aspects of strategic and operational management, and as more facilities-related services are being outsourced, roles and responsibilities of both functions will become more strategic.

The focus of facilities management has always been on working environment. Nevertheless, over the years, some evolution paths can be identified (cf. Kincaid 1994, Then 1999, Meneghetti and Chinese 2002): the diversification of serviced working environment and the broadening of the range of managed services with a tendency to a generalist and service orientated facilities management, and the consequent expansion of the range of activities belonging to FM. Thus, nowadays FM can be seen as an umbrella term under which a wide range of property and user related functions may be brought together (Amaratunga et al. 2000). If we think of the role of FM as a part of any company, FM can be defined as a key function in managing facility resources, support services and the working environment, and in this way, supporting the core business of the organization (Tay and Ooi 2001, Chotipanich 2004). Along these lines, the CEN/TC 348 standard defines the facilities management as "the integration of processes within an organization to maintain and develop the agreed services which support and improve the effectiveness of its primary activities". Respectively, the standard defines facility service as "support provision to the primary activities of an organization, delivered by an internal or external service provider". Furthermore, facility services are mentioned to be services related to space and infrastructure or to people and organization.

In practice, FM can cover a management of a broad variety of services including real estate management, financial management, change management, health and safety and contract management, in addition to building maintenance, domestic services (such as cleaning and security) and utilities supplies (Atkin and Brooks 2000). The nature of various FM services differs as a result of the duration of the service, the skills and expertise required and the importance of the service to the client and customer. Most FM services are simple but there are some very challenging tasks as well (Salonen 2004a).

From the cost perspective, the FM budget of an organization may require even up to 30 to 40 per cent of the outlay, being second in cost only to payroll (Amaratunga et al. 2000). However, usually the median contribution of facility activities is about 5 per cent of expenses (e.g., Junnila 2004). The importance of FM can also be seen from other perspectives. According to Amaratunga and Baldry (2002), FM is seen as being able to contribute to the performance of organizations in numerous ways, e.g., having an effect on strategy, culture, control of resources, service delivery, supply chain management and, perhaps most importantly, on the management of change. Other researchers illustrate the relevance of facilities performance for organizational success based on environmental differentiation as a source of competitive advantage and environmental influence on human or organizational performance (Balch 1994, Gajendran and Sabaratnam 2002). In total, FM can be viewed as an essential support function for most companies.

As the role of FM is changing towards an integrated resource management function, dramatic shifts are occurring in competencies for both the demand side (i.e., purchasers of facilities and services) and the supply side (i.e., service providers) (Ancarani and Capaldo 2005). Furthermore, practices in both sides are affected by the ongoing transition in the way organizations approach the buyer-supplier relationships in FM services. Traditionally, relationships between FM service providers and clients have been based on the transactional approach (Atkin and Brooks 2000). Services have been purchased separately for single sites and the price has been the determining factor in choosing a service provider. Operation under these conditions encourages fierce competition among service providers, often playing one service provider against the others, and could lead to the decline of service quality. As companies continue to outsource non-critical activities and to reduce and trim their supply bases, existing outsourcing contracts have been expanded. Additionally, more strategically important services have been outsourced (Loosemore and Hsin 2001). Consequently, relationships based on a more collaborative approach have been developed (Incognito 2002, Usher 2004).

By bundling services or sites regionally, benefits are to be gained through the economies of scale. This creates cost advantages which service providers can convert into corresponding lower prices or higher levels of service, novel technologies or innovative structures and procedures (Meneghetti and Chinese 2002). By reducing and trimming their service provider bases, clients are also trying to trim their FM organization and alter the job description of in-house FM staff from routine purchasing tasks towards more strategic tasks including creation and management of external and internal relationships which support the overall goals of the company (cf. Kadefors and Bröchner 2004).

As a result of the re-structuring of FM organizations and service provider bases, a wide variety of different relationship forms as well as new managerial challenges have emerged. Related to this, for example, the term partnering is used in business life rather loosely to refer to a variety of different relationship types (Jones 1995). However, the research of this development lags behind. As Salonen (2004b) states, the amount of research in the field of partnering approach is inadequate. Furthermore, from the purchasing perspective, the few studies carried out have focused on development and implementation of sourcing strategies (Bröchner et al. 2004, Hui and Tsang 2004, Ancarani and Capaldo 2005) and their essential elements, such as service bundling (Ancarani et al. 2004) and grouping of sites (Ventovuori 2004). However, the selection of relationship type has not been covered.

In Finland, FM services are usually divided into operational FM services (i.e., facility services) and management functions. The first one refers to facility-related site-level service functions (e.g., cleaning, maintenance, and security services) and the latter one to control and coordination of end-user or tenant relations, facility resources, and facility services (RAKLI 2001). As regards the Finnish FM service market, there are approximately 6,000 FM service providers but only few companies operating nationwide, offering management functions, or providing a wide range of FM services. Consequently, the number of potential service providers is limited when expanding purchasing entities by bundling services or sites regionally or purchasing management functions. According to Salonen (2004a), the small number of potential partners also implies that parties are usually acquainted with each other. This in turn has an effect on the behavior of the participants. The possibility of gaining reputation as a good partner or the fear of losing it guides decisions and actions. Overall, the Finnish FM service market is in a transformation phase, and as a result of the redeveloped procurement practices, also service providers are introducing new types of supply models (e.g., Miettinen et al. 2005).

3 EMPIRICAL STUDY

3.1 Interview phase

3.1.1 Selection of data sources

In qualitative research, random sampling makes little sense since the researcher is not interested in “how much” or “how often”. Instead, since qualitative inquiry seeks to understand the meaning of a phenomenon from the perspectives of the participants, it is important to select a sample from which the most can be learned (Merriam 2002:12). In order to target organizations of potential interest, the management group of the research project carried out by the author was asked to help in identifying potential organizations. The scope of the study was directed to companies operating or owning an office or commercial properties. The variety of necessary FM services in this kind of properties is usually broader than in, e.g., industrial, logistics and residential properties. Aside from some exceptions, such as hospitals and high-tech factories, these buildings are the most sophisticated ones also technically. Consequently, the procurement and management of FM services is more challenging a task, and thus, fruitful research setting for the purposes of this study was created.

Operational FM services were chosen as the research subject. However, when considering the selection of relationship type, management functions were taken into account as well. Compared to management functions, the history of outsourcing of operational FM services is relatively long in Finland (Tuomela et al. 2001), and a shift towards more collaborative approach with fewer service providers can be perceived (Heinimäki and Puhto 2001). As the discussion of different relationship types in FM services context in Section 4.1 shows, this choice meant that this study concentrates especially on operational partnering. The main focus of the study was on maintenance which consists of property maintenance, technical maintenance, and grounds maintenance (cf. RAKLI 2001). From the point of view of the property owner, this is an important function because maintenance is needed to maintain both the working conditions of the users of the building and the value of properties (Yik and Lai 2005).

The data were collected in interviews. These consisted of focus group interviews and two sets of semi-structured interviews. The other set of semi-structured interviews was conducted from the perspective of relationship management. The selection of data sources for these interviews will be discussed next. Another set was conducted from the perspective of service procurement.

Three clients – all participating in the research project as corporate research partners – were chosen as focal companies. These companies had participated also in earlier research projects of CEM/FSR. Therefore, researchers were familiar with the practices of the companies, and it was commonly known that all of them were moving from a transactional to a partnering approach in managing their relationships with FM service providers. Furthermore, these companies were active in R&D activities which were supposed to denote a more open-minded attitude towards the researchers. Moreover, these companies are also significant players in the Finnish FM services market from the purchasing volume point of view. One of the companies is a government-owned enterprise responsible for managing the property assets of the Finnish State, and rest are private companies operating in the banking sector in the Nordic and Baltic Sea regions, and in consumer services including retail trade, hotels and restaurants in Finland and in the Baltic countries. The representatives of these two latter companies, the core business of which is not property-related, worked in the CREM/FM units of these companies.

The contacts from the client organizations were asked to suggest ongoing and dissolved relationships that could be used as the focus of discussion when collecting the data. Dissolved relationships were needed to get information about what the transition from a transactional to more collaborative approach means in practice and what the underlying problems in earlier practices might be. The duration of the ongoing relationships under observation was a minimum of one year so that the participants had had enough time to solve the problems related to taking over new properties and were, therefore, able to evaluate the quality of the discussed relationship. As the purpose of the study was to increase the general knowledge about motives for partnership sourcing in FM services and to deepen the understanding of issues related to the management of partnering relations, these relationships were reviewed from the client's perspective. However, the representatives of service providers were interviewed as well in order to carry out the triangulation of data sources[1]. This choice corresponds also to Wilson's (1996) suggestions of necessary changes in an organizational buying research. In short, all sociological phenomena are subject to changes from the environment; from general human behavior perspective to organizational or human behavior in organizational buying. As the changes in business environment are rendering the buyer-supplier relationships more cooperative, and the parties regard one another as long-term partners rather than adversaries, organizational buyers no longer act in isolation and also supplier perspective is needed to be taken into account. Among others, Ellram and Hendrick (1995) emphasize the significance of collecting empirical data from both sides of the dyad, especially in the case of partnering relations.

Regarding the selection of the interviewees, snowball sampling (Burgess 1984:55, Frank and Snijders 1994) was used. The interviewees were nominated by the respondents in the purchasing organizations – from both client and service provider companies – as potentially valuable persons to interview with regard to relationship management issues. The interviewees were asked if there might be some other people worth interviewing on the matter. While the users of the premises and their influence played an important role in this study, they were studied focusing on the manner of how the service providers and clients perceived them and their influence. This choice is justified as the service provider and the client have the power to make decisions relating to the business relationship while the users of the premises are able to act only indirectly through one of these parties (cf. Järvinen 1998). Furthermore, it is highly troublesome to find end-users who are acquainted with issues related to the provision of FM services.

Twenty managers from three client companies and seven service provider companies were interviewed. A minimum of two interviews were conducted for each relationship, with a minimum of one interview with a representative of the service provider and one with a representative of the client. This corresponds to Wilson's (1996) recommendation that buyer-seller relationship research involve multiple respondents (at least two, probably more). If a respondent had participated in the management of more than one of the relationships under research, the relationships were discussed one by one during the interview. In addition, related to the dissolved relationships, two

[1] Triangulation of qualitative data sources means comparing and cross-checking the consistency of information derived by different means within qualitative methods. Comparing the opinions of people representing different viewpoints is one example of triangulation of data sources (Patton 1999).

interviews were organized which were attended by the representatives of both the client and the service provider and acted as a forum for discussing the reasons which had caused the dissolution of the relationship. This was carried out to increase the wealth of the analyzed data. Before the group interview, representatives from both sides were interviewed individually, and it was ensured that all participants regarded the idea positively. However, group interviews were not carried out in the case of all dissolved relationships since some of the respondents were too busy to participate or did not deem arranging a group interview necessary.

In the interviews, respondents were asked to focus on partnering relations generally and, on the other hand, on the success factors of a particular relationship. Thus, the respondents' answers reflect the specific relationships discussed in this study, as well as their general experience with partnering relations. Altogether six ongoing and seven dissolved relationships were discussed. Of these, three ongoing and four dissolved relationships were related to maintenance. In addition, there were one ongoing and one dissolved relationship from catering, cleaning and security services, respectively.

Furthermore, as stated earlier, interviews carried out from the service procurement perspective in the research project focusing on the sourcing strategies of FM services were analyzed[1]. In addition to operational FM services, the procurement of management functions was covered as well. The author of this dissertation participated in the development of the interview guide (see Appendix 2) and three interviews as an interviewer and observer. The data were used when building the understanding of the selection of relationship type and differences between various relationship types (Paper 2).

In summary, during the interview phase, a total of 41 higher-level managers (i.e., at the strategic and tactical level of the organization) from 9 client companies and 10 service provider companies were interviewed in 37 interviews. The number of interviews was adequately large to reach theoretical saturation (cf. Eisenhardt 1989b). The strategic level was chosen because people on this level are assumed to have the best knowledge of the business environment and future trends. The managerial level was chosen as it consists of people who are involved with procurement planning and sourcing decisions, and furthermore, it represents people who are responsible for managing the relationship after it has been established. All 19 participating companies are salient actors in the Finnish FM service market, and they participated in research projects of CEM/FSR as corporate research partners.

3.1.2 Data collection and analysis

In general, qualitative interviews are divided into three categories as follows: structured interviews, unstructured interviews, and semi-structured interviews (Rogers and Bouey 1996:52-56). Structured interviews, sometimes called standardized interviews, are often used in quantitative research. In structured interviews, the researchers ask numerous interviewees the same set of questions, in the same order, and using the same words. In

[1] Both researchers analyzed the data and coded the transcripts independently. Then, the coding and the findings were compared, and discrepancies were solved through long discussions. Thus, analyst triangulation was utilized. This provides an important check on selective perception and blind interpretive bias (Patton 1999).

contrast to the rigidity of the structured interview, an unstructured interview, sometimes called an open-ended interview, does not use an interview schedule that contains a common set of standardized questions. Instead, the questions emerge from the interactive process between the interviewer and interviewee (ibid.).

Between the two extremes of the structured and unstructured types of interviews lies the semi-structured interview, sometimes called a guided interview. In this type of interview, there are some predetermined questions or key words used as a guide (Rogers and Bouey 1996:56). However, the researcher is free to exercise his or her own initiative in following up an interviewee's answer to a question. The interviewer may want to ask related, unanticipated questions that were not originally included. This approach may result in finding out unexpected and insightful information, thus enhancing the findings (Hair et al. 2003:135). Thus, the semi-structured interview has some of the advantages of both the structured and unstructured formats. While it allows questioning with respect to specific topics, it poses these questions in more open-ended a manner than is the one typical for structured interviews (Rogers and Bouey 1996:56).

As stated, the interviews carried out in this study were semi-structured ones. For interviewing purposes, an interview guide was developed (see Appendix 1). According to Patton (2002:343-344), an interview guide lists the questions or issues to be explored in the course of an interview. An interview guide is prepared to ensure that the same basic lines of inquiry are pursued with each person interviewed. The advantage of an interview guide is that it makes sure that the interviewer has carefully decided the best ways of using the limited time available in an interview situation. The guide helps in making interviewing a number of people more systematic and comprehensive by in advance delimiting the issues to be explored.

The interview guide comprised three themes and general background questions related to service procurement. Themes were the level of collaboration, partnering success factors and pitfalls, and relationship dissolution. These themes consisted of questions needed to guide the discussion between the researcher and the interviewee. A separate interview guide was modified from the original one for the purposes of the interviews to be conducted among the representatives of the service provider. It consisted of the same themes but the form of some questions differed, and the general background questions were related to customer segmentation and relationship management.

The interview guide was critiqued in writing by colleagues of the author in CEM/FSR. In addition, some minor changes were made in the form and order of questions during the data collection. This is in line what Merriam (2002:14) states about the nature of data collection in qualitative research. Based on her opinion, in qualitative research, data analysis occurs simultaneously with data collection. That is, one begins analyzing the data with the first interview, the first observation, the first document accessed in the study. Simultaneous data collection and analysis allows the researcher to make adjustments along the way, even to the point of redirecting data collection, and to test emerging concepts, themes, and categories against subsequent data. By waiting until all data are collected one loses the opportunity to gather more reliable and valid data.

Interviews were carried out in the premises of companies the representatives of which were interviewed. All interviews were conducted in Finnish which was the mother tongue of both the interviewers and the interviewees. Before entering the actual interview, it was emphasized that interviews were confidential and that the answers and opinions of an individual interviewee could not be recognized in publications. During the interviews, the conversation was allowed to proceed at its own pace; the interviewer simply had the responsibility of ensuring that all the questions in the interview guide were addressed. The interactions between the respondents and the researcher varied to an extent. Some respondents were open and eager to engage in a discussion while others strictly answered the set questions.

The duration of the interview varied between one and two hours. The researcher took some notes during interviews, and furthermore, all interviews were recorded. According to Adams and Schvaneveldt (1991:222-223), even the best of interviewers cannot remember details well enough to go back and fill in missing data at the end of the interview, or worse yet, at the end of the day. All other things being considered equal, it is best to record fully and accurately in the situation as the data emerge. Later, interviews were transcribed into written form and these transcripts were then coded[1] manually with Atlas.ti® software to produce a categorization of the data. As Robson (1993:385) states, qualitative data cumulate rapidly, and even with regular processing and summarizing it is easy to get overwhelmed. The material is unstructured and difficult to deal with. To prevent and solve this problem, coding is needed.

At first, the categorizing of the answers was conducted following the question themes of the interview guide. Under these themes, several subcategories were developed. Next, on the one hand, potential relationships between these subcategories, and on the other hand, the relationship between subcategories and theoretical concepts were analyzed by utilizing theoretical findings presented in Paper 3. As a result, subcategories were classified under numerous categories and these categories were classified under three core categories, namely attributes of partnering relations, partnering success factors, and factors influencing the ending of the relationship. As regards subcategories related to the selection of relationship type and differences between various relationship types, they were compared with subcategories created when coding the interviews carried out for the other research project. Based on this comparison, the final categories were constructed.

However, analysis is not simply a matter of classifying, categorizing, coding, or collating data. It is not simply a question of identifying forms of speech or regularities of action. Most fundamentally, analysis is about the representation or reconstruction of social phenomena (Coffey and Atkinson 1996:108). In this study, the analytic process of writing was parallel to that of reading. As Coffey and Atkinson (1996:110) state, an active and analysis-oriented approach towards the literature is an important part of the recurrent process of reflection and interpretation. The process of data analysis was also directed by writing articles and conference papers among which some are a part of dissertation and some are not. As the purpose of this study was to increase the knowledge about the motives for partnership sourcing in FM services and to deepen the understanding of issues related to the management of partnering relations, both in general level, the results are not structured in terms of individual experiences or actions, nor in terms of policies of certain organization, but rather in terms of industry or market level practices.

[1] This process was influenced by the suggestions of Robson (1993) and Coffey and Atkinson (1996).

3.1.3 Focus groups

A focus group interview is an interview among a small group of people on a specific topic. Typically, groups are comprised of 6 to 10 people with similar backgrounds who participate in the interview for one or two hours (Patton 2002:385). Morgan (1997) identifies three types of uses for focus groups. Firstly, they are used as a self-contained method in studies in which they serve as the principal source of data. Secondly, they are used as a supplementary source of data in studies that rely on some other primary method such an interview. Thirdly, they are used in multi-method studies that combine two or more means of gathering data in which no one primary method determines the use of the others. In other words, focus groups may be used either as a method in its own right or to complement other methods, especially to the purposes of triangulation and validity checking.

The more common uses of focus groups include (Stewart and Shamdasani 1990):
- obtaining general background information about a topic of interest
- generating research hypotheses that can be subjected to further research and testing using more quantitative approaches
- stimulating new ideas and creative concepts
- diagnosing the potential for problems of a new program, service or product
- generating impressions of products, programs, services, institutions, or other objects of interest
- learning how respondents talk about the phenomenon of interest, which may be of assistance when using quantitative research tools
- interpreting previously obtained qualitative results.

Focus groups may be used at any point in a research project. According to Patton (2002:386), focus group interviews have several advantages for qualitative inquiry:
- Data collection is cost-effective. In one hour, you can gather information from eight people instead of only one, significantly increasing sample size.
- Interactions among participants improve the data quality. Participants tend to provide checks and balances on each other, which weeds out false or extreme views.
- The extent to which there is a relatively consistent, shared view or great diversity of views can be quickly assessed.
- Focus groups tend to be enjoyable to participants, drawing on human tendencies as social animals.

As a part of this study, a number of focus group workshops were organized that provided data for analytic purposes. The workshops gathered together multiple observers and interviewees who shared their insights into the studied phenomenon and environment. The focus groups consisted of representatives of clients and service providers and were directed by the researchers in order to outline the practical problems related to relationship management and to deepen the understanding of the researchers of different types of relationships in FM services. Furthermore, the focus groups were organized for member check purposes and in this way, to increase the credibility of the analyzed interviews (Guba and Lincoln 1989:236-241).

Overall, four focus group workshops were arranged (Table 2). At the beginning of the study, they contributed to the specifying of the research focus and the developing of the interview guide (Appendix 1). Later, they were used to discuss, confirm and augment findings yielded through semi-structured interviews.

Table 2 Conducted focus group interviews

Date	Focus group theme	Focus group purpose	Number of representatives (C + SP)
13.3.2002	Development needs of relationship management	Specify the research focus	4 + 3
5.11.2002	Practical problems related to relationship management	Specify the research focus	2 + 3
28.4.2003	Partnering pitfalls and success factors	Discuss the findings	3 + 3
27.11.2003	Differences between arm's length and partnering relations	Discuss the findings	2 + 3

3.2 Survey phase

In order to refine and confirm the findings made in the interview phase by triangulation, a descriptive survey was carried out. Overall, the amount of survey-based research is relatively low in the FM discipline[1]. However, this is typical in an emerging field of research. In this case, researchers tend to first observe trends in practice and in published works and write about them, making recommendations. This frequently takes place in connection with emerging practices which so far do not have sufficient occurrences of the phenomenon of interest to engage in a large scale study. As more organizations begin to develop the practice, identifying a larger population needed for, e.g., survey-based research becomes possible (Carter and Ellram 2003).

According to Fowler and Mangione (1990:12), there are several features of surveys designed to provide descriptive statistics about a population that distinguish them e.g., from interviews:

- The individual respondents are of interest only due to the fact that they are members of the population to be described. Typically, they belong to a representative sample of that population. Regardless of the manner in which they were chosen, the answers of individuals are of interest because they will help researcher describe the population from which they originate, not because there is any intrinsic interest in the answers of these individuals per se.
- The product of the survey will be a quantitative description of the population. A typical product of a survey is a statement such as, "4% of the labor force is currently unemployed." Descriptions may also identify relationships among characteristics such as: "Workers who are dissatisfied with their jobs are more often on sick leave than workers who are satisfied."
- The results of the measurement process, the data to be analyzed, are the answers given by the respondents. The descriptions are a direct result of the distribution of respondents who gave particular type of answers.

To gain a deeper understanding of the trends in the procurement of FM services, and for the purposes of investigating the respective importance of different success factors in establishing and maintaining partnering relationships, a questionnaire was composed. The target group was companies buying operational FM services (i.e., the user or user-

[1] For more detailed information about the frequency of different data gathering methods used in FM research, see Paper 1.

owner companies, real estate investors, and facilities management companies). For these purposes, FM services were defined to refer to property maintenance, technical maintenance, cleaning, grounds maintenance and waste management. In the questionnaire, a partnering relation was determined as a mutually beneficial relationship in which both parties are committed in the long term to develop and maintain this two-way relationship (cf. Ellram 1995).

The questionnaire was divided into four parts. The first two parts covered the procurement of FM services. The first part of the questionnaire consisted of questions related to purchasing management, and the second part of questions related to transitions in service procurement practices. The last two parts examined the partnering approach adopted. They contained questions about motives and circumstances for partnership sourcing, and in the last part, the success factors of partnering relations were investigated.

The first draft of the questionnaire was developed on the basis of the results yielded in the interview phase. The precise wording of the questions was tailored to fit the FM service context in collaboration with industry experts who were employees of RAKLI, an interest group and trade association representing the most prominent real estate owners, investors and service providers in Finland. The purpose of this collaboration was to develop a set of items that tap each of the relevant topics and to provide an initial test of some of the measures chosen. Based on the recommendations of the representatives of RAKLI, a few questions were removed and some were modified. The next version was piloted with the Senior Vice President of a Finnish real estate investment company. Based on his comments, one question was added to the final version of the questionnaire.

The internet-based questionnaire was carried out in cooperation with RAKLI. The questionnaire was sent to the 50 most important buyers in the Finnish FM service market. The buyers represented both public and private organizations. The importance of buyers was determined using the following approximations of importance: firstly, the amount of space owned (in square meters), and secondly, for management companies, the turnover, and for municipalities, the size of the population. The information was collected from the database of RAKLI.

Furthermore, as the database of RAKLI contains information about the buyers of FM services and persons responsible for decisions related to relationships with FM service providers, it was utilized in identifying of key sample respondents as well. The key respondents were contacted via email and asked to respond to the survey. In order to improve the response rate, the importance of the survey for RAKLI and for the development of the FM industry was emphasized. Initially, the survey rendered 19 responses, and after one week of the first contact, a reminder was sent to those 31 who had not responded yet. The total response rate was 66% equaling altogether 33 responses. Every respondent had answered to the every question. If the company represented by the respondent has not utilized partnership sourcing, the respondent was not asked to answer to the questions concerning motives and circumstances for partnership sourcing, and the success factors of partnering relations. To the partnering related questions, totally 22 responses were received.

The language of the questionnaire was Finnish which is the mother tongue of the respondents. The questionnaire was filled in anonymously. To questions related to the procurement trends, respondents were asked to answer either yes or no. In relationship management questions, they were asked to rate the importance of different factors on a 5-point Likert scale[1] (from strongly agree to disagree) and subsequently, to choose the most important factor of the group. According to the representatives of RAKLI, the 5-point Likert scale have been found to be the most workable method to carry out surveys in the FM services context in Finland. As a result, representatives of companies are nowadays used to that scale.

[1] When a Likert scale is used, the item is presented as a declarative sentence, followed by response options indicating varying degrees of agreement with or endorsement of the statement. The Likert scale is widely used in instruments measuring opinions, beliefs, and attitudes (DeVellis 2003:78-80).

4 RESULTS

This chapter aims provide answers to the research questions of this dissertation. The key results are described and discussed further. Connections between next sections, research questions, published papers, and utilized data are presented in Table 3. If the data appears in parentheses, it means that it had a supplementary role in answering the research question. The focus of the sections 4.1 and 4.2 is on both operational FM services and management functions. The results presented in the rest of the sections cover only operational FM services.

Table 3 Connections between the results and empirical data

Section	Research question	Paper	Utilized data
4.1	How do partnering relations differ from arm's length relations in FM services?	Paper 2	Semi-structured interviews (Focus group interviews)
4.2	Which conditions lead the client company in selecting the partnering approach to maintain its relationships with FM service providers?	Paper 2 Paper 5	Semi-structured interviews: service procurement perspective Questionnaire
4.3	Which factors have had an impact on the dissolution of earlier relationships?	Paper 4	Semi-structured interviews: relationship management perspective (Focus group interviews)
4.4.1	How do partnering relations differ from arm's length relations in FM services?	Paper 4	Semi-structured interviews: relationship management perspective (Focus group interviews)
4.4.2	Which factors do participants in partnering relations feel are contributing to long-term success?	Paper 4 Paper 5	Semi-structured interviews: relationship management perspective Questionnaire (Focus group interviews)

4.1 Characteristics of different relationship types

In this section, the characteristics of different relationship types in FM services context are described covering both operational FM services and management functions. Generally speaking, the findings of this study are in line with earlier findings from other industries since the same three types of relationships (i.e. arm's length relations, operational partnering and strategic partnering) between clients and FM service providers were recognized here as well (Table 4).

The findings yielded by the interviews indicate that in the case of arm's length relations, clients use multiple service providers for providing the same service. The purchased service is non-strategic and does not need relationship specific investments. In addition, these services are usually standardized so the specifications are easily generated by the client and the responsibilities of both parties can be defined clearly. There are no mutual goals or relationship development activities. The interaction between parties is infrequent, and meetings are arranged only on the operational level. In extreme cases, meetings are arranged only when problems appear.

Table 4 Different relationship types and their characteristics from FM services perspective (based on interviews)

Relationship type	Descriptive characteristics
Arm's length relation	Non-strategic and standardized service Multiple service providers Selection of service provider is mainly based on price Small or diversified real estate portfolio No mutual goals or relationship development activities Interaction occurs on the operational level and is mostly problem-driven
Operational partnering	Bundling of sites or services Service is technically demanding 3-5 (preferred) service providers Competitive bidding with multiple selection criteria Homogeneous or clustered real estate portfolio Mutually agreed goals Systematic interaction between different organizational levels Continuous development
Strategic partnering	Service package includes management services Strategic importance of purchase is high Long-term co-operation and loyalty 1-2 service providers Close negotiations to select service provider and define specifications Shared vision and mutual strategic goals for relationship Extensive information sharing also including strategic information Client's core business is usually real estate related

Arm's length relations are usually used in the case of buying single service to single site. Hence, arm's length relations are typically exploited by user or user-owner companies which have the procurement of operational FM services as an in-house function and which, additionally, have only some properties spread widely in geographical terms. According to the interviewees, the selection of service provider is based on competitive bidding and the price is the most important selection criteria. However, contrary to the supply chain management literature, in the FM context, the nature of these kinds of relations could also be long-term. This finding was supported also by the results of the questionnaire because only 33% of buyers practicing partnership sourcing reported utilizing longer contract periods, while 61% of all buyers reported that the length of contracts had not changed.

As more and more clients are nowadays forming wider service packages, operational partnering is widely used also in such FM service purchases the strategic importance of which is not so high. The empirical findings of this study also indicate that additionally, operational partnering is used in the case of buying technically demanding services or services for a specialized property. In both cases, some specific know-how is needed and the strategic importance of the purchase is moderate. In operational partnering, clients have a limited number of service providers for providing a certain service package. Some of those also used the 'preferred supplier' model with an average of 3-5 service providers. However, none of the respondents felt that any of their FM service providers could be so important that they could not change it to another if necessary.

According to the findings yielded by the interviews, the selection of the service provider in operational partnering is usually based on competitive bidding. However, the weight of price as purchasing criterion is balanced with other criteria such as resources and knowledge of the service provider. The first version of specifications is usually created by the client but specifications may be modified in co-operation with the service provider during contract negotiations to customize the service offered. The contracts were usually fixed term contracts with an average duration of 3 to 5 years. On the one hand, this was seen as the optimal time-span to make the relationship profitable for the service provider regarding the necessary relation specific investments, and on the other hand, to prevent slack and to keep up with the competition. Actually, in the public sector, legislation prevents the use of longer contract periods.

In the case of strategic partnering, clients usually have only one or two service providers supplying a certain service package (i.e., single or dual sourcing is utilized). The use of two service providers was justified to minimize the risk of a partner going out of business or being acquired by the client's rival that has changed its strategy towards vertical integration. Purchased services were mentioned as strategically important. In most cases, a service provider has wide-ranging responsibilities in managing the client's customer (i.e. tenant) relations. Thus, it is essential that the service provider knows the client's values and promises made to end-users. The selection of the service provider may be based on bidding but after the bidding process, close negotiations between the client and the most potential service providers are arranged. The specifications in strategic partnering are generated by the client with co-development by the supplier and also the management model for relationship is described. Contracts were usually fixed term contracts with the duration of about five years but it was emphasized that the overall goal is a long-term relationship.

It was also stated that in strategic partnering, parties need to share the vision and the strategic goals for the relationship. In addition, it was learned that information sharing between parties is extensive, and sensitive or strategic information is shared as well. The service provider has access to the necessary databases of the client and is responsible for updating them as well. There are frequent meetings between the representatives of different organizational levels, and also, a group responsible for development activities is usually established. Furthermore, according to the interviewees, performance measures in strategic partnering should include measures of the total system outcomes, whereas those in operational partnering are more focused on the impact on each firm's performance. Nonetheless, in most of our cases, performance measurement and bonus systems were still under construction.

In conclusion, strategic partnering seems to be the most uncommon relationship type in the FM services context. It is usually used by real estate investment companies which are buying a wide range of management services. In general, both arm's length relations and operational partnering are used more widely in managing outsourced FM services.

4.2 Justification for partnering approach

This section discusses the factors affecting the selection of a relationship type and focuses on the whole range of FM services. Based on findings of this study, the use of partnership sourcing appears to be a growing trend also in FM services. For instance, the results yielded by the questionnaire show that 67% of buyers have established or aim to establish a partnering relationship with one or several FM service providers. However, over half of the buyer organizations (64%) did not have a sourcing strategy for FM services which is usually used as the basis for the choice of relationship type. Thus, the transition towards more analytical and systematic approach towards buying FM services seems to be still in progress.

The selection of relationship type is affected by the importance of the purchase. According to interviewees, the importance is estimated by defining the potential impact of the service to the core business of the client or the end-user and the amount of strategic information that needs to be shared with the service provider. The other aspect of importance is the purchasing volume. To increase the purchasing volume, most clients are nowadays creating broader service packages. The primary way of increasing purchasing volume was found to be the bundling of a specific service in multiple sites to one service provider (67% of all buyers had used this during the last five years) compared to the bundling of different services to one service provider (15% had used this at one site and 39% had formed multi-site bundled service packages). As the use of fewer suppliers means a greater degree of dependency and more complex relationships, there is a motive for entering into closer collaboration with service providers.

Based on the interviews, decisions to create broader service packages are a consequence of problems and costs related to the management of a large service provider base using the transactional approach. By bundling services or sites, benefits are gained through the economies of scale. Then, service provider can allocate its resources more effectively and cost advantages are created which can be converted into lower prices, higher service levels, and the creation of innovative procedures. It was also mentioned that a broader service package with the promise of a long-term contract makes a relationship more attractive from the perspective of the service provider, which in turn may generate negotiation advantages for the client.

By reducing their service provider bases, clients are also trying to trim their FM organization and change the job description of the in-house FM staff from routine purchasing tasks to more strategic tasks. The connection between the downsizing of FM organizations and reducing the number of service providers was supported also by the findings from the questionnaire. 64% of the organizations who had reduced the number of service providers had also cut down the in-house staff, while 47% of those who had expanded their service provider base had also expanded their in-house staff. However, it was emphasized as an important factor of successful service procurement and management that strategic knowledge about markets and procurement practices is maintained in-house.

Moreover, it was discovered that the choice of relationship type is affected by the complexity of the purchased service package. The complexity can be estimated by the content and scale of the service package, and it increases especially in the case of technically demanding services and management functions. In addition, the bundling of services renders the procurement and management tasks more complex when compared to buying single services for single sites. On the other hand, the complexity may also be high even in the case of single property if it is a specialized one with specific technical requirements based on highly demanding operations of the user.

Furthermore, respondents put emphasis on the fact that supply markets have an effect on the choice of relationship type. In the Finnish FM service market, there are only a few facilities management and service companies which provide services nationwide or are able to take care of large real estate portfolios. Particularly, when using the partnering approach based on broader service packages, problems can appear in finding suitable service providers, and thus, the bundling of sites is usually carried out only on regional level, not on the national level. On the other hand, according to few interviewees, sometimes especially the largest service providers may not be interested in entering into a partnering relation if the service package is not extensive enough. However in most cases, there are a sufficient number of service providers for keeping up the competition and prevent bottleneck situations. In addition, due to the simplicity of most of operational FM services, service providers cannot normally, except as regards some specialized properties with special technical requirements, gain a competitive advantage by standing out from the rest by technical differentiation. Therefore, there are usually many alternative service providers in the market, in which case the client is able to exercise buying power.

To sum up, the partnering approach is chosen in cases where the importance of the service is high for the client’s or end-user’s business, there is a need to share sensitive or strategic information, the purchasing volume is high or the management of the purchasing situation is difficult because of the complexity of the purchased service package or market conditions. However, especially in case of operational FM services, the choice of the partnering approach is mostly justified only by the purchasing volume.

4.3 Factors contributing to the dissolution of earlier relationships

This section focuses on the problems which companies have encountered in their earlier relationships and factors having an impact on the dissolution of these relationships. These findings provide a more thorough understanding on the reasons why companies have started to make their approaches more collaborative in the case of operational FM services as well.

In general, the dissolution of earlier relationships was influenced by poor communication, shortcomings in service management, lack of development activity, and organizational changes. However, the salient factor having a negative effect on relationships was deficiencies in service quality. On the other hand, some quality problems exist always regardless of the relationship type used but the problem here was that service failures were not taken care of and they accumulated in the long run. The accumulation can be explained especially by poor communication and by shortcomings in service management.

The traditional practice in operational FM services was that participants did not define the content and frequency of the different types of meetings. This, in turn, led to shortcomings in communication and interaction between clients and service providers. If the service provider incorrectly interprets the message client voices about problems and makes changes based on this interpretation, the situation may become worse. For instance, in one case, a client was expecting better service quality but the representative of the service provider interpreted his message to mean that the client was expecting cost savings. In addition, poor communication may affect end-user satisfaction. If the expectations of end-users are not fulfilled, and their complaints about service quality are not taken into account, they will no longer trust the service provider. In one of the discussed relationships, it was noticed that it is very hard to win back the trust. As a consequence, the client was forced to dissolve the relationship. This is an example of the manner in which the users of the premises are able to influence the future of the relationship indirectly.

Another typical site-level problem was shortcomings in the service management. No sufficient number of supervisory staff was present on-site, and clients felt that their representatives have had to put too much effort into advising new service employees and in reporting service failures. Service providers saw that the problem was partly related to the size of the contract. If there is not enough demand for services in a particular area it is not financially possible to increase the number of supervisory staff. This finding supports the practice of bundling service purchases into larger units. Shortcomings in service management were also related to deficient service agreements. Responsibilities were not defined clearly, and it was difficult to find a consensus between client and service provider as to the party actually responsible for handling a particular task.

The dissolved relationships suffered also from lack of development activity. This resulted partly from small-size contracts which made it economically unprofitable to put effort into relationship development. Partly, it was a result of a lack of mutually agreed relationship goals. The different processes in the relationship became routine in the long term and, little by little, the whole service concept became old-fashioned, inefficient and costly compared to alternative service concepts in the market. Additionally, although FM services is not a fast-changing business from the technical perspective, a clients' core business may be dynamic, and thus, the provision of FM services needs to be flexible and proactive as well. Otherwise, the service concept will become unfit for the needs of the clients and end-users. In this study, on the one hand, the reduction in the number of employees and occupied square meters, and on the other hand, changes in corporate strategy and organization structure had affected the relationship in such a way that the client needed to change the service concept. For example, one of the clients had centralized its facility service purchasing tasks. As a result, they also saw it necessary to change the content and price of service packages. If these changes cannot be carried out in co-operation between the client and the service provider, the client may be attracted or even forced to check up on the market situation.

4.4 Operational partnering

4.4.1 Attributes

The focus of this section is on the attributes of a relationship, or 'softer' issues which describe the attitudes of the partners and the atmosphere in an ideal operational partnering relation. The motive for this discussion is that moving from arm's length to partnering relations requires a change in the mindset of both parties, and to understand the nature of this change, one needs to be familiar also with these mostly intangible issues. Based on this study, instead of self-seeking behavior, operational partnering should be based on mutual trust, commitment, openness, the involvement of different organizational levels, continuous development, and the promise of mutual benefits.

Earlier, according to interviewees, only the minimum amount of service with minimum interaction was purchased and the benefits were created by cost-savings owing to fierce price competition. Nowadays, in operational partnering, partners try to create mutual benefits in the long-term by continuous development. Therefore, it has been observed that mutual commitment is needed to warrant maximum effort from both parties. As regards the benefits, it was widely accepted that it is necessary for the relationship to be profitable for both partners from the financial point of view. From the client's point of view, profitability stands for cost savings in the long-term, and from the service provider's point of view, it stands for a better margin and a steady cash flow. Further, it was also stated that as partners become better acquainted with each other's business, they may find synergies that enables developing the service concept in terms of efficiency, and thereby benefit from cost savings. However, according to the results of both interviews and questionnaire, although benefits gained from the relationship are shared, they are usually not shared proportionally with respect to the investments of the various parties.

Furthermore, the participants felt that when the scope of service packages grows and the time-span of relationships increases, it becomes almost impossible to draft comprehensive contracts, and additionally, in the course of time, contracts will require changes and revisions. Thus, trust is needed in handling the increased complexity and uncertainty. On the other hand, trust was mentioned also as an essential precondition for the development of co-operation between firms. If an actor does not trust his partners, then he usually will try to hold back information and ideas. He becomes suspicious of the proposals of others and will be secretive as to his views in an attempt to minimize the influence of others. As a consequence, the exchange of information between actors becomes bounded and imprecise.

In the above-mentioned context, it was emphasized that in order to maintain and develop the relationship successfully in the long-term, open discussion about the needs for change, problems and costs is needed. Actually, open communication between the client and the FM service provider should be relatively easy at least on paper because there is no need to share sensitive information related to core business. In addition, based on the interviews, not only personnel at the operational level but also top management should participate in interaction and the development of the operational partnering. However, if the client's core business is not real estate related, the term top management refers to the strategic level of the company's CREM/FM unit.

4.4.2 Success factors

This section concentrates on the success factors of operational partnering. Generally speaking, successful partnering relations can be described in terms of fulfilling mutual expectations of the relationship, and unsuccessful ones in terms of not meeting the expectations held by one or both partners. While relationship attributes are related to the partners' attitudes and prevailing atmosphere in the relationship, success factors are more concrete and could be exploited in developing guidelines for the implementation and management of partnering relations.

Based on the findings of the interview phase, the success of operational partnering relations between clients and FM service providers seems to be based on[1] (a) clearly defined and mutually agreed goals, (b) two-way information sharing, (c) mutual involvement in relationship development, (d) joint problem solving, and (e) the partners' ability to meet performance expectations. These success factors can be divided

[1] For more detailed discussion of partnering success factors in FM services, see Paper 4.

into sub-constructs which were utilized in the questionnaire for analyzing the respective importance of different success factors in establishing and maintaining partnering relations (Table 5).

Table 5 The respective importance of different success factors

Partnering success factors (Scale: 1 = Disagree; 5 = Strongly agree)	
Clearly defined and mutually agreed goals	
Partners have mutually agreed-upon goals for the relationship	4.58
Partners have shared visions and values	4.39
Two-way information sharing	
Operational level meetings	4.54
Reporting between parties is systematic	3.81
Managerial level meetings	3.75
Content, frequency and participants of various meetings are defined	3.69
Meetings between the top management of the companies	3.19
Mutual involvement	
Mutual relationship development	4.33
Joint planning	3.79
Joint problem solving	4.27
Partners' ability to meet performance expectations	
Service provider takes care of problems related to its subcontractors	4.36
Service provider takes care of advising new service employees	4.32
Sufficient technical know-how and skills of service employees	4.24
Accomplishment of the goals is monitored and goals are updated if required	4.14

The first success factor, implementing clearly defined and mutually agreed goals, was studied using two sub-constructs: the partners have shared visions and values (mean 4.39) and the partners have mutually-agreed upon goals for the relationship (mean 4.58). The values for the sub-constructs indicate that the mutually agreed goals are important for the success of operational partnering. These goals can consist of the parties' own goals and their mutual goals but it is important that both parties know these goals and accept them.

The second success factor, two-way information sharing contained a total of five sub-constructs in two sets. The first set comprised two questions related to systematic information sharing: the partners have defined what kind of information is shared, how often, and who is responsible for collecting the data (3.81) and the partners have defined the content and frequency of different types of meetings and defined which organizational levels participate in these meetings (3.69). The second set comprised three questions covering interaction between different organizational levels. Firstly, there are meetings between the top management of the companies. The aim of these meetings is to set mutual strategic long-term goals and to try to discover the potential synergies between the operations of the service provider and the client (3.19). Secondly, the managerial levels of companies hold meetings the aim of which is to develop the operations related to the relationship (3.75). Lastly, there are operational level meetings for adopting new courses of action and for solving practical problems related to service providing (4.54). On the whole, it seems that only operational level meetings are deemed important in terms of the success of FM partnerships. On the other hand, the initial strategic level input realized in setting up the mutual vision and values for the partnering relation was perceived to be important to ensure partnership success.

As two-way information sharing is needed to prevent the emergence of problems and to encourage the sharing of development ideas, mutual involvement is needed to convert new ideas and changes in requirements into practical operations. Mutual involvement was studied with two sub-constructs: joint planning (3.79) and mutual relationship development (4.33). According to the data, it is important that both parties collaboratively participate in the relationship development. However, the results yielded by the questionnaire did not support the assumption that joint planning would be important for the success of operational partnering. On the other hand, the other aspect of joint action, namely, joint problem solving (4.27), was found to be significant for partnering success. When parties engage in joint problem solving, a mutually satisfactory solution may be reached, which may even strengthen the relationship.

The last of the success factors, the partners' ability to meet performance expectations was studied using the following four sub-constructs: the service provider takes care of problems related to its subcontractors (4.36), the service provider takes care of advising new service employees (4.32), the service employees have the technical know-how and skills needed to provide service (4.24) and the accomplishment of the goals is monitored and goals are updated if required (4.14). The values for these sub-constructs indicate that the partner's ability to meet performance expectations is seen as an important part of successful partnering relations in the FM context. This is not surprising since the aforementioned are also factors describing the competence of service provider to provide and ensure the high quality of service.

In addition to the above mentioned success factors, the significance of the front-line staff's capability to provide friendly customer service, and positive feedback from end-users was mentioned as an important indicator of the success of relationship regardless of the relationship type. This is more than understandable as all operational FM services are delivered on the premises of the client. Hence, in addition to the business perspective, the importance of the end-user perspective is emphasized as an indicator of a successful inter-organizational relationship.

4.5 Summary of the results

The objectives of the study were to discover in which situations partnering approach is chosen and to identify the factors rendering a partnering relation a success in the FM services context. These objectives were divided into four research questions or goals.

The first goal was to find out which conditions lead the management of the client company in selecting the partnering approach for maintaining its relationships with FM service providers. This matter was examined in interviews and also by the questionnaire. Based on the findings of the empirical study, a partnering approach is favored in cases in which the importance of service is high for the client's or the end-user's business, there is a need to share sensitive or strategic information, the purchasing volume is high, or the managing of the purchasing situation is difficult due to complexity of the purchased service package or market conditions. However, in the case of operational FM services, the choice of a partnering approach is justified mostly by purchasing volume. Thus, a partnering approach is usually chosen by companies, which have a wide – homogenous or clustered – real estate portfolio.

The second goal of this dissertation concerned the differences between partnering relations and arm's length relations. This issue was investigated mainly using interviews. Compared to arm's length relations, partnering relations are characterized by the use of a limited number of (preferred) service providers, mutually agreed goals, systematic interaction between different organizational levels, and continuous development. Furthermore, instead of self-seeking behavior, partnering relations are based on mutuality which includes such variables as trust, commitment, openness, and sharing of benefits.

The third and fourth goals of the dissertation were related to the success and failure of relationship. Based on the interviews, the dissolution of earlier, arm's length relationships was influenced by poor communication, shortcomings in service management, lack of development activity, and organizational changes. Respectively, the success of partnering relations is based on two-way information sharing, joint problem solving, the partners' ability to meet performance expectations, clearly defined and mutually accepted goals, and mutual involvement in relationship development.

The respective importance of different success factors was investigated using the questionnaire. In order to do this, the success factors were divided into sub-constructs. As a result, it appeared that joint planning as a sub-construct of mutual involvement, and systematization of information sharing and meetings as well as top management and managerial level meetings as sub-constructs of two-way information sharing were perceived to have a smaller impact on partnering success than the other success factors identified in the interviews. These findings lay emphasis on the importance of site-level actions. Although the more collaborative models bring about need for interaction on all organizational levels, services are still provided on the site-level, and people representing this level still have a notable responsibility for the success or failure of the relationship. Furthermore, one essential finding of this study is that, in addition to the business perspective, the end-user perspective is important as well when evaluating the success of relationship. This is logical since FM services always affect the end-users' business or operations in some way.

5 DISCUSSION AND CONCLUSIONS

5.1 The contribution of the study

The added academic value of this dissertation is gained by presenting novel findings of selection criteria, characteristics, and success factors of partnering relations in the FM services context. Furthermore, by examining the pitfalls of dissolved arm's length relationships, new insights are given to explaining the transition towards partnering approach in managing relationships between clients and FM service providers. These issues are widely investigated from the "traditional" supply chain management perspective but both business services and facilities management literature lack that kind of discussion.

Moreover, this dissertation provides new insights into portfolio models by examining them from the service procurement perspective. When comparing the results of this study with existing purchasing portfolio models, the selection criteria for the relationship type in FM services seem to correlate with them. However, there are some exceptions. In this study, the impact of image factors on the importance of purchase or the impact of novelty on the difficulty of managing purchasing situation were not mentioned. The first exception could be based on the fact that the client's brand is usually the most visible for end-users, so the brand or image of the service provider has only minimal effect on the end-users' experiences and, therefore, also on the importance of purchase from the client's perspective. The second exception could be explained by the matured nature of the most of FM services.

The dissertation contributes to the facilities management literature by describing different relationship types in the FM services context. Although the significance of this topic has been emphasized in supply chain management literature (e.g. Dyer et al. 1998, Bensaou 1999, Mentzer et al. 2000), it has not been discussed in FM literature at all. Correspondingly, from the point of view of supply chain management literature, the results of this dissertation endeavor to integrate the service perspective with the discussion of relationship types.

Overall, partnering relations in the FM services context were found to be, by nature, mostly similar to those in other areas of supply chain management. This finding can be explained by the fact that attributes which define the nature of relationship are related to 'softer' issues such as the attitudes of the partners, and the intended atmosphere in relationship. Thus, the features of the goods or services exchanged can be seen to have only a slight effect reflected especially in issues such as equality and dependency between partners. The more standardized the exchanged item is the lower the interdependence between parties can be and the relationship could be dominated by the other partner. For instance, although benefits gained from the partnering relations are shared in the FM services context as well, they are usually not shared proportionally with respect to the investments of the various parties. Furthermore, risk sharing does not exist. These findings are in conflict with equality which Ring and van de Ven (1994) see as an important criterion for assessing collaborative relationships. On the other hand, Cox (2005) states that the equal sharing of benefits is not obligatory for sustaining long-term partnering relations. Furthermore, based on the findings of this study, it was perceived that no significant risks are related especially to operational partnering relations in the FM services context.

Respectively, contrary to the theoretical body of knowledge, the findings yielded by the questionnaire suggest that the role of top management[1] is just to establish and update the goals the parties have mutually agreed upon. Once the representatives of top management have succeeded in this, they have no significant role in the relationship, and it is the operational level that is responsible for carrying out the daily initiative, development, and problem solving. In fact, this finding is in line with Tuomela's (2005) finding on the importance of boundary spanners in the delivery of FM services. On the other hand, interviewees stated that top management is needed also for solving conflicts that persons at the managerial and operational levels are not able to solve. The other exception is that in the FM services context, also arm's length relations can be long-term by nature. This could be explained by the fact that FM services are delivered on the premises of the client. These premises are always somehow unique so taking on a new property always requires some learning and customization. Thus, changing service provider always involves some extra costs and the price advantage of frequent competitive bidding based on short-term contracts is lost.

Furthermore, once the decision on choosing the partnering approach is made, this research provides us with a greater understanding of the success factors of partnering relations which can be used to streamline the management efforts of companies. The prerequisite of a successful establishment of partnering relation is that both parties have a particular willingness. This includes capability (i.e., the ability to meet performance expectations) and a "bona fide" mindset. After this, it is possible to successfully develop and maintain the relationship on a continuous basis.

The information about problems companies have encountered in their earlier, arm's length relationships and factors that influenced the dissolution of these relationships deepens our understanding of the reasons of the increasing popularity of the partnering approach in the FM services context as well and the reasons it is used also in the case of non-strategic purchases. The latter topic is especially important as it reminds companies on the fact that not only strategic importance should direct their choices in procurement decisions. As the success of price competition utilized in transactional approach requires continuous productivity enhancements from suppliers and as it easily leads to declining quality in labor-intensive fields such as the FM services, the more justification seems appropriate for the partnering approach sometimes in the case of non-strategic purchases as well.

Lastly, especially from the practical perspective, this study offers interesting findings related to procurement practices. In the FM services, the selection of service provider is usually based on competitive bidding also in partnering approach. However, based on interviews, the significance of price as a purchasing criterion is not as high as in the case of arm's length relations, and moreover, some other significant criteria exist such as resources and know-how of the service provider. Respectively, based on the results of the questionnaire, partnering relations are formed in order to improve the quality and further the development of activities and processes. Nonetheless, in contrast to the motives for forming a partnering relation, the choice of partner is based mainly on price and prior experiences of working with the service provider in question. This result suggests that although clients understand and perceive quality and developmental aspects as more important than costs, in practice, they do not choose the service

[1] If the client's core business is not real estate related, the term top management refers to the strategic level of company's CREM/FM unit.

provider based mainly on quality or development capabilities. Therefore, it seems that in the sample of firms studied, there is a gap between the perception and actual practice. A possible explanation for these results might be that the operating practices in the sample firms studied are not completely consistent with their strategic priorities related to the FM services, or that their strategic priorities are somehow unclear. This explanation is supported by the finding that over a half of the client organizations did not have a sourcing strategy for FM services. Consequently, the link between operating decisions and strategic objectives of the procurement of FM services is missing, and operating decisions might still be made just based on practices that the organization is traditionally used to. Thus, the salient message of this study is that companies should adopt a more strategic and systematic approach towards the management of outsourced FM services. Additionally, this study emphasizes that both partnership sourcing and transactional sourcing can and should work together. What is needed is a balance between both approaches and a sophisticated understanding of which strategy to use in a specific situation.

5.2 Evaluation of the dissertation

The building process of understanding for this study was based on abductive logic. The process progressed step-by-step by reviewing literature, collecting and analyzing empirical data, and writing scientific papers. The final phase was this dissertation summary which connects all the prior work into an entity and gives overview of the whole research process. Consequently, the validity[1] of this dissertation consists of (in addition to the factors presented in this dissertation) the contribution of the individual studies which were peer-reviewed and evaluated individually when published in academic forums. Furthermore, the research was also reshaped by the valuable feedback from the articles revised. The reliability of the dissertation was supported by reporting both the research methodology and the results on a detailed level in both the appended papers and this research report. However, when interpreting the results of this dissertation, it has to be borne in mind that the study was carried out in one country. Thus, the results may contain some market specific biases related, for instance, to legislation or size and sophistication of the market. In addition to the Finnish market, at least the results may depict the situation in other countries which have relatively similar legislation and small domestic markets.

To ensure general validity of research and improve the accuracy of results, triangulation in its all four forms (i.e., methods triangulation, triangulation of sources, analyst triangulation, and theory/perspective triangulation) was used. The empirical part of this study consisted of two phases. The interview phase was based on qualitative approach, while quantitative methods were used in the survey phase. More emphasis was laid on the first phase (i.e., the interview phase), and therefore, also the results lean more on qualitative data. If we can safely assume that individuals and groups are willing and capable of talking to us or completing various forms, then we have the potential of great research utility with interviews and questionnaires. Furthermore, if we can assume that people are honestly supplying requested information, then both these ways of data collection are also highly reliable and valid. To sum up, by collecting data using both the interviews and the questionnaire, the validity and the reliability of this study relating

[1] In essence, validity means that a theory, model, concept, or category successfully describes reality, just like a good map properly describes Earth (Gummesson 1991:81).

to the research questions covered in both the interviews and the questionnaire (i.e., the selection of partnering approach and success factors of partnering relations) were improved.

However, scientific quality of this research can be judged by various criteria. The qualitative and quantitative researches are based on different paradigms. Where qualitative researcher seeks understanding, the quantitative researcher seeks generalization of findings. A central methodological issue for quantitative research is the reliability of the interview guide and the representativeness of the sample (Silverman 1993:10), and a study is valid if an instrument actually measures what it claims to measure. In qualitative research, the issue is often authenticity rather than reliability. The objective is usually to gather an authentic understanding of people's experiences (ibid.), and a study is valid if it truly examines the topic which it claims to have examined. Thus, as the quality of qualitative and quantitative research is judged partly in different ways, next two sections discuss this issue separately both from the viewpoint of the interviews and the questionnaire carried out for this study.

5.2.1 Interview phase

Researchers have traditionally used the terms internal validity, external validity or generalizability, reliability and objectivity in order to establish confidence in the accuracy of findings, i.e., the level of their applicability in other contexts, the potential replicability of the study, and the level of the results merely being determined by interests stemming from the researcher. However, these criteria have been developed originally for the purposes of experiments and surveys (Robson 1993:403). Therefore, Guba and Lincoln (1981:103-127) have proposed analogous criteria for evaluating the trustworthiness of a qualitative study. Instead of using internal validity in testing the truth value, the researcher should test the credibility of the findings made. External validity or generalizability looking at the applicability of results should be seen through fittingness, reliability testing the consistency should instead be revealed through auditability, and objectivity applicable to neutrality should finally be tested with the help of confirmability. Later on, these criteria have been conceptualized as credibility, transferability, dependability and confirmability (e.g., Lincoln and Guba 1985).

The objective of credibility is to demonstrate that the inquiry was carried out in a way which ensures that the subject of the inquiry was accurately identified and described. One technique of testing the credibility of the results yielded is triangulation (Guba and Lincoln 1981:106-107, Robson 1993:404). In this study, different data gathering methods were used, the data were interpreted by using different theoretical concepts, and the second set of interviews was analyzed by two researchers. As a consequence, greater confidence in results, and a check on selective perception and blind interpretive bias were gained. Furthermore, as for issues related to the success or dissolution of a particular relationship, the data were collected from both sides of the dyad. The chosen strategy to search for not only one perception of reality but at least two perceptions of the same phenomenon leads to greater wealth of information. However, statements respondents made about one another, or the matters revealed in the other interview were never communicated to respective respondents. This is believed to be very important for the respondents' willingness towards telling their stories. Although this study focuses on the client's perspective, the ability to listen to the stories of both client's and service provider's representatives made it possible to understand factors related to relationship success and dissolution more thoroughly and is believed to have improved the credibility of the results presented.

The credibility of the results is also enhanced by peer debriefings and member checks (Guba and Lincoln 1989:236-241). In this study, peer debriefings with colleagues of the author were held throughout the research phases. Peer debriefing takes place with a disinterested peer who is outside the scope of the study and who has a general understanding of the nature of the study and with whom it is possible to review perceptions, insights, and analyses. Member checks were used during all phases as well. In addition to the interviewees' checks on the transcriptions of the interviews, the organized focus groups functioned as an efficient form of member checking. In these focus groups, the researcher was able to go to the source of the information and check both the data and the interpretation. The interviewees and other people with a holistic view of the environment were able to corrects errors, provide additional information and to assess the overall adequacy of the data in addition to individual data points.

If the results do not seem credible, there is no point in asking whether they are applicable to the situation in which they are found. Hence, credibility is a prerequisite for testing transferability (Guba and Lincoln 1981:115). On the other hand, transferability itself is hard to assess in an exploratory study. Transferability parallels external validity or generalizability. The problem of external validity has been a common concern of qualitative research. According to McGrath (1982), there is always a trade-off between generalizability, precision, and realism when choosing a research strategy. Coffey and Atkinson (1996) find that the very process of abductive reasoning leads toward concepts and models that are applicable across a wider range of contexts. Thus, by using abductive logic, i.e. by the constant testing of concepts with empirical findings and creating new concepts that better fit the reality, the transferability of the results of this study is enhanced. Transferability or generalizability of the results was also studied in the survey phase through the questionnaire.

Dependability, the extent to which interpretation is constructed in a way that avoids instability, parallels reliability. Reliability means that two or more researchers studying the same phenomenon with similar purposes should reach approximately the same results. A study with high reliability thus can be replicated by others (Gummesson 1991:80). A characteristic weakness of qualitative studies is the lack of replicability. For instance, in qualitative interviews, the personality and interviewing skills of the researcher greatly affect the access to information. However, in order to improve replicability, and thus, the dependability of this study the research procedure was attempted to be designed as explicit as possible.

Confirmability refers to the ability to trace the researcher's construction of the interpretation by following the data and other records kept. It parallels objectivity, i.e., simultaneous realization of as much reliability and validity as possible. An audit trail provides the necessary materials to confirm the research (Guba and Lincoln 1989:243, Robson 1993:406). In this study, the audit trail includes the raw data (audiotapes, verbatim transcripts, and researcher notes from the interviews and focus groups), as well as coding and memos from interviews. Furthermore, the confirmability of the present study rests on the credibility of the empirical data and the reporting. Regarding the reporting, the researcher's pre-understanding of the research area is discussed, the research approach is described, and the background and justification for chosen methods are introduced. In addition, the empirical evidence and the data analyses leading to the results of the study are described.

5.2.2 Survey phase

Central methodological issues for quantitative research are the representativeness of the sample and the reliability of the interview guide (Silverman 1993:10). As the questionnaire carried out in this study was focused on operational FM services and as the partnering approach is mostly justified in that kind of purchases by the purchasing volume, the sample was chosen to represent the largest buyers in the studied market area. On the basis of the fact that Finland is a relatively small market area, and in addition, based on discussions with the representatives of RAKLI, it was found that the sample of the 50 most important buyers would be representative. The importance of buyers was determined using the following approximations of importance: firstly, the amount of space owned (in square meters), and secondly, for management companies, the turnover, and for municipalities, the size of the population. This information was collected from the database of RAKLI. However, it has to be noticed that aforementioned information exists only for organizations which are members of RAKLI. The membership is not obligatory but, based on discussions with academics and practitioners who represent the Finnish FM sector, the widely accepted view is that all important FM service buyers are members of RAKLI. Furthermore, in Finland, there are no other official statistics related to the purchasing of FM services. Thus, it can be argued that the sample is as representative as it could be taking into consideration constraints on the available information.

When developing the questionnaire and formulating the questions, the researcher should ensure that the language of the questionnaire is consistent with the respondent's level of understanding. If a question is understood or interpreted differently by respondents, the researcher will obtain unreliable responses to the question, and these responses will be biased (Forza 2002). As Adams and Schvaneveldt (1991) state, in a "good" questionnaire, the wording is clear and presented in a style familiar to all respondents. To ensure the clarity of wording, the professional terms were cited from "Kiinteistöliiketoiminnan sanasto" (RAKLI 2001), the widely accepted and used glossary for facility-related terms and their definitions in Finnish. Furthermore, the precise wording of the questions was tailored to fit the FM context in cooperation with the representatives of RAKLI, and the questionnaire was piloted with the Senior Vice President of a Finnish real estate investment company.

A study is valid in quantitative research, if an instrument actually measures what it claims to measure. This aspect was tested and improved by the cooperation with the representatives of RAKLI as well. Overall, in quantitative methods, validity is focused on, for instance, the validity of rating scales in a survey. In this study, the scale was determined together with researchers and the industry experts (i.e., the representatives of RAKLI). The researcher stated the academic point while the industry experts gave information on what have been used in earlier studies and, hence, the scale respondents are used to.

As regards the generalizability of the results, it is somewhat restricted due to four reasons:

- The first reason is that the study was carried out only in a one country only. Thus, differences between markets could not be observed.
- The second limitation is related to our sample. Although the sample covers the Finnish FM service market extensively, it is still quite small from a statistical analysis point of view. Moreover, the sample of respondents comprised mainly of large companies which are members of RAKLI. Therefore, the study sample may be somewhat skewed toward companies with proactive facilities management, and the results of the survey are generalizable to the population of firms only to the extent that the database of RAKLI resembles the population of all buying firms. Furthermore, due to the data capture methods used, we were not able to analyze the possible differences in the answers of the early and late respondents.
- The third reason is that the data were gathered only from the buyer side of the dyadic relationship since the focus of the questionnaire was both on procurement and partnering practices. However, it has been noted in the literature that the emphasis on each relationship control mechanism differs between suppliers and buyers (e.g., Leek et al. 2004).
- Fourthly, if we want to generalize the results to the broader context, we need to remember that the study was carried out only in the FM services context. Consequently, further research should use the same questionnaire in various business services. Moreover, in order to be able to make stronger claims to support the supposition that particular governance mechanisms result in success of partnering relation, one should conduct an extensive test including the effect of the mechanisms on the performance of partnering relation (cf. Cannon et al. 2000).

Further, the validation of scales is an inexact, ongoing process, and validity is established only over a series of studies that further refine and test the measures across different populations and settings (DeVellis 2003). Future research involving the constructs in the survey should include a careful reevaluation of the measures. In addition, future research endeavors could increase the validity by gathering data from multiple respondents within each firm.

5.3 Managerial implications

The purpose of this study was to increase the knowledge about motives for partnership sourcing in FM services and to deepen the understanding of issues related to the management of partnering relations. As a result, factors affecting the selection of relationship type as well as characteristics of different relationship types and success factors of operational partnering have been described. All these are issues which organizations need to take into account when developing the procurement and management practices of FM services.

All in all, there seems to be the need for a more strategic approach to procurement and management of FM services. In addition, organizations should redirect their attention to costs rather than price. A good starting point is the creation of sourcing strategy which forms the basis for decisions related to every sourcing situation. The final decision before the selection of service provider is the selection of the relationship type. To avoid negative consequences of over- or under-investing to relationship with the service provider, thorough analysis by utilizing, for instance, the findings of this study is advisable. Furthermore, more precise goal setting for the building of inter-organizational relationships is recommended. Although we are living in an era when everyone is talking about partnering and its benefits, we need to remember that firms involved in arm's length relations can also have a high-quality relationship.

In order to implement and manage partnering relations it is essential for both partners to have a collaborative mindset instead of transactional one which has traditionally been prevailing. By describing the nature of partnering relations, this study provides guidelines for this process. In addition, the meeting of mindsets is facilitated by selecting a partner which has compatible corporate philosophy. On the other hand, the service providers' commitment to partnering relations can be fostered by clients that communicate the need for continuous improvement and treat their service providers' problems related to service provision as a matter of internal concern for the client firm instead of something that service providers must handle by themselves only.

As a successful partnering relation enables the partners to achieve organizational objectives and contributes to building competitive advantage that each organization could not easily attain by itself, it is necessary to understand how to effectively manage these relations. Managers can utilize the critical success factors presented in this study in diagnosing their current partnering relations and arrive at prescriptions for the potential redesigns of these relations. It should also be borne in mind that, in addition to the business perspective, relationship success in FM services includes the end-user perspective, and a high end-user satisfaction is an integral part of a healthy buyer-supplier relationship.

From the service provider's perspective, in order to understand what motivates the client to work with fewer service providers in a closer, more dependent relationship is to gain a better strategic posture vis-à-vis one's competition. Given that competitive success is determined, to a very great extent, by the strength of one's ties to one's customers, insights into how clients attempt to manage their relationships are critical. Certainly, such information becomes important when considering the best way of allocating one's relationship management resources. In addition, such information helps ensure that the relationships with one's customers are managed more effectively.

5.4 Suggestions for future research

This study opened several new avenues for further research. As pre-transaction activities, 'decisions made before the purchase', seem to have an affect on the post-transaction activities such as managing and controlling the supply network, there is a need to more profoundly investigate those activities that occur prior to providing FM services. It would also be worthwhile to describe the decision-making framework for sourcing strategy development in the FM services. Furthermore, as selection criteria and a selection process of service provider differ between different relationship types, research related to these issues could offer useful insights for both academics and practitioners.

Because this study focused only on success factors of operational partnering, a potential research subject is the recognition of success factors of arm's length relations and strategic partnering. Related to the aforementioned, there is a need for further research in which more exact guidelines for managing arm's length relations, operational partnering, and strategic partnering are provided. In addition, an area worth studying is the manner of measuring the performance of different relationship types.

As this study is specific to FM services, it is important to encourage future research on procurement and relationship management activities in other business services. It would also be fascinating to carry out this same study in different markets in order to find out possible culture- or market-related differences. Furthermore, in order to improve understanding of partnering relations in future, more thorough analysis of perceptions of service providers related to the issues investigated in this study could be worthwhile.

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APPENDIXES

Appendix 1: Interview guide – Interviews from the relationship management perspective

Background information concerning the procurement of services

If the end user in the relationship under analysis is only one company, what are the central features of the activities of the user company from the viewpoint of the service in question?

Is there a sourcing strategy concerning facility services in place?
- Are the service providers made to compete against each other?
- Is there a tendency toward long-lasting collaborative relationships?
- To what extent are supporting services taken into account in strategic planning in the company?

How are services procured?
- Competition vs. negotiation
- Who take part in the selection process?
- What is their role in the procurement process?
- How are the needs of the property users defined?

Level of collaboration (depth of relationship)

Speaking of partnering relations, what does “partnering” mean to you in practice?

How does a partnering relationship differ from other relationship types?

What are the advantages and disadvantages of a partnering relationship?

Why have you initiated co-operation based on a partnering relationship?

Has this model of co-operation worked as you had hoped it would?

Have you set goals for the relationship? What are the goals you share with the service provider?

What kinds of investments have been made toward the building of the collaborative relationship?

What information do you share with the service provider? How open is information sharing between the two parties? What is the significance of information sharing?

How openly is information on finances shared? Is there a rewarding system in place in the relationship? If so, what kind of system?

What kind of co-operation is there between your company and the representatives of the service provider during the contract period?
- Official / unofficial?
- With whom?
- Frequency?
- How about other representatives of your organization (different levels)?

What kind of co-operation are you involved in with the property users during the contract period?
– Official / unofficial?
– With whom?
– Frequency?
– How about other representatives of your organization?
– Mapping out of needs / satisfaction?

Do you have a specific method for co-operation and its development during the contract period?

To what extent does the contract guide the relationship to a certain direction?
– In which situations is the contract ”laid on the table” and used as leverage?
– How often and for what reasons is the contract modified?

Has the service provider corrected the mistakes that have happened during the collaborative relationship?
– Does correction usually take place only after reclamation or such, or does the service provider correct the mistakes on his/her own initiative?
– Is information given on the occurrence and correction of mistakes?
– Do certain mistakes recur?
– Are the mistakes analyzed together with the service provider?

Partnering success factors and pitfalls

What is a good co-operative partner like?

What is a successful partnering relationship like? How about a failed one?

Rate the success of the relationship under analysis on a scale of 4-10. [Scale of rating used in the Finnish school system]

How do you evaluate the success of a relationship? Co-operation in the evaluation?
– Importance of contract documents
– Importance of expectations and goals set for the relationship
– Importance of previous evaluations and experiences concerning the relationship
– Importance of experiences gained from other relationships

What criteria do you use to assess the future of the relationship? What fortifies commitment to the relationship?

What is the role of trust in the relationship?
– What factors does trust consist of?
– What strengthens / weakens trust?
– In this relationship, what do you and what do you not trust?
– Is the notion of trust bound to specific persons or the organization as a whole?

Which factors of the relationship under discussion are you satisfied with? What are its benefits compared to other similar relationships you have been involved in?

What points of improvement are there in the relationship? Which aspects of the relationship are you dissatisfied with? What disadvantages can you identify in this relationship comparing it to other relationships?

Has there been a specific incident that has had a positive effect on the relationship?
– What kind of positive effect?
– Have there been other similar incidents?

Has there been a specific incident that has had a negative effect on the relationship?
- What kind of negative effect?
- Could the incident have been avoided?
- Was action taken to repair the negative impact?
- Have there been other similar incidents?

What kind of problems may lead to crisis in the relationship? Have risk factors been mapped out / defined?

What can cause the termination of a relationship? Under what terms would you be willing to consider changing service providers?
- Importance of quality problems
- Importance of costs
- Importance of social relations
- Boredom / desire to check up on the market situation

Do you intend to continue the relationship in question in the future? Why?

Relationship dissolution

What are the reasons that have led to the dissolution of previous business relationships? Which party made the decision not to continue the relationship?

Was the matter negotiated with the opposing party? Who took part in the negotiations?

Have you analyzed the incident? What were the reasons why the relationship was not continued?
- Impact of quality problems
- Impact of costs
- Impact of social relations
- Boredom / desire to check up on the market situation

What were the final criteria the decision was based upon?

Who made the decision to end the relationship?

Whose opinions and views were taken into account in the making the decision? What kind of effect did these opinions and views have?

Under what terms could the relationship have been continued?

How did the separation process go?
- Co-operation with the service provider? Did you identify any changes in the operation methods of the service provider?
- Attitude of the current service provider toward the new service provider?
- Problems?

In what kind of atmosphere was the relationship ended? In your opinion, could it be possible to consider a new relationship with the opposing party?

How would you evaluate the dissolved relationship? Advantages / disadvantages? What could be learned from the relationship?

Appendix 2: Interview guide – Interviews from the service procurement perspective

Background

Company information

What is the company's line of business, where do proceeds come from?

What kind of service providers does your company have?

Size of service providers in relation to your company and other service providers?

Procurement of services and organization of procurement activities

What kind of services do you need / make use of in your business operations?

What services are produced in-house and what services are bought from external service providers?

What is the basis for the division between services produced in-house and those bought from external service providers?

Which services could still be outsourced? Why?

Has the production of any previously outsourced services been taken back into the house? If there are such cases, why was the change made in these?

How has the procurement of services for the company been organized (centralized, decentralized etc.)?

What is the reason for the current organization of service procurement?
- What are the advantages of your method?
- What are the disadvantages of your method?

In what way will the organization of service procurement develop in your company in the future?

How does the user perspective affect purchases?

Different relationship types (methods of procuring services)

What kinds of different relationships does your company have with service providers?

How do you utilize different relationship types?

How will the models of co-operation develop in the future?

For each relationship named:

Which services are procured using the relationship type in question?

What does using the relationship type in question mean in practice (definition)?
- How does each individual model differ from the other(s)?
- What are the most important differences and possible common traits?

What is the share of services procured using this relationship type as opposed to using other models?

Using this relationship type, what procedures do you employ in the selection of service providers?
- Competition, negotiating procedure or a combination of these?

What are the advantages, disadvantages and risks of this relationship type?

Partnering relations

How has partnering been defined in your company and what does partnering mean to you?

Why have you entered into a partnering relationship with the service provider?
- Where did the initiative come from?

What services are procured based on partnering?

What are the advantages and disadvantages of partnering?

What are your expectations of the partner? What is a good partner like?
- What are the prerequisites for a successful partnering relationship?

Have you succeeded / failed in choosing partners?
- How and why have you succeeded / failed?

When should you change partners?
- Is it expensive to change partners? Is it even possible?

Would it have been possible to build an equally successful relationship using another model instead of the partnering relationship model?
- Why? Why not?

Small service providers

How does the size of the service provider affect your willingness to work with the provider?

Do you co-operate with small service providers?
- If not, why not?
- How should the small service providers change to make co-operation with them more purposeful for you?
- Under what circumstances could you work with small service providers?
- Do you think the existence of small service providers is important?

How has co-operation worked with small service providers?
- Problems, disadvantages of working with small service providers
- Positive experiences, advantages of working with small service providers
- Are there differences between co-operating with small and large service providers?

How do you see your possibilities of working together with small service providers in the future?
- How could co-operation be made more effective in the future?
- What kind of services could call for co-operation with smaller service providers?

Appendix 3: The interviewees

Aumo, Irmeli. Nordea (Client). 26.5.2003.
Heikkinen, Tarja. Lassila & Tikanoja (Service provider). 12.5.2003.
Jokisalo, Reino. Libella (Service provider). 16.5.2003.
Kahra, Helena. Menox Palvelut (Client). 10.3.2003.
Kankuri, Timo. Ilmarinen Mutual Pension Insurance Company (Client). 28.5.2003.
Kemppainen, Pertti. Menox Palvelut (Service provider). 14.3.2003.
Korhonen, Seppo. SOK (Client). 21.5.2003 and 22.5.2003.
Laine, Timo. YLE (Client). 21.5.2003.
Latvanen-Nieminen, Elina. Fazer Amica (Service provider). 30.7.2003.
Lehtomaa, Heikki. Nordea (Client). 15.5.2003.
Lunden, Pekka. Ovenia (Client). 19.5.2003.
Mansikkamäki, Erkki. Senate Properties (Client). 19.5.2003.
Martola, Mika. ISS Palvelut (Service provider). 16.5.2003, 28.5.2003 and 4.6.2003.
Metsi, Pekka. JP Building Engineering (Service provider). 11.6.2003.
Määttänen, Hannu. City of Helsinki (Client). 1.6.2003.
Mäntynen, Antti. YIT (Service provider). 2.6.2003.
Myllyniemi, Petri. Are (Service provider). 26.5.2003.
Nurminen, Niina. Ilmarinen Mutual Pension Insurance Company (Client). 28.5.2003.
Oesch, Harri. Ovenia (Client). 19.5.2003.
Panhelainen, Jari. Senate Properties (Client). 27.5.2003.
Rantanen, Liisa. ISS Palvelut (Service provider). 14.3.2003.
Rasimäki, Jarmo. Fazer Amica (Service provider). 20.5.2005.
Ritari, Jukka. Nordea (Client). 24.3.2003.
Räisänen, Heikki. Nokia (Client). 9.6.2003.
Saarinen, Aimo. Senate Properties (Client). 13.5.2003.
Saarinen, Jouni. SOL Palvelut (Service provider). 13.5.2003.
Salminen, Juha. NCC (Service provider). 17.4.2003.
Sarpila, Timo. Construction Establishment of the Defence Administration. 25.6.2003.
Soikkeli, Hannu. YIT (Service provider). 2.6.2003.
Suoniemi, Niko. SOK (Client). 28.5.2003.
Talvitie, Kari. NCC (Service provider). 17.4.2003.
Tammisto, Jukka. Nordea (Client). 15.5.2003 and 4.6.2003.
Toljander, Jari. Senate Properties (Client). 24.3.2003.
Tuohimaa, Tapani. Securitas (Service provider). 15.5.2003.
Tuovinen, Jukka. Nordea (Client). 15.5.2003 ja 4.6.2003.
Turkulainen, Arto. Are (Service provider). 6.5.2003.
Valmela, Tuija. SOL Palvelut (Service provider). 23.5.2003.
Virta, Kari. ISS Palvelut (Service provider). 20.5.2003 and 22.5.2003.
Vuotilainen, Juhani. Ovenia (Client). 19.5.2003.
Yrjälä, Heikki. SOL Palvelut (Service provider). 12.6.2003.
Äikää, Jorma. SOK (Client). 9.6.2003.

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