



Lappeenranta University of Technology

LUT School of Business and Management

## **MASTER THESIS**

Business to Government (B2G) exchange: Supplier  
selection and success with public customers - Case  
Toshiba Tec

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<p>This master thesis examines the possibilities of private suppliers in their actions towards business exchange for public customers. Study investigates best practices for private companies to have better success in business to government (B2G), especially this thesis focuses on competition during procurement process and actions before the actual contract is awarded to supplier.</p> <p>Finland has a big public sector which spends a lot of money on procurements and outsourcing. Public companies and government entities provide a stable business partner and moneywise these procurements are often much larger than in private sector. This is the reason why many private suppliers try to actively pursue these contracts. These procurements are under the influence of procurement law. Law guides and dictates these procurement processes and makes competition fair, undiscriminating and available for any potential supplier, aim is that public funds are spent most effectively. This effects largely on how private suppliers can act during the procurement process which is often very different compared to regular private sector procurement.</p> <p>This thesis investigates what are the common selection criteria for public buyer to choose particular supplier. These selection criteria's are often much different than in private sector. In supplier perspective, aim is to scrutinize how suppliers can make themselves more appealing and increase their chances of winning.</p> <p>This study finds that public procurement is very price driven and other selection criteria's like quality, ethical issues or financial stability are just check marks for entering the actual competition. According to the findings of this study it seems that best way for private supplier to be more successful is to establish strong relationship with the buyer already before the actual procurement process is started or tender is published. When this relationship is established, the supplier should try to differentiate itself from other competitors and provide innovative solutions which have more value than just a simple product or service.</p>	

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<p>Tämä opinnäytetyö tutkii yksityisten toimittajien mahdollisuuksia heidän toimissaan julkisten asiakkaiden kanssa. Tutkimuksessa selvitetään parhaita käytäntöjä, joilla yksityiset yritykset voivat menestyä paremmin julkisissa asiakkaissa, etenkin tutkielmassa keskitytään kilpailuun hankintaprosessien aikana ja toimiin ennen varsinaisen sopimuksen syntyä ja toimittajan valintaa.</p> <p>Suomessa toimii suuri julkinen sektori, joka kuluttaa paljon rahaa hankintoihin ja ulkoistamiseen. Julkiset yritykset ja julkisyhteisöt tarjoavat vakaata liikekumppanuutta, sekä rahallisesti hankintoja, jotka ovat usein paljon suurempia kuin yksityisellä sektorilla. Tästä syystä monet yksityiset toimittajat yrittävät aktiivisesti tavoitella näitä sopimuksia. Nämä julkiset hankinnat ovat hankintalain alaisia. Laki ohjaa ja sanelee hankintaprosessia ja tekee kilpailusta oikeudenmukaista, syrjimätöntä ja kaikille potentiaalisille toimittajille avointa, tavoitteena on, että julkiset varat käytetään mahdollisimman tehokkaasti. Tämä laki vaikuttaa suuresti siihen, kuinka yksityiset tavarantoimittajat voivat toimia hankintaprosessin aikana, mikä on usein hyvin erilainen verrattuna tavanomaisiin yksityisen sektorin hankintoihin.</p> <p>Työssä tutkitaan, mitkä ovat yleiset valintakriteerit julkiselle ostajalle tietyn toimittajan valitsemiseksi. Nämä valintakriteerit ovat usein hyvin erilaisia verrattuna yksityiseen sektoriin. Toimittajan näkökulmasta tavoitteena on tutkia kuinka tavarantoimittajat voivat tehdä itsestään houkuttelevampia ja lisätä mahdollisuuksiaan voittoa.</p> <p>Tämän tutkimuksen mukaan julkiset hankinnat ovat erittäin hintavetoisia ja muut valintaperusteet, kuten laatu, eettiset kysymykset tai taloudellinen vakaus, ovat vain rasti ruutuun tyyppisiä karsimisosioita ennen todellista kilpailua. Tämän tutkimuksen tulosten perusteella näyttää siltä, että paras tapa yksityisten toimittajien menestymiseen on luoda vahvat suhteet ostajaan jo ennen varsinaisen hankintaprosessin alkua tai tarjouksen julkaisemista. Kun tämä suhde muodostuu, toimittajan tulisi yrittää erottua muista kilpailijoistaan ja tarjota innovatiivisia ratkaisuja, joilla on enemmän arvoa kuin pelkällä tuotteella tai palvelulla.</p>	

## Table of contents

1	Introduction.....	1
1.1	Literature Background .....	4
1.2	Objective and research questions.....	6
1.3	Structure of the thesis.....	7
1.4	Research methods.....	8
1.5	Literature Review.....	9
2	Business to government compared to business to business .....	12
2.1	Introduction to government procurement process.....	12
2.2	The role of the procurement law .....	18
2.2.1	Common procurement processes .....	20
2.2.2	Main actors in government procurement.....	22
3	Suppliers role in business to government.....	25
3.1	Benefits from B2G .....	25
3.2	Success in tenders .....	26
3.3	Differences in value perception.....	27
4	Theoretical summary .....	30
5	Research methodology.....	33
5.1	Research approach .....	35
5.2	Case description.....	36
5.3	Data collection .....	37
6	Key findings from interviews .....	39
6.1	Importance of B2G.....	40
6.2	Procurement process and responsibilities .....	41
6.3	Supplier selection criteria.....	43
6.4	Suppliers methods of influence and customers supplier evaluation.....	45
6.5	Role of the procurement law .....	46

6.6	Challenges and possibilities .....	47
6.7	Summary from the interviews .....	49
7	Conclusions and recommendations.....	50
7.1	Answers to research questions.....	50
7.2	Results and managerial implications .....	51
7.3	Managerial recommendations.....	52
7.4	Limitations and future research avenues .....	53
8	Summary .....	54
	References .....	55
	APPENDIX.....	60
8.1	Customer interviews – Interview questions.....	60
8.2	Toshiba’s internal interviews – Interview questions.....	60

# 1 Introduction

This thesis focuses on investigating business to government (B2G), particularly exchange between private supplier and public entity. B2G commonly refers to businesses which are selling or aim to sell, their products or/and services to government or any government controlled entities and subordinates. In this study we focus specifically the procurement procedure of Government and how suppliers see relationships with government. Aim is to shed light on various issues. Are relationship with government different than regular business to business (B2B) and how? Are government procurement contracts something to go for and pursue? How should suppliers prepare themselves to tenders from government? In this chapter the author will introduce the topic of B2G exchange and reasons why it is important and interesting subject.

Government procurements in Finland are 30 billion annually, which makes close to one fifth of the total gross domestic product (Confederation of Finnish Industries, 2018). In addition, there were 22 880 companies involved in public procurement with median procurement price of 1500€ in Finland 2017 (EU, 2018). Government needs to provide certain services and facilities to its inhabitants. Finland is called a welfare country; this means that government has a responsibility to take care of its people. This is why the public sector is so big, and it needs lots of product and services required from outside. Therefore, the business to government phenomena is important part of the whole business field of Finland and it reflects heavily to whole business environment. Especially outsourcing of services has been growing in recent years. Large public entities have recognized the importance of procurement and it has gained more and more attention in SMEs, which have not paid attention to procurement as much due to lack of resources and capabilities (Anttila et al. 2013).

This might have changed due to growing information sharing via online and new procurement legislations that have given more companies possibilities to do and enter in procurement processes. This thesis focus on business to government in Finland, which business environment is heavily guided by laws set by EU. It is good to mention that the thoughts and findings in this paper cannot be implemented globally because of different political situations and different roles of governments or national leaders in different countries. It is eminent that government has a significant role in enhancing outsourcing to itself. Government behavior also effects on businesses and companies' ability to do

outsourcing themselves, so public sector and private sector have influence with each other despite being different (Zhou 2007).

By examining the amount of companies involved to public procurement and business to government, it has long reaching effect to employment rates etc. direct benefits are that government facilities employ lots of people themselves but also the supplier base companies employees. This is how business to government exchange directly or indirectly influence to people lives, families and communities. One could argue that wellbeing of some communities are solely depended on public procurement, as an example, a mining company like Terrafame Oy has huge regional effect on employment rate and services due to sheer size of the mine.

The phenomena seen also worldwide, for example, 2015 figures show that government spending in OECD countries was high, between 25%-54% of GDP (OECD, 2018). In EU the whole procurement market is responsible of 14% of GDP (EU, 2018). Governments act on many different markets; some are very specific, like different departments in defense, infrastructure in roads or railways and electrical grid. Also in other markets considered more common, like construction. All of these sections and departments have essential need for successful procurement. Overall, the public procurement is so vast that it covers every business area and all private sector companies should consider at least possibilities to get in to public procurement.

This has led to situation where many companies want a piece from public procurement; collaboration with government entities can offer big deals and relatively stable income as public procurement projects can also last long a time usually due to their overall size. Government do not easily go bankrupt and the spending is relatively consistent over time which means that as a business partner public entities are more reliable, economical fluctuations do not affect them as much they affect to private companies. (Williams and Smellie, 1985; Loader 2007) Establishing business relationship with government entity helps private companies to get positive image, when company has achieved deal with public actor it makes a reliable source of reference. In general, if private supplier have been able to meet all the demands of government acquisition it tells that management of private company has been successful, not only moneywise but also in other aspects like quality, accountability and ethical aspects. Many companies battle for these deals and this thesis aims to explore the special characteristics of B2B offerings in business-to-government relationships. The

theoretical findings compared to the interviews and findings and suggestion how Toshiba Tec can achieve better results in public procurement, win bidding wars and respond to tenders.

The purpose of this study is to view the phenomenon of Business to Government exchange between private company and government entity. Focus is on the big actors, like cities or administrative organs. The key is to find the characteristics that makes B2G exchange different from Business to Business. This question is narrowed down to examine the supplier point of view; what are the pros and cons of these relationships. Public procurement process aims to achieve the most proficient way possible to use public assets. This study sheds light on how these processes are happening thru the government network and what rules and behavioral characteristics are determining the nature of purchasing function in public entities. Aim is to find the differences in B2G exchange relationships compared to private sector relationships. Who are involved in these relationships directly and indirectly, in which manner people within these relationships are able effect to the outcome of the relationship?

The goals of public procurement are usually different from regular B2B context. According to studies, procurement fundamentally aims to achieve the cheapest price from market for material, service and reliable workflow. This goal easier to achieve when supplier base is comprehensive (Skjott-Larsen et al., 2007). However, the goals that public actors set are much more complicated and vague than in regular private sector (Rainey & Bozeman, 2000; Van Der Wal et al., 2008).

In example, ethical aspects and level which government compliance is in congruent with private provider and they can have deeper impact in final selection than B2B environment. It is important to remember that these public actors do not work like regular businesses, they behave in institutional way, and where there is institution there are regulations. Private providers have to answer to these demands and regulations which public actors set. These demands, regulations and goals that are not in center point of regular business can surpass the aim of capitalize on profit or efficiency (Williams & Smellie 1985; Rainey & Bozeman, 2000; Murray 2001; Wang & Bunn, 2004; Van Der Wal et al., 2008)

After covering these topics, the study focus on the issues that are important to private actors who act as potential providers. How companies in private sector can answer to public auctions and tenders in the best way possible and perform during these relationships? What



are the things we can effect during or before the procurement process to reach competitive advantage from other providers?

## **1.1 Literature Background**

The business to government exchange phenomena is not vastly studied subject, especially in supplier performance. For example, the purchasing processes has been often studied by focusing in to the private sector, while public sector is lacking information about the phenomena and the studies which involve public sector are usually focused solely on procurers perspective (Purchase et al, 2009). The problem is that in procurement literature focus is on procurement strategies as a whole and studies generally do not go in depth to find particular ways to establish procurement, they represent the strategies but don't aim to understand them (Wang & Bunn, 2004; Schiele & McCue, 2006).

This study does not focus on reasons why public actors have different goals and ways to behave in these processes compared to B2B, this is because fundamental basics are just different in private companies compared to the government entities, governments purpose is not maximize shareholders wealth as it is in private sector company. This study's aim is to find what these differences are and how the suppliers should react to these for better business performance towards government customers.

The supplier's role in public procurement is almost non-existing and research about B2G reflects usually the customer's perspective (Lindgreen and Wynstra, 2005). You can find many studies talking about different outsourcing strategies but not studies about supplier possibilities in answering to these outsourcing practices from buyers or tenders that they output. There are some studies but they have focused mainly on the difficulties when dealing with government and these difficulties are mainly law related issues (Martin et al. 1999).

It is proven that outsourcing have significant effect on achieving company's strategic goals overall as they provide source of competitive edge (Krause & Ellram 1997). This phenomenon has gained even more popularity due to development of global supply and information flow networks, nova day's companies can easily just focus on their core business and outsource various business sections, for example in clothing business many companies focus solely on marketing and brand development, but outsource the manufacturing (Grant & Baden.Fuller, 2004). With outsourcing, organizations can achieve cost reduction and free

more of their own assets to core competences; outsourcing of in-house operative tasks is proven to be effective way to reduce costs (Rimmer, 1991).

Business to government from supplier's point of view has not been so popular topic in literature. Only in recent years, the B2G exchange has been gained more attention. One might argue that this shift is happened because of the growing transparency in public sector and grown level outsourcing. Basically this means safeguarding better efficiency in use of tax payer's money. This has led to situation where public entities and business functions have started behaving more like private companies, enhancing performance in every function has become more common. (Caldwell et al. 2005)

Level of competition is high and because of this technological development, we face a situation where public auction can be hold completely via online. For example, in Finland there are online platforms that shows inquiries for upcoming tenders, such as HILMA platform, which is, govern by the ministry of employment and the economy of Finland. Its sole purpose is to publically announce the upcoming procurements and make sure that supplier companies are informed with same available information for everyone. (Työ- ja elinkeinoministeriö, 2019). Predefined forms helps in one important aspect, main characteristic of public procurement is that the whole processes has to done by the books and it needs to be reported carefully to make purchasing process as transparent as possible (Bryntse, 1996).

This kind of practices leave bidders to situation where they can fight only with price and bidding wars can push the prices to levels where companies need to evaluate the costs and benefits for participating to current public procurement. Companies can face the situation where they have only two opinions, win the bid and make operational loss, or retreat. This thesis aim to find the ways to avoid this situation. Can there be found some ways of marketing, networking or lobbying to make situation more beneficial to us and influence the procurement process. In other words this means effecting to the different aspects of procurement, these can be product specifications, pricing models, delivery, reliability, service establishment etc.

Marin and Odell defines rules of business as "declarations of policy or conditions that must be satisfied" (Martin & Odell, 1998). The actors who represent government are bound to the government rules. These rules often mean that everything have to be done according

the code of conduct. For example, networks between regular businesses can be highly determined on the relationships of persons who interact in these networks. In case of government held businesses or actors, the relationships are supposed to be sterile. By the law and regulations, which try to minimize effectiveness of individual person's private relationships, often determine this transparent way. This thesis aims to get answers how can private actors make themselves more appealing within these rules.

Globalization in general and unprecedented speed of information sharing has made competition fierce. Information about the prices and products or services can be available for everyone, companies know that every time when tender comes they expect that competitors offers are low as possible; at least the prices are made to look like "cheap" for the supplier. Companies try to tackle the issue by innovative pricing, new pricing solutions aims to differentiate from competitors and create added value on the offering. (Cova & Salle, 2007; Matthyssens & Vandenbempt, 2008; Tuli, Kohli, & Bharadwaj, 2007).

## **1.2 Objective and research questions**

The aim of the thesis is to investigate how government purchasing process works and what B2G phenomenon is generally, author will describe main factors that are different in public procurement process compared to basic B2B. This study's main objective is to fill knowledge gap about B2G exchange from supplier's point-of-view, particularly on how suppliers can perform better in establishing B2G relationships. The aim of the study is to find the specific characteristics of B2G exchange and things that are essential to private providers and after this find out how they can improve their business towards government. This is important because in previous studies the B2G discusses mainly about the difficulties dealing with public entities business wise (Martin et al. 1999). Thus many private companies actively seeks growing relationship with government and winning contracts (Purchase et al, 2009).

From these the author tries to find the most effective ways to have better success in public tenders and ways to influence in achieving well-established relationships with public actors. This covers marketing, pricing and any other methods that can have impact on the relationship overall. This is investigated by displaying how companies try to effect and be prepared to single tenders, this is because companies do not usually have resources or possibilities to build and retain multiple customer relationships. Research questions and aims are presented in this chapter.

For clarification, the distinctive differences in procurement process investigated from the service provider's point of view. For example, this means reacting to possible signals that indicate the upcoming public tender etc. The last research question addressed in end part of this thesis, and it reflects on findings in empirical part of this study. Empirical part of the thesis done by interviewing people who are involved in these processes constantly in their work, and have many years of experience interacting with public companies.

**Table 1. Research Questions**

<b>Research Questions</b>
<ol style="list-style-type: none"> <li>1. What are the key decision-making criteria in public procurement processes related to               <ol style="list-style-type: none"> <li>a. Supplier selection?</li> <li>b. Selection criteria?</li> </ol> </li> <li>2. What kind of methods private supplier can use to perform better in B2G?               <ol style="list-style-type: none"> <li>a. How well suppliers are currently utilizing these methods?</li> </ol> </li> </ol>

### 1.3 Structure of the thesis

In the table is represented the structure of this thesis, including chapters, content and objectives.

**Table 2. Structure of the thesis**

<b>Chapter</b>	<b>Contain</b>	<b>Objectives</b>
1. <b>Introduction</b>	<ul style="list-style-type: none"> <li>- Introduction</li> <li>- Literature background</li> <li>- Objectives and research questions</li> <li>- Research methods</li> <li>- Literature review</li> </ul>	<ul style="list-style-type: none"> <li>- Reason for the study</li> <li>- Aims</li> <li>- Research questions</li> <li>- Defining borderlines</li> </ul>

2. <b>Literature part</b>	<ul style="list-style-type: none"> <li>- Theory</li> <li>- Government procurement</li> <li>- Procurement law</li> <li>- Supplier role in B2G</li> </ul>	<ul style="list-style-type: none"> <li>- Understanding the phenomena and main characteristics</li> <li>- Obstacles</li> <li>- Benefits</li> </ul>
3. <b>Research methodology</b>	<ul style="list-style-type: none"> <li>- Research approach</li> <li>- Introduction of the case</li> <li>- Data collection methods</li> </ul>	<ul style="list-style-type: none"> <li>- Explaining why the particular research methods were chosen</li> <li>- Reason to this particular case study</li> </ul>
4. <b>Empirical findings</b>	<ul style="list-style-type: none"> <li>- Comparison between theory and empirical findings</li> </ul>	<ul style="list-style-type: none"> <li>- analyzing the results from interviews</li> <li>- Findings from interviews mirrored to theory</li> </ul>
5. <b>Conclusions</b>	<ul style="list-style-type: none"> <li>- Conclusion and summary of results</li> <li>- Limitations and future suggestions</li> </ul>	<ul style="list-style-type: none"> <li>- Managerial suggestions based on finding of the study</li> <li>- Theoretical implications</li> </ul>

## 1.4 Research methods

In this thesis uses qualitative research method. Data is collected from empirical study and from related interviews about the topics. These methods where chosen because they are very suitable for this kind of study. Qualitative research aims to deep understanding and knowledge about phenomena not to make universal claims on how things are (Eskola & Suoranta 1998). In qualitative method there is always room for the author to have effect on the results, as they transform thru experiences and sights that author has before. Therefore, in qualitative research the author always has a relationship with the findings. In qualitative research, the author should make specific determinations on subjects that he is studying. Because for aim to get as specific understanding to the phenomena as possible. (Hirsjärvi, Remes & Sajavaara 2003; Eskola & Suoranta 2008) In Qualitative method the results and finding needs to be aligned with the material that is been studied, only this way the results are valid (Saaranen-Kauppinen & Puusniekka 2009). Author is able to compare and make hypothesis on the findings of the study, this is basic characteristic of qualitative research and use of hypothesis is desirable (Eskola & Suoranta, 2008). This is called abductee

approach, where formation of theories is possible only when making observations is connected with a guiding principle (Grönfors 1982). To sum up, the aim is to understand the business to government phenomena as well as possible within the guidelines following objective goals.

The literature part of the study contains analyzes from theories and previous findings regarding B2G. After this, in empirical part, theoretical findings are compared with findings from the interviews. Interviews will follow semi-constructed method. Questions follow overall same structure but can be specified for more detailed answers

## **1.5 Literature Review**

Literature review presents literature background of business to government and procurement studies. When searching basic information about B2G there is not vast amount of knowledge available in first hand. Reason for this is mainly that the “business to government” is not commonly used term. More knowledge is available when searching information from different databases by key words such as “government business” “public company” “public procurement”, “government outsourcing” “tender” and “acquirement process”.

Why procurement is so important? During the history of business we have constantly going towards outsourcing. In nova days, outsourcing is one of the mega trends in business management. Companies, government companies included, want to focus their actions in their core competence. By outsourcing, businesses can achieve cost efficiency, better products and services. Outsourcing contains different procurement and acquisition actions; acquisition is the management of the organization's external resources. The operations of the organization, leadership, management and development requires different products and services, as well as diverse expertise and knowledge outside the organization, a selection of external resources. The acquisition seek out to exploit the potential of the supplier market so that the needs of the ultimate customer will be satisfied with the desired, overall company maximizing. (Iloranta & Pajunen-Muhonen, 2012)

When speaking about government and government businesses we need to understand the nature of what it really means to be a government business. As said, this thesis focuses on the buying process and behavior of government organizations. Focus is on decision-making

procedures and the rules within them. These companies are not same as private sector companies. Leadership distributes to several persons and different actors. They are institutional, “shared concepts used by humans in repetitive situations organized by rules, norms and strategies” (Ostrom, 1999). In addition, for performing dignified tasks and formalized guidelines there are rules and regulations to manage and govern these (Lau, Goh & Phua, 1999).

In public procurement, there are usually different business section or agencies that are specialized in procurement. Still there has been notified that this procurement is not in handled as well as possible. There has been lots of talk lately in public procurement entities about better managing on the procurement, especially in competitive markets (Knight et al.2003). As public entities work they are constantly under more attention from media rather than private companies. This demand for transparency has grown in public organizations because of instant global information sharing due to internet. One could argue that is has its effect on procurement processes. Government entities here in Finland are not allowed to favor particular suppliers by any reason, this automatically means that competition becomes perfect and government benefits from this. No inner circle deals based on private relationships. By increasing attention to procurement processes public companies have started changing their habits, there is movement towards more private sector like procurement. Public actors now approach procurement with strategy based view and increasing usage of professionals in these procurement processes has been notified (Thai, 2001).

Institutional aspect needs to be in mind constantly. This also explains why these government businesses do not behave like regular businesses. For instance if we look at Finland’s capital city Helsinki, its goal is not to make the most profit, the strategic goal is to provide “most functional city in the world” to its inhabitants (Helsingin kaupunki, 2017). This kind of statement enhance the institutional identity. Key is to find answer on how government outsourcing works and how non-profit thinking of these institutions can effect to the process. As example shows, the whole purpose of particular institution can be far from maximizing profit. When institution or company who is acting on behalf or under the government, its actions are bounded by these institutional norms. Rather than focusing only to get best value from their money, government wants to manage their procurement activities in a way that that potential investors both private and entities from other countries perceive public sector as attractive business partner (Jackman, 2004).

This is why private sector providers should interact with these actors differently and try finding solutions elsewhere, outside of B2B management based thinking. Government procurement does not happen randomly, there are many established entities which sole purpose is to act as a buying center for governments behalf. These entities primary objective are to find and manage acquisitions, importation and information that is relevant to the government purchasing process (Spekman & Stem 1979). Thus, even though public entities behave differently there is evidence that many public businesses act more and more like private sector companies in their business management style (Caldwell et al. 2005)

It is rather odd that there are relatively much information and studies about procurement. Public institutions give companies guidelines for managing different procurement processes. In literature, many studies, which discourses procurement, are examining the phenomena on the procurer's point of view. It feels like the supplier point of view is nonexistent, especially if we narrow the topic on how to gain success on public tenders. In literature there have been notified that supplier need evaluate and find most suitable buyer for them and evaluate relationship establishment. Some research for example have focused on difficulties in relationships with government entities (Williams & Smellie, 1985). In addition to this, there are not many studies that particularly discusses methods on how to win public tenders, just selling educations with lower level of scientific background.



## **2 Business to government compared to business to business**

In this chapter, the author will present the theoretical basis of the business to government phenomena. Why is this field of study important and where are the roots for this scientific discussion. Chapter contains academic literature inspections on the business to government topic. In addition, the author will examine role of the public procurement law, as it is essential to part of whole phenomena. After this we discuss the supplier's role in B2G, and try to find if contracts and relationships with government are worth the effort.

### **2.1 Introduction to government procurement process**

The role of the government changed between different historical periods. The role is highly defined by the political mindset of particular country. When looking at the history many governments were authoritarian and difference between what was government and private was distinctive. For example, government use to keep hold of the defense of the country and collect different supplies via taxation, like wheat and iron. In present day the society is much more complex and borders between public and private sectors has changed a lot, there are continuously news about government selling their companies to private owners.

This development has increased amount of business to government relationships and possibilities to establish these relationships from government outsourcing strategies. Thus while this progress is good from the suppliers point of view it's not necessary good for the citizens and this creates mistrust between people and political influencers. When public companies switch over to private ownership, they are not any longer bound to responsibility on acting for the "common-good". They act by the most basic principle found in business; company's sole purpose is to maximize shareholders profit.

Outsourcing can be seen as mega trend in business management, this trend has found its way to the government strategy's also. Amount of outsourcing is increasing also in government, especially in services. (Bryntse 1996). Since mid-90s outsourcing has grown and its popularity as a strategy can be seen everywhere today. As global network of goods has become more effective and information flow is considered instant thru out the globe, companies, even start-ups, do not need to make lots of effort to be able to utilize benefits from basic outsourcing; most popular goal for this strategy is reduce of costs. Outsourcing is great way to achieve efficiency in supply chain and manufacturing, this can be achieved

due to better allocation of sources and capabilities in natural and human assets and putting strategic focus on company's core competences, this allows company to perform better and gain competitive advantage (Sink & Langley, 1997). Literature has focused usually more on private sector, there a vast amount of studies for outsourcing, purchasing and procurement focusing mostly on strategies in private sector and there a gap in research to understand better the government strategies in public procurement (Bryntse. 1996).

As mentioned before, government goals for procurement are different from private sector for various reasons; this issue has been noted in studies. Van Der Wall and others state that things like fairness, accountability, equality, democracy, efficiency, competitiveness, balancing interest and political advocacy are important goals for government in its procurement strategies. These principles have been also written in law and every public procurement should abide these. This is because of fundamentally different goals to the business, government and its organizations mission is to serve whole nations interests, private companies' mission is to maximize their shareholders profits. (Van Der Wal et al., 2008).

Government tries to seek the most suitable supplier for them with trustworthy reputation and solid financial numbers. This transparency is achieved easier than it used to due to information technology. Some studies show that the government ability and effort to investigate possible supplier candidate's financial state and monitor they behavior with scrutiny is one of the key aspects in whole government procurement and takes a lot of resources (Bonazzi, Hussami, & Pigneur, 2010).

Usually procurement is way to make something more effective. Moreover, although government goals can be different from private sector still the most important reason for procurement and outsourcing is lowering costs. By process of public procurement, the bidding should be always end on a result of choosing the cheapest supplier. There are exceptions for this but if the main goal is not to find cheapest option then all other attributes or conditions other than costs, they should be explained in tender or in other procurement documents, so that the offer from suppliers are comparable. The main goals for tenders is to find and select cheapest supplier overall based on total economic cost of procurement (Kuntaliitto ja työ- ja elinkeinoministeriö, 2018).

So we can see that selecting the cheapest supplier for government is usually the case. Some studies have shown that selecting the cheapest supplier will effectively reduce costs on that particular product or service, so outsourcing makes business functions more profitable. However, strangely, it has been shown that outsourcing does not affect company's own profitability, and it can correlate on both ways to company's total profitability and even make company in some cases lose their profitability (Kopel et al, 2016). This negative impact can happen due to hidden costs and ripple effects between business functions.

Procurement law dictates that procurement unit's main purpose is to find, depending on selection criteria, is either cheapest price or most cost effective solution economically. Idea about choosing most cost effective solution economically, not cheapest, has been growing in recent years. It has recommended and highlighted by many authorities. Some has even been taken this as far to suggest that option of selecting the cheapest price should be totally removed from the public procurement guidelines. Especially in some business areas like procurement of health services, selection criteria should always be based more on quality rather than price (Pekkala, 2007). Addition to this, studies has shown that usually every measurement system in procurement is based on price and cost efficiency, rarely selection criteria's consist more innovative and growth based measurements (Adams et al, 2014).

This transformation from price and cost driven thinking has not happened yet, but consensus in particular business fields is turning from price-based selection to more quality-based selection of suppliers. Total cost ownership (TCO) is example of theory that is more recognized in procurement and supplier relationship management. These kind of tools engage companies to see further than just a price. We can see TCO as a continuum from Activity based costing (ABC) it is a great way to emphasize differences between offers with a comprehensive evaluation (Iloranta & Pajunen-Muhonen, 2008). Also a bit similar theory, which is quite popular, is the life cycle analysis (LCA). Procurer calculates in detail what will the hole product life cycle cost, from materials used in product to manufacturing to time of use and lastly the removal of product (Goglio et al. 2015). This is especially used when procurement object is something long lasting and usually have both economic and environmental effects to business sector and communities. These evaluations are in deep connection to company's overall outsourcing strategy, which goal is to serve the company towards their goals set in main business strategy.

This leads to situation where the buying company needs to evaluate different outsourcing or procurement options, some business sections have significant impact to company's performance and others don't. Acquiring of incremental goods or services should not consume too much company's human or natural assets. Vice versa, the company should put assets to those procurements, which have most impact on business performance. This topic is very popular in literature and there are different theories and tools to help choosing the right strategy decision.

There is much help for companies to do this selection in procurement strategies. One of the most famous ones is Kraljick purchasing portfolio matrix. This matrix's idea is to emphasize the strategic value of different products or services which company is acquiring and compare those to relative supply risks (Krajlick, 1983).

Supply risks are very important issue always in procurement and contains many risks with in them. They can be quality risks, reputational and imago risks, financial due to creative accountancy, input of new technologies, flaws in product design and rigorous risks in delivery. This issue is very important in public procurement especially many of these risks can effect on public opinion true exposure on media in cumulative way and lead to lack of trust toward government as a whole. This why buyer role is important in reporting about potential risk issues and help the supplier to mitigate risk potential in all levels (Krause et al, 1998).

Supply risks are in strong correlation on supplier relationship management, by better managing and collaboration with supplier potential risk is minimized. Good management also leads to better service towards the end customer due to better inventory circulation and asset management; this makes more profit for the company (Simchi-Levi et al, 2008). Same thing applies to government procurement; especially relationships with strategically important suppliers should be nurtured and taken good care of.

Other good tool for helping on procurement strategies is from Olsen & Ellram, they presented in the 90s a bit similar matrix as the kraljick matrix. Difference is that focus is on the relationship and characteristics of potential suppliers and supplier point of view is taken into consideration simultaneously. Comparison happens between buyers intrest level towards supplier and vice versa, this forms strength level of relationship. If both buyer and supplier are appealing by one another, the relationship is strong. (Olsen & Ellram, 1997)

This approach sees supplier as a business partner and relationship as possible source of innovation and potential towards business.

There are also more sophisticated and complex tools for emphasizing correlations between cost and strategic importance. One of the most detailed version is purchasing chessboard presented by Easton et. al, 2014. The matrix consist of four basic strategies between supply power and demand power with in these there are 16 work methods, adding total of 64 methods in whole matrix. Procurement executives who are managing different categories and segments can use this tool. This is just to emphasize the vast amount of strategy decisions that companies can have in procurement overall.

**Table 3. The purchasing chessboard, 64 methods**

High	Invention on demand	Leverage innovation network	Functionality assessment	Specification assessment	Value chain reconfiguration	Revenue sharing	Profit sharing	Strategic alliance
	Core cost analysis	Design for sourcing	Product teardown	Design for manufacture	Supplier tiering	Sustainability management	Project based partnership	Value based sourcing
	Vertical integration	Intelligent deal structure	Composite benchmark	Process benchmark	Collaborative capacity management	Virtual inventory management	Total life cycle concept	Collaborative cost reduction
Supply Power	Bottleneck management	Political framework management	Product benchmark	Complexity reduction	Visible process organization	Vendor managed inventory	Supplier development	Supplier fitness program
	Sourcing community	Buying consortia	Cost data mining	Standardization	RFI/RFP process	Expressive bidding	Total cost of ownership	Leverage market imbalances
	Procurement outsourcing	Mega supplier strategy	Master data management	Spend transparency	Supplier market intelligence	Reverse auctions	Price benchmark	Unbundled prices
	Compliance management	Closed loop spend management	Supplier consolidation	Bundling across generations	Make or buy	Best shoring	Cost regression analysis	Factor cost analysis
Low	Demand reduction	Contract management	Bundling across product lines	Bundling across sites	Global sourcing	LCC sourcing	Cost based price modeling	Linear performance pricing
	Low	Demand power						High

Many of these used tools are good for choosing the right supplier but also buyer needs to remember to keep up post-contract value. This means that for maximum benefit the buyer should focus on measuring and interacting with supplier continuously. One situation is “get and forget”-mentality, which can happen to both buyer and supplier after contract. Buyer should avoid this by actively measuring the supplier performance and keep supplier focused towards better performance.

As seen the procurement is important and there are several strategies to choose from when doing procurement. But government entities are often ministrative organs or for common good like health care. These entities can have huge acquirements even for less-important product or services which do not have significant impact to the business strategy. This is important when considering the business sector where Toshiba Tec acts, document management and printing devices are crucial for the buyer to be able to perform daily routines and focus on its main task and core competence. Even though these product and services are important they have commonly little strategic value to the buyers business. This is why the products and services can be seen as “Non-critical items”, according to Kraljick purchasing portfolio these products do not have significant impact to the buyers business and moreover the supplier bargaining power is low (Kraljic, 1983).

This is the case with many acquirements done by government and when talking about non-critical product the supplier selection is much more driven by the search of lowest price. This is the situation where Toshiba Tec finds its self relatively often, if we look at the purchasing chessboard it would be safe to say that procurement of printing devices and document management systems will be somewhere on the down-left corner. There we can find for example “Contract management” which is very common strategy in this business field, byers usually make 3 to 4 year contracts and then try to make a new, cheaper and better contract (Easton et al, 2014). This leads to situation where suppliers has to try to find every way possible to contain the buyer for long lasting relationship, there are several ways for doing this, for example by implementing your solutions to buyers processes and require high level of involvement. Idea is to make supplier-buyer relationship so deep that changing supplier will come difficult and costly, put in other words, supplier’s goal is get themselves out of “non-critical” items and raise their bargain power.

Overall government procurement process is very important from strategic standpoint, as mentioned in the chapter there are many issues that are different compared to private sector, but despite that the goals are quite same, get better results for cheaper price. Like said earlier, the government is constantly driven more like private company, this creates need and huge pressure for better procurement practices and results. In next chapter, we discuss the law issues that procurement law set and how these affect government entities.

## **2.2 The role of the procurement law**

When considering procurement processes as a whole we must remember that under the tender documents and offerings which are main phases and highly discussed in law literature, there is a vast process of preparing the tenders and evaluating procurement needs. Even government entities have difficulties to fulfill regulations set by procurement law and this can happen unintentionally.

There are several studies discussing about problems in public procurement. For example according to Kiviniemi (2010), the main mistakes in decision making were related to bad explanation of decision making criteria. Study finds that most of problems occur in evaluating offers, this is due to bad explanation of selection criteria in original tender and after decision making if some supplier has ability and right to complain. After this the procurement can be cancelled if it's noticed that procurer has not been able to give righteous explanation for procurement decision. These problems are not rare cases; almost one-fourth of the procurements that fulfill EU-thresholds was cancelled due to faults (Kiviniemi, 2010).

This overall lack of knowledge and in procurement is very costly. These processes involve human and natural assets, they can take lots of time from start to decision making about supplier selection, after that all work can be diminished just because of careless behavior. One study for example find that public procurement process involves executing agencies that work under government supervision, this has led situations where product or service specifications are written by low level employees, not by official level representatives who are the final decision makers. When procurement management is fragmented too far it creates a knowledge gap between supplier offering and buyers goals, offers can be hard to compare or top level officials can find that none of the offers are suitable. (Khan & Schroder, 2009)

It is quite surprising to see this because successful procurement processes demand more effort than just following legal guidelines. The start for a procurement is need, and fulfilling this need in the most efficient way possible the procurer has to make lot of effort. For avoiding mishaps and unnecessary spending, the procurer should have capability and courage to stop the procurement processes if they do not get what they are asking for.

Business to government strictly bounded by procurement law. This topic, law issues in general, is not in the focal point of this study but it is essential to understand its effects on the phenomena. Procurement law have a huge part in these processes, both parties should be aware of the law and requirements. Law issues are constantly in consideration during this thesis; they give the boundaries that within the suppliers has to work, in this chapter, we give overall view to public procurement law.

Definition of procurement spreads to quite large area. Procurement law defines procurement as act of acquiring any goods, services or construction projects via purchase, rent or similar business activity. Public procurement is where public entity acquires these mentioned things in exchange for something (Kuusniemi-Laine & Takala, 2008). This commutative can be anything, like money or permission of usage (Kalima et al. 2007). Basic principles for public procurement are equality, non-discrimination, openness and proportion. The main goals according to the law are efficient spending of public funds, progress toward better quality in procurement and unbiased treatment of all communities or suppliers in tenders (Laki julkisista hankinnoista, 2016). Government should always establish circumstances where best possible competition will occur, but this is highly depended on target of the procurement and the business field. Especially when acquiring technologically specific products and services the procurer may face situation where only one or couple suppliers will be able to participate to tender, in this kind of situation the procurement law can see fulfilled even though these situations are not common (Karvinen, 2009).

In year 2004 European parliament published procurement law, which everyone in EU has to obey when doing public procurement. This law set the standard rules and guidelines to public procurement. Every national procurement is under the law. This law states that every public tender needs to be informed openly to everyone using right platforms and sets rules to different procurement procedures. These regulations aim to establish better conditions for open competition and free movement of goods. In addition, they make sure that competition is free for everyone willing to participate and do not discriminate different



suppliers and all are treated as equals. More precisely this means when interpreting procurement law in EU, its goal is to make sure that suppliers are not treated differently because of their nationality or other aspect due to their member nation. Simply this means that nations within EU should not favor supplier candidates from their own country (Arrowsmith, 2005).

### 2.2.1 Common procurement processes

EU has set rules and guidelines for different methods of act in procurement processes. Procurers should choose one of these and inform it in tender or in other public announcement concerning procurement. This helps both parties, procurer entity and the potential supplier to work within same page, and it gives guidelines to different possibilities, which can be used during the process. There are six different methods of act listed in EU procurement, following list is constructed using [hankinnat.fi](http://hankinnat.fi) web page which is maintained by ministry of employment and the economy of Finland (Työ- ja elinkeinoministeriö, 2018).

**Open procedure.** In this the procurer announces the tender or upcoming of possible tender. This announcement should be informed in a way of being available to all, this can be done by using public platforms like Hilma here in Finland. Procurements that fill EU threshold values get automatically delivered for publishing to TED database (Tenders Electronic Daily). In addition, the procurer can send the tender directly to potential suppliers or publish tender in different forums like newspapers and web sites. Tenders have so called CPV – codes (Common Procurement Vocabulary) which enables different tenders to be separated with each other and helps on different segmentation or sorting to different categories. Willing suppliers are able to participate on the tender by informing their willingness to participate. In addition, the procurer can send the tender directly to potential suppliers.

**Restricted procedure.** Procurer announces the upcoming tender. All documents concerning the tender must be informed via online during the same day for everyone to see. Willing suppliers are able to inform their willingness to enter to the competition. However, in this procedure the procurer chooses most suitable suppliers for entering the actual tender. There has to be at least five suppliers that are given permission to enter to the tender. Unless there are justified reasons for selecting fewer than five suitable suppliers. The procurer has to send announcement to all suitable suppliers to enter to the tender simultaneously.

Negotiating procedure. Procurer announces the upcoming tender. Willing suppliers are able to inform their willingness to enter to the competition. After this, the procurer negotiates with all the suppliers that it has seen fit to participate to tender. Theme for these negotiations is to negotiate on terms and conditions that how the actual tender should be formed. Procurer must legally justify the choosing of this procedure. This procedure can be chosen when nature of procurement is complex. This complexity has to be explained by economical situations or complex nature of product or service. Procurement of innovative ICT solutions are one example where negotiating procedure would be suitable.

Competition negotiating procedure. This procedure is similar to negotiating procedure. The difference is that procurer can open negotiations with willing suppliers and discuss their suitability to participating to tender.

Straight acquisition. This is exception to the overall rules considering public procurement. Procurer has to prove and justify with law, the reason for using this method. Reasons need to be explained clearly in acquisition documents. For example, this method is possible when acquisition or procurement consist some product or service, which is considered as a standard good, like fuel. Alternatively, if the acquisition consider some scientific research or product development etc.

Dynamic procurement system. This procurement procedure is set to happen via online. Tender is open to anyone thru out the whole process and any willing supplier is able to participate in this. Procurer must allow everyone to participate to the competition if supplier meets the particular standards considering the procurement. In this procedure, the procurer cannot limit the amount of participating suppliers. This can be used in cases where procurement consist something relatively standard product or service and is not very complex in its nature.

Usually the procurer is first hand responsible that the selected procedure is performed correctly thru the whole process. It is essential that everything is made according to law because mistakes can lead to cancellation of the whole procurement. In addition, even minor errors in procedure can significantly slow down the whole process; this is why every party should do their best to keep up with the requirements and none less act with sincerity. Nowadays these processes have become even more automatic and done by online portals like HILMA etc. This has led to issues where the provider has to be very careful that he

follows rules of the tender, wrong layout in the offer or dot/comma in the wrong place can be disqualifying.

Legislation on public procurement and concessions applies only to particular arrangements that meet the definition of a public contract or concession. Public procurement is separated from other acquisitions by being the contracting entity for the purposes of law.

### 2.2.2 Main actors in government procurement

According to law, main public procurers are: Government, county council and local council official and authorities, Evangelical Lutheran and Orthodox Church, Publicly funded Universities, Government enterprises, Government transport facilities, Law facilities and every party; company etc. that had has over 50% of government aid for the particular procurements value (Ukkola, 2018).

There are also several procurement entities which are established for concentration purposes, examples for this is KL-Kuntahankinnat, which is a concentrated platform for county councils to use when they need to acquire new products and services, they can utilize supplier contracts made by KL-Kuntahankinnat. This became even larger concentration when Hansel and KL-Kuntahankinnat fused together 2.9.2019, and will continue to use name Hansel (Hansel, 2019). Which means that they now form a massive procurement entity and this will increase the volume of contracts even more. It is too early to give a proper evaluation of how effective this concentration will be, but one thing is certain, suppliers need to get these contracts one way or another, if they don't, it instantly reduces the possible market coverage by significant amount. One the benefits of these entities is that procurement processes are done by people who are educated for this particular job and has had experience on procurement, this is convenient because small towns or government facilities don't poses skills or resource's to effectively handle procurement and tendering etc. In addition to this there has been studies that discusses problems with too much concentrating consortiums, which may lead to exclusiveness with on few suppliers and has possibilities to develop to oligopolys etc. (Kivisto & Virolainen, 2003, Knight et al.,2003) .

As seen, government procurements happens in everywhere and there is no line of business where government would not act when it needs. Thus, not all of public arrangement actions considered to be within the acquirement law: Permission systems, Customer valuation systems, Financial or material aids (unilateral arrangements), Services of General Economic

Interest and Social security arrangements. R&D-acquirements, except if the benefit of the particular acquirement is exclusively for the contracting entity (Ukkola, 2018).

The potential supplier should always be aware of is the acquirer considered to be government business or not, but the legal responsibility for this is on the acquirers behalf, whoever the acquirer is. So, law determines quite clearly who is public actors and who is not, thus there are many exceptions to this, for example, notable oddity is Finlandia-house, it is not public actor, owned by the Helsinki City and it competes with other private event providers.

Institutional norms and rules shape the relationship with government businesses and private sector. Private companies have to transform also their behavior towards the guidelines that government institutions are demanding. According to Hoekman this effect has major impact to whole country, procurement process of government doesn't try to find only what is best for them and how they can get most for a minimum amount of money, but simultaneously the process, happening by the government rules and regulations creates a wholesome picture about the particular country (Hoekman, 1998). Adding to this rules and regulations of administrative organs have also effect in business behavior, with their actions they can guide and persuade businesses to act right way (Kardasis & Loucopoulos, 2005).

When looking at business to government as a whole, we can clearly see that rules and regulation are the most distinctive feature, which shapes the phenomenon. Government procurement processes have much higher levels of formalization and transparency; this means also that suppliers are demanded for much more administrative paper work. This leads to phenomena where B2G is perceived to be full of complexity and bureaucracy. Still suppliers want to hunt these relationships and contracts despite added difficulties. Some authors have raised up the question that is value perceived from the government contracts different and better, than value received from the private customers. (Purchase, Goh & Dooley, 2009) There are some studies, which investigate this perceived value from supplier point of view, but there is so much complexity in value perception that it would need more research. Customer perceived value is a much more popular topic in literature.

Governments' rules and regulations offer the guidelines for private providers; they determine boundaries for the whole lifecycle of procurement process. Regulations are written in law. They restrict competitive tendering for public procurement. As mentioned before,

development of technology and digitalization has its effects on procurement processes also. Judge of market law, Markus Ukkola is one the Finland well known expert on this field of law and business. He points out changes on acquirement law. "All procurement parties has to implement usage of electronical communication by the end of october 2018" (Ukkola 2018). In future when more documents are send via online, the tender-document loses its meaning, and both the acquirement document, and "tender" needs to published simultaneously. When proceeding like this, the tender becomes insignificant because the same information is on the acquirement document.

### **3 Suppliers role in business to government**

From suppliers point of view, under the final offer document there is much work on understanding the customer and “decode” the tender. As there are few ways to proceed in procurement process, these are mentioned in earlier chapter about procurement law. Other procedures give fewer possibilities for supplier to be creative and innovative than other ones. Suppliers should also be very clear on what kind of tenders they want to participate, buyer-supplier relationship establishment needs effort and assets, risks and benefits concern both parties (Krause & Ellram, 1997).

#### **3.1 Benefits from B2G**

The government is considered reliable business partner, volume and stability of these relationships are usually much better than in private sector. Fear about financial crisis like bankruptcy or other are much more likely to happen in private sector. This all transforms to supplier company’s strategic status, contracts with government entities provides security and offer stability over turbulences in overall market fluctuations (Loader, 2007). In other hand, companies should not get too comfortable because when some massive government projects ends, like investments infrastructure, it can have great impact to whole business sector due to decline in demand.

All the benefits that comes with having government as a business partner have resonated to other kind of problem. Because some public tenders seems to be “must win” situations for some suppliers, this can lead to optimism and cause blindness to the future. Supplier needs to know their limits, worst case scenario is that supplier have won some tender and when time goes on they realize that keeping up with the contract terms costs way too much. This often leads to significant losses or even bankruptcy. Usually these situations will be settled in court, which will additionally increase the spending and use of assets also in buyers side, not to mention losses for schedule re arrangements etc. especially in construction business. Contract law discusses these issues; there are also specific description when contract cancellation is considerable option in public procurement (JYSE, 1994).

Suppliers should approach carefully the tenders or procurement publications and choose the ones, which are most suitable (Krause & Ellram, 1997). This is because in many public procurement processes, the length of whole process is very long and can require asset

spending from potential suppliers without exchange of money. These situations can be different tests that buyer wants to establish for evaluating and comparing suppliers solutions. Participating to tenders can require lots of work so the suppliers should have clear strategy on what tenders they are going to participate. Thus, there is always risk involved in tenders, even though you only try to win the most probable deals.

For establishing good relationships the supplier should focus on effecting potential customers perspective on their procurement issues way before actual tender is published. This can happen by active behavior towards potential customers. Off course the supplier need to be aware what business sector and what kind of customers would offer most potential. Being aware of own capabilities is key. There are several tools that companies can use to evaluate their business environment and compare their own strengths and weaknesses, classic tools are commonly used analysis like SWOT and five forces model. With this self-awareness, companies have ability to know how good of a change they might have in upcoming tender. Also we need to remember that with active behavior towards potential customers in public sector is always important, deep knowledge about customer and how they manage their business is essential to understand, this can be achieved with long lasting and active communication.

Centralization of procurement seems to be very trendy right now as we seen in integration of Hansel and KI-kuntahankinnat (Hansel, 2019). With these massive centralizations of procurement facilities arises another issue. How far is the end user of the particular product or service from the person who makes the decisions in procurement? Do the end users have ability to influence in decision making or is it solely based on opinion of experts and consultants? This is important knowledge for supplier because as a supplier you should be aware of every person or entity which can have effect on decision making. This leads to network based assumption where supplier should try to influence to the whole network were buyer acts (Kulmala et al. 2002).

### **3.2 Success in tenders**

About tendering, ability to answer to the tenders is crucial in business towards government. Government entities have always create an even chance to every supplier to participate on procurement, as we have discussed the procurement law states this. This is why all the businesses who are after government contracts should invest time and efforts to understand

tenders and the tendering process as a whole. There are several issues that can diminish chances to win or take your company straight out from the competition, mistake of any sort or even a slight delay on submission date will get you out from the competition (Karvinen, 2009). Moreover, the tendering processes are increasingly done via online. Government drives actively towards e-procurement where tendering has its benefits in clarity in submissions etc. But makes process increasingly “faceless”, this is another aspect that suppliers need to take into consideration. Next we introduce common mistakes in tenders.

Reasons for bad success in tenders;

- No ability to have compliance required by the procurer; compliance issues are usually very strict in business to government.
- Failing to demonstrate understanding of the scope, this happens due to lack of project management skills and overall understanding of customer’s needs.
- Failure on answering the requirements set in tender, this can happen also via nonconformance submission that is relatively common mistake, thus nowadays the submissions forms etc. are done in a way that is hard to submit answers in a wrong way.
- No ability to offer something new or innovative, meaning that potential provider is just offering same concept in similar way that customer has already used to do, thus this is relatively common situation but it leads to fierce price competition, which is rarely a good thing for supplier.

Also, your search for explanations to reasons why you were dropped out from tender can be infertile, at least when asking straight from the buyer. You may receive an answer where your offer was looked as too expensive compared to others. Sometimes this is really true but usually this just means that you weren’t able to successfully answer to the tenderer’s wishes and you lacked understanding in pricing. Or your competitors were able to find ways to present themselves as cheaper option, without really being any cheaper.

### **3.3 Differences in value perception**

As mentioned before, the contracts with government are usually very valuable. Still there are companies who lack capabilities to even participate to tender process or they have evaluated the possible perceived value to be greater in private sector. Value is a field of



study which have usually concentrated on relationships in business to consumer market rather than B2B or even business to government, value is a complex construct so it is difficult make exact observations, and difference between suppliers value propositions and customers value propositions are also different (Purchase et al, 2009).

Traditionally in B2C studies the customers perceived value is based on getting a great product or/and service with a minimum amount of cost, without impact in quality etc. This shows that even though the understanding of what value entails for each individual we can say that in consumers perspective value is a bit easier to understand. (Woodall, 2003). There is not much research for suppliers received value (Walter et al, 2001). Some studies even says that the suppliers receive less value than customers from the business relationships, thus this statement has its flaws because there is lack of knowledge and details of what value really means for suppliers and what are the benefits from these relationships (Möller and Törrönen, 2003).

Value consist of benefits, and benefits from relationships are commonly separated to direct benefits and indirect benefits. Direct benefits are easily measurable and are very sterile in nature. Direct benefits happens when you go to food store and buy a chocolate, the store receives money and you get your chocolate. This is similar to direct benefits in business to government, relationships main goal is to be profitable for supplier, if it's not, the relationships is doomed to die sooner or later. These direct benefits can be solved on just accounting the spending for keeping up the relationships compared to income that relationship brings. The Indirect benefits are much more complex, let's say that we buy that chocolate from the store but for us this particular chocolate is much more valuable what direct benefits may show. Indirect benefit from the chocolate can be that it is your companion's favorite chocolate and you are going to surprise him/her with it. This can resonate to a lovely evening and increased well-being in your social life. Similarly in business to government, a relationship can provide far resonating indirect benefits for supplier. One relationship can help obtain better relationships on future and increase successfulness in the whole business network which the supplier is acting (Lindgreen and Wynstra, 2005).

In business to government relationships the studies show different results when comparing the supplier's perceived value from B2B relationships. Purchase et al, (2009) investigated the perceived value between B2B and B2G relationships and find out that the B2B relationships offer more value than B2G relationships to the suppliers. Surprisingly, their

investigation resulted that suppliers receive more value from B2B relationships in all value aspects they examined, these included direct and indirect benefits separated to different functions. Also other studies show similar results, Williams and Smellie (1985), shows that from innovation perspective B2B relationships are also more lucrative, this is kind of surprising considering the overall amount which government spend on increasing innovation, thus this spending goes largely to school and education centers and it can be difficult to point out the innovation creation process compared to single business collaboration. Bovaird (2006), explains that the lack of innovation is due to government procurement philosophy which often don't leave much room for alternative innovative solutions. This lack of innovation can have something do with information sharing which is shown to be higher in B2B relationships than B2G. Wang and Bunn (2004), suggests that in government relationships the amount of compliance issues and amount of bureaucracy combined with procurement process goal of offering every supplier to have similar possibilities to effect on subject-matter of procurement, leaves little room for supplier to suggest and discuss or share strategic information. Can we draw a conclusion that business relationships with government aren't worth it? No, it's likely that there are other reasons for pursuing B2G relationships.

However despite these results suppliers actively pursue towards business to government. This thesis is written with emphasis to Finnish business environment, as discussed before the government procurement makes a big portion of total investments in Finland. So is the B2G relationships only way to get big volume contracts? And is this volume the sole reason that companies want to business with government? Purchase et al (2009) describe that the only thing which may be better in B2G than B2B is the stability and reliability issues which crates value to the supplier, thus this point would need a more investigating. Also that particular paper is done by examining Australian business environment where thing might be different than here in Finland. As a thought, one could suggest that if we were able to choose the deal with private sector or government entity with same amount of volume, the suppliers would likely choose doing the deal with private sector. This is not reality, and when examining the business environment which the Toshiba Tec faces here in Finland, there aren't so big customers in private sector compared to those whom government. This leads to situation where doing business with government comes very important, if you are not doing business with government you should have a massive coverage in private sector, which is very hard to achieve on this level of competition.

## 4 Theoretical summary

In this chapter author will summarize the covered topics. At first glance, B2G has lots of differences compared to B2B, these aspects leads to situations where starting a relationship with government usually requires more efforts from supplier compared to B2B. This creates a situation where supplier needs to spend their resources, money and time, for being able to compete. Amount of effort is usually much higher than in private sector and in government tenders suppliers may have to prove via documents etc., lots of issues that would seem incremental to the actual deal or contract and are not common in private sector procurement. In top of these efforts suppliers still face the same price competition where really all comes down to which supplier can offer most price effective solution (Adams et al, 2014). Main goals for public procurement is to achieve quality with lower prices, so this seems that the truth is that government acts very much like any other company trying to win or lose. But they try appear with their vogue demands as they would value different things than price (Rainey & Bozeman, 2000; Van Der Wal et al., 2008).

Usually in government tenders supplier have to announce that they meet the standards in product quality, impact on environment, social sustainability and financial reputation. From suppliers point of view these are just basically barriers for entering the tender and real competition will be focused on price. These standards are usually just evaluated by “does the supplier comply to following” on which the supplier can answer “yes, we comply” or “No, we can’t comply”, these kind of evaluation leaves out the possibility to evaluate properly how supplier really implement social sustainability or any other criteria in their actions. Weather price is evaluated as total cost ownership (TCO) or any other cost evaluation strategy, it still basically comes down to which supplier is the cheapest. Furthermore, because the pricing has to be comparable the suppliers usually need to inform their prices in exact same way as any other supplier participating on tender, this leaves less room for different pricing methods.

The procurement law has its restrictions on how to proceed in procurement process, thus there are several options to choose from and the procurer can decide on what kind of procedure it uses. This gives little freedom to government entity and they can make their own decisions to some extent. We come to situation where it is hard to evaluate effectiveness of procurement law. It is easy to understand the main principles behind it and reason for the law. Main idea is that tax payer’s money would be used as effectively as

possible and make sure that any individual person or entity would not profit from these procurements (Karvinen, 2009). But because there are always people with their own perceptions and agendas leading these processes they have the possibility to effect largely on the outcome of the procurement, this can happen without violation any law.

Procurement law is also very tricky when it comes to less standardized product or services, technological products and services or ICT are one example for this. Recently in Finland market court gave conviction to KL-Kuntahankinnat Oy where it ordered cancellation of tele operator services acquired for 56 million euros. Market court prohibited KL-Kuntahankinnat for making the acquirement and ordered 5 million euros penalty payment. Market court stated that tender documents were inadequate and didn't give enough information to suppliers to be able to make a proper offer, this meant that basic principles of procurement law; equality, non-discrimination, openness and proportion were not secured in right manner. Due to these issues basically only one supplier, Elisa Oyj, was able to answer to the tender properly. (Markkinaoikeus MAO 385/19, 2019)

Competition for public procurement is made so that no supplier shouldn't have better possibilities to succeed than others, this leads to situation where even the previous supplier needs to perform and take part to new deals as any other supplier. This is very good for the buyer's standpoint but really hard for the supplier as you would need to prove yourself over and over again. As said previously, in the case of Toshiba Tec, the relatively low strategic value of product and services leads to even more price driven competition and relatively short contract periods means that supplier has to perform continuously better if it wants to keep up with the relationship or establish one.

It is crucial for supplier to recognize the most suitable tenders, due to time and effort that goes in to government procurement process the suppliers cannot participate on every tender. They must be able to pick the ones with best chance of winning and profit making, and put all the stakes to these. Most supplier selection processes that government uses are based on bidding and negotiating (Cakravastia, Toha & Nakamura, 2002). With negotiating and keeping contacts with the buyer also before the procurement process starts is vital for both understanding the customers' needs but also influence customer to highlight issues what you as a supplier can only offer. Sometimes this is hard or possible to influence government procurer beforehand but a possibility that should always be noticed.

For supplier the worst case scenario is that tender clearly consist of issues that appear to be suitable for your competitors and chances of winning are thin even before the race, to avoid this, supplier should try to keep up with negotiations constantly. Overall it seems that government relationships still offers volumes that are hard to find in private sector, especially in Toshiba Tec's case. Price and pricing methods can be very strict and room for creativity is small. Often in this business field the bidding and response to tenders are done via e-platforms. This leaves little room to work with in supplier point-of-view, so only time and possibility is to influence for more suitable pricing is by negotiating before tender submissions etc. Table below summarizes main issues find in theoretical parts of the study.

**Table 4. Theoretical findings**

<b>Government procurement</b>	
<b>Objectives</b> + Cost effectiveness + Efficiency + "Common-good" + Securing nations interest + Fairness, accountability, equality etc.	<b>Key challenges</b> – Managing procurement process – Risk Management – Losing control due to privatization – Selection of right criteria when evaluating suppliers
<b>Procurement law</b>	
<b>Objectives</b> + Standardization and transparency in government procurement + Secure equal participation and free competition + Ensures that government gets best value for money	<b>Key Challenges</b> – Lack of knowledge in law with persons working and managing purchasing process – Bureaucracy – Can require lots of assets – Does it work?
<b>Supplier role</b>	
<b>Objectives</b> + Profit and volume maximization + Win best tenders + Relationship with government are necessary +	<b>Key challenges</b> – Capabilities – Worth of winning? – Negotiating possibilities – Understanding the customers' needs

## 5 Research methodology

Aim of this chapter is to clarify the research methodology for the thesis. The study has been made by using qualitative research. In qualitative study, the aim is not to solve every solution to every problem, aim is to focus on small amount of subjects that are investigated with scrutiny, and the interviews are crucial part of this. In qualitative the researcher is seen as part of the research itself. The author of this thesis did not have any motives or assumptions at the start of the research, so the study aims to fulfill the principle of no hypothesis as good as possible. Thus, in qualitative research it is allowed that researcher makes so called work hypothesis, for example an assumptions on what upcoming research result may include. (Eskola & Suoranta, 2008). This means that researcher has an impact on the research results. According to Metsämuuronen (2005), that qualitative research is commonly used in study's where researches themselves are eager to solve particular problems and factors during certain events.

The goal for the study is to understand the business to government phenomena well as possible and try to get answers to the research questions. This means solving the meaning of the phenomena and try to clarify what are the reasons behind effect and causes. Research questions aims to find out how the people involved to the business to government see different issues which are and have been in the pivotal point in the B2G literature. Author tries to find for example how selection criteria are established and how much they differ from B2B in real life situations. Furthermore idea is to discover how private provides can perform better in B2G.

Focus is not on the standardized answers and correlations between stats and data like in quantitative research, but to find theoretical explanation for the phenomena. (Sarajärvi & Tuomi, 2017). This is done by utilizing both, the theory background combined with empirical research. Qualitative data is collected by using of semi-structured interviews, also sometimes called as themed interviews. Qualitative research is most suitable for this kind of thesis where results and findings are strongly based on people's experiences and feelings, doing study on how business to government phenomena works by using quantitative research would be very hard and answers might not reflect the reality at all. With qualitative research we are able to describe real life scenarios and reflect them on studies and theories set by other researchers.

Study reflect the topics from theoretical part to the content collected from the interviews. Aim is to find correlations between the answers from the interview and B2G related studies. The author formed the interview questions as aligned with main issues that are highly presented in B2G studies, such as effects of procurement law, supplier selection, relationship characteristics and comparisons to B2B.

In addition to this, the author will compare answers of supplier party to buyer's perspectives, it is very interesting to see on what level these parties have same opinion or experiences to the same issues. The Also as said in theory, the procurer may not always be same person or entity as the end-user. This creates a tripartite (procurer, end customer/user and potential suppliers) model which is very common in government procurement processes (Khan & Schroder, 2009). In this study the author purposely left out the third party interviews because focus is on the people who are the ones making procurement decision.

The full interview questionnaire is found in appendix of this paper. The interviewees were selected to represent both supplier and buyer side. There where tree sales person from Toshiba Tec, who have experience in B2G for several decades, and also one representing top management level, sales director of Toshiba Tec. Buyers side is represented by IT category manager from Hansel, which form biggest public procurement entity in Finland and IT manager of Metropolia University, which is biggest university of applied sciences in Finland with 16 400 students. All the interviewed people were chosen because their daily job is to work in the pivotal point of B2G in Finland. Following table presents the persons which participating to interviews.

**Table 5. Interviewees**

<b>Customer (Government entity)</b>	<b>Name, Title and Interview marker</b>
Hansel Oy	IT-Category Manager, A
Metropolia University	IT Manager/User Director, B
<b>Supplier</b>	
Toshiba Tec Nordic Ab,	Sales Director, 1. Key Account Manager, 2. Key Account Manager, 3. Key Account Manager/ B2G representative, 4.

## 5.1 Research approach

In this study an abductive research approach is used. Abductive means that the researcher aims to give best possible explanations to the phenomena, this can be called also abductive reasoning or abductive inference (Josephson & Josephson 1996). These explanations are done by using logical inference from observations made by researcher, from these observations researcher will form the most reasonable explanation. Term abductive have its origins in philosophy from a philosopher named Charles S. Pierce which is considered the founder of abductive reasoning. He based his model of reasoning to idea that there has to be one more way to explain phenomena beside deduction and induction (Pierce, 1931). Abductive reasoning can't be used as factual result, it is a type of way to seek plausible and possible explanations to certain phenomena's. It can be used in a search of new knowledge or inventions or innovations (Paavola, 2009).

This thesis is based on case study, case study is commonly used for describing a certain event and find correlations from other studies of the subject. According to Patton (1990) a case study is selected because of its uniqueness and interesting theoretical aspects that it can birth. This apparent in this thesis, this particular case study was selected because the lack of similar studies especially in Finnish business field. As said before the business to government study has based on buyer point of view and this case was selected for better understanding of supplier's side. Thus, in case study it is possible to select the case before or during the research process, sometimes the latter option is taken for avoiding presumptions on the subject (Eskola & Suoranta, 2008). Case studies in general can be categorized to several different types like, exploratory, descriptive or explanatory, but usually they contain features from various different types. Validity means the evaluation of how well the research process has been able to research the subject, level of validity is based on measuring the carefulness and how profoundly the study has been conducted. Thus, validity of case study cannot be evaluated by regular methods because the findings are based on observations and understanding, this leads to situation where the reliability of the results is hard to evaluate (Fidel, 1984). In addition to this the reliability of this study can be considered as good because research's methods and data collection is explained very carefully. In qualitative studies this type of research approach is common in next chapter the case description is explained more closely.



## 5.2 Case description

In this study, the author will reflect its findings in theory to actual business. This business case focuses on Toshiba Tec Nordic case. This case is chosen because the importance of business to government relationships to company's revenue. By reflecting results of this case study it can give us insight on how suppliers behave in B2G sector and why. Also it is interesting to see that should Toshiba consider different approaches or business strategies towards business to government. Should there be more government contracts and how those can be achieved? Or should Toshiba pursue more towards B2B market? Next is clarification to the situation which Toshiba faces. Toshiba Tec acts in relatively old and competitive market. Printing business started at 1970s, Toshiba introduced its own dot matrix printer 1979 and entered the market. (Toshiba, 2018). Closing to the 2020s, this market maturity and continuous development toward digitalization in last decades has effected the market. Paper usage and need of printed documents are dwindling; effect is strong here in Finland due to high level of technological advancement.

Toshiba is a worldwide brand with vast amount of business areas, from nuclear facilities to bullet trains, total revenue of ¥4,870.8 billion (Toshiba 2018). Toshiba Tec is a provider of IT-equipment and services to companies. Toshiba Tec Corporation is listed on the Nikkei 225 the stock market of Tokyo. The main product line is multifunction devices, that Toshiba have developed to serve companies with regular office environment workflow. We offer also vast amount of other products like info screens, IT equipment and barcode printers to logistic field. In this study these products is been left aside and we focus on multifunction devices. This is because the multifunction devices and printing support software's are our core competence and moneywise they make approximately 87% of the annual revenue. Toshiba offers maintenance services, which creates steady flow of income; this income is in jeopardy if the market share is lost.

This is the main reason why companies in this field of business want to battle for the big customers, just that they can keep more devices in the field and secure workflow for maintenance they are willing to sell devices basically without profit. This also known as machines on field, MIF numbers are important especially knowledge of rival companies MIF numbers are important because they tell more about the market than actual revenue.

Business with government is seen very important for printing business because of two factors, first of all the deals are usually bigger due to centralization in procurement. The government entity for example a town, will acquire these devices and deliver them to all facilities that are within responsibility of town, schools and ministrative organs of all sorts. This means that deal volumes are bigger. Secondly, the government facilities by and large still uses lots of paper documentation in their functions which means more printing volume, scanning and copying. If we compare paper usage of Finnish parliament or justice department to some tech company the paper usage volumes are quite different. Due the digitalization paper volumes are dropping everywhere but effect is much stronger in private businesses.

The market in multifunction devices is highly competitive it fills out all the characteristics of a red sea, an old stabilized market where main competitive edge can only achieved via lowering prices (Kim & Mauborgne 2004). The key customers are often public organizations and contracts with these public actors make the most of annual sales and amount of devices in the field. These cases are essential to the business success, they create a constant stream of revenue due to maintenance services which include things like color deliveries and document management. Problem is that competition pushes the price low, if the value of the price is weighted most we face a situation where we just cannot compete without taking losses. Toshiba seeks other ways of influencing the public sector. We try encourage the procurers or particular public procurement unit to make more comprehensive acquirements and not just focus on buying physical devices.

### **5.3 Data collection**

Data for the case is collected from interviews made with persons having done business to government several years. For this thesis the both sides are represented in the interviews, selling/supplier party and buyer/procurer party from government entities. All interviews are made with face to face meetings and have been recorded. As said earlier semi-structured interviews allow possibility of more conversation type of interview, all the questions for every interview followed basically same pattern but additional questions were made to specify the answers and this allowed interviewer to get more intriguing knowledge. Qualitative research method do not require a certain type of data collection, different data collecting methods can be used simultaneously (Eriksson & Koistinen, 2014). In this study most of the theoretical

data is collected also from qualitative research material, but commonly data collection and research methods can be both quantitative and qualitative.

### 5.3.1 Semi-structured interviews

In this thesis the author will interview representatives from both sides of the business to government phenomena, suppliers who have government as their customer and buyers from government entities. The questions are selected beforehand by following themes in this thesis. Aim is to get different perspectives, basically same questions are asked from every party. Author tries to find differences on how suppliers and buyers see differently particular issues in B2G. Are same things, like procurement law, seen as an obstacle or challenge in procurement process? What are the things that need improvement and efficiency? Do both sides agree on the level which the principles of the public procurement works?

Semi-Structured interviews are chosen because they allow the interviewer to have flexibility during the interview and it gives more possibilities to ask particular questions on issues at hand. The sort of open-ended questions with possible follow-up questions gives the possibility to lure more information and specifics. Semi-structured interviews are often used in qualitative research, style of interview is suitable in situations where it is hard to know upcoming answers and answers are commonly based on persons particular experience on the matter (Hirsijärvi & Hurme, 1988). The experiences are essential part of this interview because they provide good results in toward qualitative research. Also the interviewee's ability to discuss on the subject gives its own emphasis to the matter, is there something to hide or are same thing too sensitive to discuss? According to Hirsijärvi & Hurme, (1988) the semi-structured interviews are in somewhere in the middle from formality standpoint, they are not as formal as structured or standardized interview where exact same questions are presented to each interviewed person, thus they are little more strict than themed interviews. Semi-structured interview are relatively common in these types of thesis, reason for this is aim to get interesting answers on a particular subject which is heavily correlated on particular experiences point-of-views. Interviews were done in this study by meeting every interviewed person face to face. There were no time restrictions and interviews involved additional discussion related to particular questions. The interviewees were selected carefully for the best possible answers, qualities like experience and responsibility was taking into consideration.

## 6 Key findings from interviews

To the suppliers the importance of B2G exchange is very business related. Some studies show that B2B relationships would be more beneficial to suppliers (Purchase et al. 2009, Möller and Törrönen, 2003) but still many suppliers pursue towards these contracts (Purchase et al. 2009). Because of this incoherence the question considering importance was asked from interviewees at the beginning of the interview. Procurement process and responsibilities for executing this process was the next topic. After that there are several questions considering the selection criteria, goal was to find out that are there really something else important than price and how those other things are evaluated. And if there were other criteria's, how suppliers can effect to these criteria's. Procurement law issues were next topic and interviewees was asked to give their own straight opinion about the effectiveness of procurement law considering public procurement. In end part of the interview a more open discussion was held and interviewees were asked about main challenges of the public procurement and B2G exchange as a whole, and what are issues that would need improvement in both suppliers and buyers behalf. In next chapters we dig deeper in to the topics. Next table presents how the research questions of the study are linked to topics in interviews and in particular questions.

**Table 6. Interview structure**

Research question	Topic	Questions
1.What are the key decision-making criteria in public procurement processes related to	Importance of B2G, Procurement process and responsibilities, Role of the procurement law	Customer interview questions 1-6 and 12,Supplier interview questions 1-7 and 11
1.a Supplier selection? 1.b. Selection criteria?	Supplier selection criteria	Customer interview questions 7-11,Supplier interview questions 8-10
2.What kind of methods private supplier can use to perform better in B2G?	Supplier selection criteria, Suppliers methods of influence and customers supplier evaluation	Customer interview questions 10-11, Supplier interview questions 9-10

2.a How well suppliers are currently utilizing these methods?	Challenges and possibilities	Customer interview questions 13-15, Supplier interview questions 12-14
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## 6.1 Importance of B2G

When asked from the supplier side representatives on how they saw the importance of B2G relationships related to their business performance the where slightly different answers. This question is more focused on the supplier representatives because in buyer's side the entities are automatically fully engaged to public procurement.

All of the interviewees have had their own experience of selling and establishing relationships with government entities by multiple years. All answers were almost aligned with one another, all stated that B2G is very important to business performance and most likely continues to be strategically important part in future also. One interviewee even stated that public customers are irreplaceable to the company and public customers hold massive share of the market (3). This is obvious answer when considering the fact that OECD member countries spend on average 13% of GDP with the private sector in order to deliver public services (OECD, 2019).

Thus there where one answer which stated that future aim is to lower the importance of public customers to the business, when asked further argument the interviewee said that public customers has become too important to the business and that's why as a supplier company the customer base in revenue wise cannot be so lopsided as it is right now. In addition, these procurement agreements are continuously moving towards heavy price competition and with little room for revenue in a long term these contracts are not so profitable. (2) This answer was aligned with the results from Purchase et al.2009 which is worth noticing.

Sales Director of private supplier says that they make a strategic decision and has changed the account management systems in a way that one account manager will focus only to public customers. Which means active observation of tenders and market dialogue requests via government portals like HILMA, reason for this is better utilization of sales person's abilities because private sector and public sector behaves very differently. This strategic

change happened under a year ago and supplier has got better results already (1). It can be argued that this strategy is useful for tackling the fundamental perception that doing business with government is complex and tedious and hard (Erridge and Greer, 2002). Clearly, when doing this type of specialization towards B2G, work with government entities do not seem so tedious and complex anymore.

When asked about future expectations about B2G importance from suppliers, both 3 and 4 mentioned integration of Hansel and KL- Kuntahankinnat, is going to be major thing which has effect on the whole procurement field in Finland. Both stated that from supplier perspective the centralization creates a situation where amount of tenders will drop and continue to do so in future. Procurement contracts are going to be more massive and wholesome and particular products like printing devices may not be put out to tender solely, they are part of bigger procurements. This also means that getting to and staying as a contract supplier in this huge procurement ring is vital to the supplier company's performance.

The Hansel and KL-Kuntahankinnat integration was seen very important from buyer's perspective also. One points out that after integration Hansel will serve whole public sector, which is major change in whole business field (A). In other hand, another public buyer representative gives less dramatic opinion about the subject. He says that despite centralization, the government entity, like Metropolia University has the ability to choose which procurement agreement they use. They have even possibility to make own procurement agreements if they want to (B). So the whole procurement field is not going to be dominated by Hansel and public actors have power to choose the right procurement agreement for their purposes. This gives suppliers also a possibility to be a part of some other procurement agreement than just Hansel.

## **6.2 Procurement process and responsibilities**

In the interview there were questions considering the participants in procurement process and who are the ones responsible of the outcome, these same questions was asked form suppliers and buyers. Furthermore, suppliers were asked about decision making on participation of particular tender, who makes the decision to participate or not and what are the typical reasons for these decisions.

As seen in theory, public procurement processes differ from B2B environment, in B2G there are more persons and entities involved to the procurement process. For example usage of experts, consultants and lawyers is very common in public procurement (Khan & Schroder, 2009). This is because of demands in public procurement compared to private sector, aim is achieving transparency in these process and make sure that public resources are used in good manner so that procurement will stand scrutiny from political parties and other public interest groups (Murray, 2007; Erridge and Greer, 2002)

When asked from buyer's side about who participates to the procurement process, both answers from A and B were aligned with theory findings, A specifies that in every procurement Hansel uses consultant who will act as project manager during the procurement process and tendering, this means that the consultant is also responsible of communication outside from Hansel towards potential supplier etc. On top of that there is always a lawyer involved to make sure that everything is done according to law. All these three persons, category chief, consultant and lawyer has also their own support groups including experts of all sorts. During the contract and relationship period with supplier the category chief is responsible, but if it's needed he can use additional help from lawyers and consultants.

Responsibility of the outcome of procurement lies in the hand of the one making the procurement, in this case the category chief is responsible (A). On other hand, B states that the reason for failure can be because of anyone within the tripartite, for example if the end customer/user have specified or explained their needs incorrectly they can receive unsuitable product or service even though the procurer and supplier entities have done everything correctly. Or if something goes during the procurement the fault is usually because bad management from procurer. The interviewee continues that mistake can happen everywhere at any time, but it is very rare to have procurement failures, during last 15 years there have been only couple occasions things have gone to settlement in court. These failures are avoided because of the high level of communication with all parties at all times. He also points that if during the procurement process something is out of place there is always possibility to cancel the procurement or put in hold.

This procurement process complexity creates a situation where both buyer and supplier need to be excellent in communication and understanding different entities which take part and can effect to the procurement. These answers were aligned with network approach and

according to Kulmala et al. (2002) this network management is one of the key variables in whole outcome of procurement.

In supplier's side according to supplier sales director (1), the responsibility for answering the tender accordingly and manage deadlines is with the particular sales person, thus the responsibility for the results usually more divided, so if the offer is unsuccessful there is no blaming contest. The persons involved are usually sales person, sales director, service director and any other experts with the company, like it-professionals. And if needed the CEO and financial director can be also involved. Other answers from supplier's side were similar about the responsibilities and participants. For decision to participate or not in a particular tender is basically made by the sales person, one interviewee (2) states that when the tender or request for proposal comes out the sales person makes decision based on suitability of the tender.

He also says that in rare occasions the sales person would have recommended the participation but is denied on behalf of sales director or CEO (2). One participant from supplier's side adds that sometimes participation is done with lighter deployment of resources due to seemingly bad odds for winning (4). It is find in previous study's that this participating decision is important for maximizing company's strength in right channels and minimize the waste of assets (Krause & Ellram, 1997). Supplier's sales director says that reasons for not to participate in particular tender is usually due to some product specifications which the supplier cannot answer or effect, also sometimes geographical issues can be reason for no go decision (1).

### **6.3 Supplier selection criteria**

In this section of the interview the main focus was in the selection criteria and evaluation methods of these criteria's from buyers perspective. Suppliers were asked what about the methods for effecting to these criteria's. Also how suppliers can appear better than competitors. Different aspects, quality, product offering and pricing where concluded to this part of the interview.

When asked about the selection criteria IT-category chief from Hansel (A) told that public procurement typically follows three steps; evaluation of supplier's suitability, evaluation of response and vendors level of understanding the tender and comparing the offers. All these



parts are important for end result. Suitability is measured for example by amount supplier's annual revenue and reference customers, with these the buyer can already eject some suppliers from competition. Next step is to evaluate how well the potential supplier is capable of answering to the tender demands, these demands can be product or service related issues like specifications, features and service requirements.

Last step is to evaluate price and quality, worth noticing is that in this point one buyer states that quality is measured already from the beginning of the procurement process. When asked about how quality is measured he states that quality is measured by quality criteria and after these criteria's are set by the end user or customer. And when these criteria's are fulfilled the next step is to compare prices. (A) So it seems that quality is not something which is evaluated absolutely and supplier can't answer quality demands in any other way than comply, or not comply. There seems to be no apparent step which would measure quality relatively.

Other interviewed customer points out this problem in evaluation very well, he says that these criteria's, like "quality", are very hard compare with each other. If the buyer would give a score to all potential suppliers about their level of quality it would be seemingly impossible to provide an explanation for particular scores. So after all the most important criteria is the price, but other criteria's like quality, specifications and features has to fulfilled by every potential supplier before entering the last stage of procurement, price comparison. (B) This mentioned difficulty for explaining other criteria's than price is focal point of the public procurement, B2G demands supplier to answer various criteria's compared to B2B and make them seem important aspects of the procurement (Rainey & Bozeman, 2000; Van Der Wal et al., 2008). But because of the transparency principles these other criteria's are hard to measure just as B said. There is concrete evidence for the contradictory of this subject where the public buyer hasn't been capable of giving justified explanation and procurement is cancelled in court (Kiviniemi, 2010).

Suppliers were asked about how they can affect to these criteria's every interviewer stated that most important method is influence in advance to the tender publication. Most important way to influence is to arrange meetings and try to get more knowledge about buyers business, what are different business functions and what important things in daily work are. After this the supplier tries to convince and suggest different solutions for customer which are the ones that supplier can do most effectively.

#### **6.4 Suppliers methods of influence and customers supplier evaluation**

From supplier's side one interviewee (3) mentions that this influence and relationship management is harder in today's B2G than it was 10 or more years ago, before it was possible that with good personal relationship with the procurer the supplier could write down the tender in a way that other suppliers would have hard time to answer to the tender. He also points out that meetings and continuous conversations with customer is very important method to influence customer towards pursuing solution which you as supplier can effectively offer. Overall supplier should always stay "near" to customer (3). According to interviewee 4 from supplier's side, which is only focused on public customers, the methods of influence are gone after tender is published, but before this, supplier can influence by recommending specific products or service requirements where the supplier has competitive advantage. If this is successful the price competition is much easier to manage (4).

According to ICT manager and user director B, the procurer makes thorough market investigation about the products and solutions before the tender is released. Discussions with potential supplier are done as early as possible and with every supplier possible, this helps in tender making process and goal is to make "best tender possible". B also says that he hopes that this market investigation would increase even more, possibility for Proof of Concept (PoC) testing would be great with every procurement to really find out which solution is best, especially with procurements that involve new type of technologies. Thus, it would carry even more load to supplier side and time management is also harder. (B)

IT-category manager from Hansel also stated that in public procurements the work load is in upfront of the tender and put efforts to state clearly all the evaluating criteria's. After the tender is published and proposals received, the evaluation is only "mechanical process" (A). So it seems that both supplier and buyer are willing and acting towards establishing conversations and shared information about needs and offerings.

Supplier sales director says that best way is to use case customers and present different successful solutions and show real results from these previous relationships. There is no particular way to convince buyer to believe that one particular product is better than competitor's product. (1) One key account manager says that in today's market which Toshiba Tec acts the products are very similar and it's hard to establish competitive advantage only by focusing on "hardware" (2). Interviewee 1 continues that despite looking

pretty similar in paper, there are lots of differences between other suppliers in the market. These differences are related to business functions and organization structures, these differences will resonate to the relationship management and performance during the contract period. If buyer have had bad experiences with previous supplier it is ideal chance to show examples of better performance.

In addition to meetings and conversation, other influence tactics are marketing methods like google marketing, social media marketing and participation to different business event, thus according to interviews says that participation to fairs etc. has drastically diminished compared to early 2000s' and companies do not invest anymore to these methods (2,3) Also one point out that "wine them and dine them" type of acting is also reduced to almost non-existence, this were quite common years ago. (4) From these answers it is possible to do diagnosis that in B2G area the relationship management is largely in the hands of supplier's sales person individual actions towards potential buyers, at least in this solution based information technology field.

## **6.5 Role of the procurement law**

Next the interviewer asked question about how well the interviewees would evaluate effectiveness of the procurement law and give opinion if the law does help the overall procurement process. All of the Interviewees stated that procurement law is overall a good thing. There were some issues worth noticing, from supplier perspective one interviewee 2 says that the public procurement law has effectively decreased amount of conspiring and "bribing" which is leads to common good for society when tax payer's money is used better. Other supplier representatives had similar opinions and some said there has been lots of development from customers and suppliers side to act according the law (1, 3).

There was not straight criticism towards the law, main issues complained were "stiffness" and difficulties emerging when situations change suddenly. IT-category manager from Hansel states that as an example, if during the contract period something changes which leads to situation where procured equipment or solutions are not suitable for customer it is hard to change things which are agreed in contract, only way is to make a totally new tendering process while the old contract is still being paid, this leads to massive, unwilling and ineffective spending. (A)

Similar type of argument where made also from suppliers side, in addition the complaining issues were seen as bad side effect, because when for example one possible supplier makes complain the whole procurement process can be put hold until the issue is solved in court. This complaining process can take many months which leads to several problems and excessive spending, which means that the basic principles why procurement law exists are not fulfilled (A,1,3). This type of criticism is also apparent in previous studies about public procurement and procurement law. In addition to this one interviewer says that it crucial to know the law, so that if during the procurement process something has gone wrong you have possibility to cancel the procurement via complaining (2). So complaining issue works in both ways.

Other interviewee from customer's side says that despite the "stiffness" of procurement law the procurement is always modified and effected by the people involved. From customer side there is always a person or persons who want pursue their interest and views on particular procurement, this effects largely on the outcome of the procurement despite that everything is done following procurement law. (B) Also supplier sales director points out that it would be still interesting to see and investigate on how much public entities still procure without using the guide lines of public procurement (1).

## **6.6 Challenges and possibilities**

At the end of the interviews both sides were asked on what would be the main challenges and possibilities in B2G and what the either side should do better. Interviewees were also allowed to give free views about future of public procurement. From customers side A states that big challenge is to foresee the future, due to long time periods in procurement processes it is difficult to make tenders so that the equipment, solutions and services will still be ones that are needed after several years. A hopes that the suppliers representatives would be much more active before tenders are published, because after publication the tender can't be changed. He hopes that suppliers would bring their own ideas and information about the new products or solutions this work before tender should many possible several years before the tender publication becomes apparent. This is very interesting topic because when asked from suppliers side all of the interviewees stated that best way to success is exactly this, meeting and keeping discussions alive with the customer before tenders are published is best way to improve supplier chance to win contracts (1,2,3,4).

Another customer interviewee says that after the tender is published the potential suppliers should have more courage to ask about the issues about tender to ensure that they have understand everything, so that they would be able to answer to the tender in right way and be sure about the needs that particular customer has (B). This is quite interesting subject because according the procurement law, after the tender is published every question and requests should be openly available to all potential suppliers, this leads to situation where supplier do not want to “show their cards” when asking a particular clarification about the tender because other supplier would possibly gain advantages about this knowledge.

Overall the both parties were agreement about the need for more market discussion before the tenders, thus the B points out that sometimes due to time management issues these deep discussions are difficult to arrange before subjects become more current. In addition to this there was recommendations from suppliers side that one particular public procurement should be investigated after the procurement process has ended, and interview all the participants about the different views on that particular procurement, thus this would be difficult to arrange because persons involved would not most likely give answers that are truthful or cannot reveal different business secrets.

## 6.7 Summary from the interviews

In table below the author has gathered the key findings from the interviews, aim is to clarify the important issues and how interviewees saw them.

**Table 7. Key findings from the interviews**

<b>Issue</b>	<b>Supplier</b>	<b>Customer (Government)</b>
Importance of B2G	Highly important for business	Aim to achieve best solution for best value
Who are involved?	Sales person, Company's experts, Top management	Procurement manager, Representatives of end users, Consultants and lawyers
Selection criteria	Goal is to make customer seek products and solutions where supplier has possible competitive advantages	After quality standards are met price becomes the main criteria
Methods for success	Active work towards customer from sales person as early as possible, Discussions, Meetings	Thorough market investigation and fulfilment of procurement law principles to ensure that public money is used effectively
Procurement law	Good: Suppliers have equal possibilities to participate and win public customers, Complaining  Bad: Complaining leads to time delays	Good: Helps government to get better value for their money  Bad: Complaining leads to time delays, law makes difficulties to flexibility
Future	Public customers remains important to the business, Hansel and KL integration has its benefits and treats	There are still room for development in procurements, procurer should have good knowledge of the market and clear view about the needs.

## 7 Conclusions and recommendations

### 7.1 Answers to research questions

In table below is seen the answers that this study came up with regarding to research questions.

**Table 8. Answers to research questions**

<b>Research Questions</b>
<ol style="list-style-type: none"> <li>1. What are the key decision-making criteria in public procurement processes related to               <ol style="list-style-type: none"> <li>a. Supplier selection?</li> <li>b. Selection criteria?</li> </ol> </li>   <li>2. What kind of methods private supplier can use to perform better in B2G?               <ol style="list-style-type: none"> <li>a. How well suppliers are currently utilizing these methods?</li> </ol> </li> </ol>
<b>Answers</b>
<ol style="list-style-type: none"> <li>1.             <ol style="list-style-type: none"> <li>a. Key decision making criteria for supplier selection is often lowest price after the supplier has fulfilled the requirements about level of quality, financial stability, service and ethical issues.</li> <li>b. Selection criteria may vary greatly and are highly bound to particular nature of the procurement. For especially procurements considering innovative or highly technical solutions the product and solution suitability to the buyer can be most important selection criteria. In these cases the importance of lowest price decreases and decisions are based more on ROI calculations.</li> </ol> </li> <li>2. Suppliers rely highly on activity of account managers or sales representatives. Main task is to keep in touch with potential customers, raise level of supplier-buyer communication and fortify this dyadic relationship. Contacting and arranging meetings are most used and most effective tool for better performance. In addition, suppliers should use marketing efforts to keep up visibility in the particular market.             <ol style="list-style-type: none"> <li>a. According to interviews buyers hoped that suppliers should make even more efforts to establishing dialogue and start the sales work much sooner. Also knowledge about procurement law is important and both supplier and buyer representatives should know the content and attributes which procurement law sets.</li> </ol> </li> </ol>

## 7.2 Results and managerial implications

The results of this study imply that there are lots of similar views on how public procurement should work in both supplier and buyers side. Both parties suggested that more market information sharing would be beneficial to the B2G overall. This is interesting considering that previous studies about B2G says that there are much more information demanded from supplier in form of official documentation and transparency about the business, but lack of information sharing in personal level like with open discussions has been seen as one of the difficulties in B2G (Furneaux et al., 2008, Wang & Bunn, 2004). Author suggest that this happens because of procurement law, for example after the tender is published there cannot be any close door discussions about the procurement. Also public entities have their own strict doctrines about which level a procurement person can be involved with any private company's businesses to avoid situation where they may seem to be favor some supplier over another when principles of equality in procurement law are not fulfilled.

Lack of conversation and dyadic problem solving can lead to lesser value to the customer and supplier (Aarikka & Jaakkola, 2012). This can happen in B2G when diagnosing the customers' needs and particular issues that would need improvement may not appear clearly to the supplier or procurer is not able to represent these problems as well as possible due the lack of knowledge or expertise about the subject. This is big reason why possible previous discussions before the tender is released, which was clearly the most effective way to have influence to the procurement, both by suppliers and customers perspective. Keeping close touch with customer supplier has the possibility to create more value to the customer and simultaneously offer solutions which are most effective to the suppliers business. So it is clear that still the supplier who has been in closely with the buyer has better possibilities for success, despite the principle of equality.

When considering the evaluation criteria's and selection of supplier it seems that despite the differences in public procurement compared to private sector we can say that public entities are maybe even more price driven in their procurements than private sector. According to interviews it seems that all the quality and compliance issues are just tickets for the real competition which is made solely with lowest price in mind. Suppliers are in situation where they need to spend their resources on giving as much documentation and "red tape" as the procurer wants just for a possibility for participating to the procurement. This may seem



ridiculous but in other hand this process works effectively on eliminating suppliers with incapability to deliver or lack of effort towards the contract.

### **7.3 Managerial recommendations**

The managerial recommendations are the case company Toshiba Tec in focal point, but these suggestions are valid for any other private supplier which acts in competitive market and hopes to be more successful acquiring public customers. As this study has shown that the key for private supplier's success in B2G exchange is good relationship management with potential customers. Toshiba Tec should make efforts to increase public customer's awareness about different solutions and products. This communication should happen continuously with every customer, not only with those already in business relationship. Establishing relationships with new customers long before any public indications occur about tender is published or is about to be published, this requires lot of efforts from account managers. Company should encourage especially new customer contacting to make sure that account managers do not just stick with old customers. This encouragement can happen with rewards and compensations, furthermore company should consider rewarding account manager for activities towards new customers, if rewarding is only based on amount of money from closed deals this can create a situation where account manager chooses to focus just on additional sales towards old customers for easier deals. This cherry picking is not good for company in long term.

Toshiba Tec should also make efforts to offer something more than just products and solutions that are very common in the market, this do not necessarily mean a completely different products or invention of new software. Differentiation can be achieved with innovative product portfolio where combination of solutions and products work well, they offer customer something with value and also are the ones that company has know-how to deliver them. As shown in this study the more common the procurement objective is, the more price driven decision making is. This price competition further increases because public customers have to publicly inform from these procurements and many suppliers try to pursue these contracts. Toshiba Tec has to separate themselves to offer something with higher value proposition than just common thing that any other competitor can offer.

#### **7.4 Limitations and future research avenues**

In this study B2G was first examined throughout the previous literature about the subject. Also this study reviewed the effects and purpose of procurement law to these procurement processes and how it affected on both supplier and byer behavior. This study was limited to narrow scope of interviews, which all represented field of information technology. It would be interesting to have similar studies from other sectors with expert interviews.

This study shed light on issues which supplier has to face when pursuing public customers but conclusions and recommendations are vogue and universal. If possible, it would be interesting to have interviews about particular procurement cases and gather more knowledge about supplier selection, buyer selection criteria and what are reasons behind these evaluation criteria in that particular case. With several case studies would we see some kind of pattern and explanation for supplier selection? Other topic which would be interesting research avenue is to investigate how quality is measured overall in these procurement processes, because as the theory and interviews of this study showed, it seems that quality is seen as a checkbox type of issue.

## 8 Summary

This thesis investigated Business to Government (B2G) exchange between private supplier and public customer. Business environment which company faces is always important and it highly effects their behavior. This study regards Finland's business environment particularly, this environment with public customers are unique and despite overall European directives work as a guide line the things may vary a lot between other EU countries, so this study and its results do not apply to other countries. Public spending in Finland has a major impact to whole economy and many private companies do business with public customers so improving this performance is very interesting topic.

Aim is to discover how these public procurement processes work and how supplier can perform better and be able to establish business relationships with public customers. Key difference in public procurement compared to B2B is the nature of the buyer, public customers are basically using tax payer's money and they are generally managed to achieve common good, not just profits. B2G is also highly regulated and both buyer and supplier has to act respecting the rules and regulations which procurement law sets. Study tries to find how suppliers can perform better under the circumstances which B2G business exchange faces. Digitalization and increasing centralization of public procurements are effecting to B2G environment in Finland, we will see how this effect to the suppliers behavior, is competition going to kill most of smaller supplier is interesting to see.

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**Interviews:**

Jokiluhta, Juri, Key Account Manager. Toshiba Tec, Espoo. Interview 5.6.2019, interviewer Eetu Kavén. Voice recording is in authors possession.

Kattilakoski, Jari, Key Account Manager. Toshiba Tec, Espoo. Interview 5.6.2019, interviewer Eetu Kavén. Voice recording is in authors possession.

Lehtisaari, Tero, Category Manager IT equipment. Hansel Oy, Helsinki. Interview 12.6.2019, interviewer Eetu Kavén. Voice recording is in authors possession.

Lehtonen, Tero, Key Account Manager. Toshiba Tec, Espoo. Interview 5.6.2019, interviewer Eetu Kavén. Voice recording is in authors possession.

Mäkelä, Mikko, IT Service Manager. Metropolia University of Applied Sciences, Espoo. Interview 14.6.2019, interviewer Eetu Kavén. Voice recording is in authors possession.

Salokangas, Harri, Sales Director. Toshiba Tec, Espoo. Interview 6.6.2019, interviewer Eetu Kavén. Voice recording is in authors possession.



## APPENDIX

### 8.1 Customer interviews – Interview questions

1. What is your Title, Role & Responsibility in your organization?
2. What kind of relationship your organization have with public procurement? What kind of relationship you have with public procurement?
3. How big role public procurement has in your company business?
4. Describe in few words your company's or organization's procurement on the current state and the future vision.
5. Who in your company or organization are involved with to the procurement process? Why? How?
6. Who is responsible for the success or failure of the procurement process in your company or organization?
7. What are the key criteria when choosing a supplier?
8. Key criteria relating to pricing?
9. Key criteria relating to product and offered variety?
10. Explain the reason behind each key criterion described in your answer's to above.
11. Is it easy to compare the suppliers' offers with each other?
12. What kind of tools you use to compare the offers?
13. Can the suppliers affect to the validation criteria?
14. What means the suppliers can use to be able to affect to the validation criteria?
15. Is the public procurement law a helpful factor in the procurement processes in your opinion?
16. What are the biggest obstacles in the public procurement in your opinion?
17. What the suppliers could do even better relating to the public procurement process in our opinion?
18. What you feel like to be most important success factors in the public procurement?

### 8.2 Toshiba's internal interviews – Interview questions

1. What is your Title, Role & Responsibility in your organization?
2. What kind of relationship your organization have with public procurement? What kind of relationship you have with public procurement?
3. How important part of your business are the customers or organizations working under the municipality administration?
4. Describe in few words your company's or organization's current state and the future vision relating to the customers or organizations working under the municipality administration.
5. Which persons from your organization are participating to the competitive bidding? Why? How?
6. Who decides in your organization about the participation to each competitive bidding? On what basis the decisions are made?
7. Who is in responsibility about the bidding process and the results?
8. What are the key means and manners, on what you try to affect to the procuring party during the procurement process?
9. Key means and manners relating to pricing?
10. Key means and manners relating to product and offered variety?
11. Explain the reason behind each key means and manners described in your answer's to above.
12. How do your organization try to affect to the to the validation criteria?
13. What kind of tools of affection you use to create a competitive advantage in competitive bidding?
14. Is the public procurement law a helpful factor in the procurement processes in your opinion?
15. What are the biggest obstacles when working with the customers or organizations working under the municipality administration?
16. What could the procuring party do better in the procurement process in your opinion?
17. What are the key factors to secure the successful sales process in your opinion?