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Real estate investors guide for sourcing Property management function of Facility management service in Finland

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ABSTRACT

Lappeenranta-Lahti University of Technology LUT
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Real estate investors guide for sourcing Property management function of Facility management service in Finland

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The objective of this research document is to give a real estate investor, a proper guideline for sourcing the property management function of facility management. The research offers a recommendation for the best course of action according to the gathered research data. To avoid confusion this research includes a definition for both property management and facility management since they are used as a synonym in the literature.

The research was conducted as a single case study where the target population was TOP 30 largest real estate investment companies in 2020, who had Office and Retail assets in their portfolios. The sample unit was an expert in charge of leading the facility management service within the property management function. The research sample was 10 selected companies within the target population and seven from the sample accepted to participate in the research. The data gathering was executed through semi-structured interviews and the analysis was conducted through inductive content analysis.

The theoretical framework of the research divided sourcing strategies into three different approaches: insourcing, hybrid, and outsourcing. In addition, two different theoretical aspects were used to create more insight into the sourcing strategies framework. The first one was the finance strategy and structure of the procuring organization. How does it influence the sourcing strategy? The second one was the business environment. Can the business environment impact the sourcing strategy?

The research found out that according to the presented theoretical framework, the best sourcing strategy for facility management is a hybrid: performance-based & managed services. This indicates that there should be enough skill left within the organization to practice supplier governance. In other words, the service should be outsourced but managed internally. The supplier relationship management should be focusing on a win-win mentality and approach the relationship in a collaborative or partnership mentality.

TIIVISTELMÄ

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Kiinteistösijoittajan opas teknisen kiinteistöjohtamispalvelun palvelujen hankintaan Suomessa

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Tutkimus pyrkii valottamaan kiinteistösijoittajan näkökulmasta sitä, mikä on paras tapa hankkia tekninen kiinteistöjohtamispalvelu. Tutkimus tarjoaa suosituksen parhaaseen hankintastrategiaan. Suositus pohjautuu olemassa olevaan teoriaan ja tässä tutkimuksessa kerättyyn tietoon. Epäselvyyksien välttämiseksi teknisen kiinteistöjohtamisen termi on avattu, koska sitä käytetään kirjallisuudessa synonyymina kiinteistönhoidon ja -ylläpidon kanssa.

Tutkimus toteutettiin yksittäisenä tapaustutkimuksena, jossa populaationa toimi Suomen kiinteistösijoitusmarkkinat. Kohderyhmänä olivat portfolioltaan Suomen 30 suurinta kiinteistösijoitusyhtiötä vuonna 2020. Lisäksi kohderyhmää rajaavaksi tekijäksi muodostui yrityksen portfolion rakenne. Yrityksellä tuli olla salkussa sekä toimistokiinteistöjä että vähittäistavarakaupan kiinteistöjä. Tutkimuksen otanta muodostui kymmenestä kohderyhmän kriteerit täyttävästä yrityksestä. Otannasta seitsemän yritystä osallistui tutkimukseen. Tutkimustiedon kerääminen suoritettiin puolistrukturoituna haastatteluna. Kerätyn tiedon analysointi toteutettiin induktiivisena sisältöanalyysinä.

Tutkimuksen teoreettinen viitekehys jakoi hankintastrategian kolmeen vaihtoehtoon: palvelun sisäistämiseen, hybridistrategiaan ja palvelun ulkoistamiseen. Teoreettista viitekehystä vahvistettiin esittelemällä yrityksen talousstrategian ja -rakenteen vaikutukset palvelun hankintastrategiaan. Tämän lisäksi ulkoisen toimintaympäristön muutosten vaikutukset liitettiin vahvistamaan tutkimuksen teoreettista viitekehystä.

Tutkimuksessa kerättyyn tietoon ja teoreettiseen viitekehukseen pohjautuen parhaaksi hankinta- strategiaksi osoittautui hybridistrategia, jossa päätäntävalta ja tietotaito pidetään organisaation sisällä. Tämän lisäksi operatiivinen työ on jalkautettu ulkopuoliselle palveluntarjoajalle. Toisin sanoen, hybridistrategia, joka on suorituskykyyn pohjautuvaa ulkoistamista, mutta jota johdetaan organisaation sisältä käsin. Tutkimus tunnisti myös sen,

että toimittajasuhteen hallinnan tulisi pohjautua yhdessä voittamiseen ja lähestyä palvelun tarjoajaa yhteistyön ja kumppanuuden periaatteella.

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Sincerely,

Harri

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Abbreviations

ESG	Environment, social and corporate governance
FM	Facility management
IoT	Internet of things
KPI	Key performance indicator
PM	Property management
PEST	Political, economic, social, and technological business environment analysis
PESTEL	Political, economic, social, technological, environmental, and legal business environment analysis
OPEX	Operative expenditures
PBC	Performance-based-contracting
SL	Service level
SLA	Service level agreement
SRM	Supplier relationship management
SQ	Service quality

1 Introduction

1.1 Background

This research is a case study in the field of real estate investing. The research aims to offer a solution for a question that has not been previously specified from the real estate investor's point of view towards facility management within the target market. The research will fill in a knowledge gap for real estate investment companies by giving them academically researched and theoretically reviewed suggestions. (Robinson, Saldanha & Mckoy, 2011) There are three theoretical aspects for this research. When combined they will give a guideline for planning supply management strategies. When procuring part of the Property Management (PM) services: Facility Management (FM).

All theories that are used in this research, have been studied beforehand thoroughly, but they have not been combined in this specific matter before. This is the research gap which the research aims to fulfill. (Robinson, Saldanha & Mckoy, 2011) By fulfilling this gap, the research contributes to the academic studies in the field of supply management strategy in economics. To specify, the research will add value to the specific field within supply management: Service supply management.

For business world users the research should provide reliable information which should bring more insight into the current trends in theory. This insight can be used to review the supplying strategy of their organization. The research will not declare any outcome as absolute right or wrong. The research only aims to give suggestions based on the theory and research data. For the academic world, this research will add knowledge for the field of supply management strategy in the field of Real estate. To specify further: the research will add value in the field of service supply management. As for an introduction to the limitations of the research, the research will be limited to the FM services within PM. With this limitation, the author aims to research only business field-specific functions.

1.2 Research objective

The objective of this research is to offer an academically reviewed guide for procuring Facility Management (FM) service within Property Management (PM) functions. The research does not aim to give one solution for procuring FM services. Rather the research

will give suggestions for the best course of action based on academically acknowledged theory and firsthand knowledge acquired from the Finnish Real Estate: Office and Retail market.

To achieve this goal, the research approaches the topic from three different theory aspects: Sourcing strategies, organization's financial strategy for the supportive function of FM, and lastly Business environment which reflects the business cycle of the market. The research's main research objective is to answer the research question: What is the best sourcing strategy for FM service in PM function? This question receives a theoretical framework from the sourcing strategies. The second research objective aims to find out how the procuring organization's financial strategy & structure affects the sourcing strategy? The financial strategy of the organization is included in the chosen sourcing theory's framework. The third research objective is to answer the question: Does the business environment have an impact on sourcing strategy? The goal is to determine if the business environment can change the sourcing strategy, for example, the timing of the strategy or changing it due to external factors such as a recession.

1.3 Defining key terms

In both, academic and business literature, Facility Management (FM) as a term is often used as a synonym for Property Management (PM). To avoid confusion in this research, FM is defined as a function under PM. The following chapters will define the concept more thoroughly; FM and PM. In addition, some other essential terms and concepts shall be briefly introduced.

1.3.1 Property management

There is a general overlap between Property and Facility management as a term. Property management is a business function where Property management manages the asset (property or facility) from a full-service point of view. (Abdulai, 2012, Kincaid, 1994) The PM aim is to maintain and optimize the asset value from both cost and income perspectives through daily activities. In other words, maintenance of the valuation of the property. (Read, Carswell, 2019) PM can include everything from tenant communications, project

management to finance and accounting functions. (Palm, 2018) FM functions are also included in PM functions. (Kishk et al., 2005. p. 4-5)

PM is responsible for planning, budgeting, and communicating the operative costs related to FM. (Palm, 2018) These FM functions include for example cleaning, security, project management and, communication to users (tenants). (Kok, Mobach & Onno S.W.F. Omta, 2011) The activities costs are reflected as operative expenditures (OPEX). (Jarray, Jaumard & Houle, 2012) In this research, PM is understood as a business process/function which aims to either improve or hold the assets valuation value through a collection of business functions such as FM, Accounting, Rental e.g. (Kincaid, 1994)

1.3.2 Facility management

Drion, Melissen, and Wood (2012) have argued that for Facility management, there is no single way of defining it. This is due to the reason that every single organization structure is different, and the role of FM adapts according to the organization's structure and business strategy. (Drion, Melissen & Wood, 2012) FM can be viewed as a management function of the facility from a more physical and technical perspective than PM. FM aims to sustain and improve the value of the asset from a more concrete perspective such as technical maintenance of facility equipment or infrastructure. The level which FM aims to hold or achieve is determined by the organization's business strategy. (Kishk et al., 2005. P. 4)

FM description is similar to PM but with a key difference. FM as an ideology aims to upkeep or improve the value of the asset through physical improvements within the facility or property. (Kincaid, 1994, Theo van der Voordt, 2017) As previously mentioned, PM manages the value of the asset from a more overall perspective than just technical management. (Read, Carswell, 2019) As Palm (2018) discussed. FM owns the daily ground level and hands-on activities when PM focuses on managing the asset from an overall perspective. (Palm, 2018)

As a part of the whole organization, FM is seen in general as a supportive function from a real estate investor's point of view. It is a critical element of the business process since the purpose is to maintain or keep the value of the asset while capitalizing it. (Kok, Mobach &

Onno S.W.F. Omta, 2011) Even though the nature of FM function is supportive, it can have a negative impact on the business process if neglected. That said, FM is acting as a supportive function within the organization, but it is supporting the vital part of the core business process. That is why FM should be integrated closely into the core business process and strategy. (Theo van der Voordt, 2017, Vetráková, Potkány & Hitka, 2013 p.81)

1.3.3 Service level agreements

Service level agreements (SLA) is a contract that measures the performance of the service provider. In supplier relationship management (SRM) SLA is used to control the supplier towards intended performance levels. This can be enforced through penalties and incentives. (Liang, Atkins, 2013) Hence, poor delivery performance for a supplier can reflect negatively on their own profits due to SLA. Therefore, SLA is a strong tool for SRM to guide the service level from supplier to a planned level (Chen, Thomas, 2018).

1.3.4 Key Performance Indicators

Key Performance Indicators (KPI) are metrics that reflect on the performance of a task, activity, or business function of an organization. (Eckerson, 2005, p. 198-205) KPI's are used in SLA to measure the success of the provided service. Hence, KPI's are measuring the success of one singular task in the overall business process. Furthermore, a single KPI should always be easily measurable to create reliable data for further development of the service. (Kerzner, 2013, p. 118-151) In both, Supply chain and Supply management, KPIs are used to recognize and evaluate the critical success factors for suppliers who are providing the service. (Bai, Sarkis, 2014)

1.4 Overview of the research document

This research is divided into three different main parts. These parts are progressing in the following order. Firstly, comes the theoretical literature review for the research. This section presents the relevant theories and concepts for this research and creates the research gap. The literature review starts out by reviewing supply management and its sub-concepts. This is followed by sourcing theory and the business environments theory framework.

The second part of this research document establishes the research method and methodology which were used to conduct the research. This includes establishing a research approach, philosophy, and purpose. Continued by the selection of research method and presentation of the research strategy. In addition, the definition of the sample from the population is done which leads to the presentation of the data collection and review of the analysis methods. The second section concludes with the validation of the research and empirical summary of the results.

The last and third part starts out with the discussion of the research. Where the findings of the research are presented and discussed. The discussion part also answers the research questions. Firstly, the findings of the research are reviewed which is followed by answering the research questions in backward order. Firstly, the Business environments and financial strategies, and structures impacts on sourcing of FM are answered. After the supportive questions are unraveled, the main research question will give the best course of action suggestions for FM service in PM.

The last part of the research is the conclusions which conclude the research with the reflecting of the research theory and findings. After reflecting the findings with the established theoretical framework. The limitations and suggestions for future research are discussed. The research limitations reflect what should have been done differently to create more reliable and generalizable data. The suggestion for future research explains the newly developed research gaps according to this research. The list of references and appendices are concluding this research document.

2 Literature review of theory

This section reviews the chosen theories for this research. The theoretical approach of this research develops in the research questions orders. Starting out by introducing the theoretical surroundings of sourcing theory. Supply management and the sub-concepts allocated under it: SRM and Service supply management. Followed by the research main theory: Sourcing strategies.

In the sourcing strategies section, the theoretical framework of the research will be presented in a pros and cons comparison for each sourcing strategy of the framework. The sourcing strategies section gives grounds for the first and second research questions theory gap: What is the best sourcing strategy for FM service in PM function and does the financial structure and strategy of the company have an impact on the sourcing strategy?

The last section of the literature review covers the business environment theory. Business environments theoretical review give grounds for fulfilling the second supportive questions research gap: Does the business environment from a timing perspective have an impact on sourcing strategy?

2.1 Supply management

Supply management and supply chain management are generally used as synonyms, even though they have an essential difference. Both functions are involved in the procurement of supply for the business and ensuring the movement of services in the supply chain, but the scope is different. (Cousins, Spekman, 2003) Supply chain management reflects the function of planning, executing, and managing the movement of supply throughout the supply chain. (Lambert, Cooper & Pagh, 1998; Li et al., 2006; Min, Mentzer, 2004) Whereas supply management refers to the business function of procurement from an overall perspective. Including the planning, supervision, and development of procurement. In addition, it includes the SRM. In other words, Supply management is a business function which owns the supplying of services on both strategic and operative level. (Cousins, Spekman, 2003)

Supply management is a supportive but critical function for an organization. (Revilla, Knoppen, 2015) Its main task can be divided into three: ensure the continuity of the business

(Azadegan et al., 2020; Zsidisin, Melnyk & Ragatz, 2005, p. 3413), cost control (Van Weele, Van Raaij, 2014), and value-adding (Kähkönen, Lintukangas, 2018) or enhancing value (Ellram, Tate, 2015). Supply management secures business continuity by executing risk management and mitigation activities. (Zsidisin, Melnyk & Ragatz, 2005, p. 3412-3416) Risk management and mitigation take place by collaborating with other stakeholders within the organization. By providing information for other stakeholders from the supply management-related activities, the risk management becomes more preemptive than reactive. This leads to better procurement planning and risk mitigation. (Azadegan et al., 2020; Letica, 2016) In addition, Kähkönen and Lintukangas (2018) stated that proactive SRM can be a great way to prevent risks whilst foraging more value from suppliers. (Kähkönen, Lintukangas, 2018) SRM will be presented in its own chapter later in this theory review.

Managing the cost structure of the supplied services is one of the key tasks for supply management. Through proper planning and organizing of supplying activities. Supply management can bring direct cost-saving, long-term cost avoidance opportunities, and most importantly bring more flexibility for the liquidity of the organization through improved forecasting abilities. (Kähkönen, Lintukangas, 2018) The simplest way of increasing cost savings via supply management is through proper planning and execution of procurement campaigns. Planning of the procurement campaign reflects the mapping of needs and the tradeoffs the company is willing to do while procuring the service. When the needs of the buyer have been recognized the planning of the supply process is possible. Holger Schiele (2007) presented how to use sourcing levers to recognize and minimize prospect tradeoffs and exploitations of the sourcing contracts. The following figure 1. presents the seven leveraging categories Schiele recognized to be essential when minimizing tradeoffs and risks in supply management planning. (Schiele, 2007)

<p style="text-align: center;">Pooling of demand</p> <p>- Reduction number of suppliers for a commodity, increasing purchasing volume with the remaining suppliers</p>	<p style="text-align: center;">Product and programme optimisation</p> <p>- Modification of the material / service standardisation, design-to cost</p>
<p style="text-align: center;">Price evaluation</p> <p>- New forms of negotiating prices (e-auctions, analysis of price composition, more frequent quotations, game-theoretic models)</p>	<p style="text-align: center;">Process improvement</p> <p>- Simplification or automation of buyer-seller interface (material flow, demand planning, logistics, often with information technology)</p>
<p style="text-align: center;">Extension of supplier base</p> <p>- Introducing new sources, usually global sourcing effort</p>	<p style="text-align: center;">Intensification of supply relationship</p> <p>- Strategic partnership, early supplier inclusion in new product development, alternative contracts (e.g. cost-plus or gain-sharing agreements)</p>
<p>Commodity-spanned lever</p> <p>- optimisation at the interfaces between commodities, design-to-process, forming partnering consortia of several suppliers of different commodities</p>	

Figure 1. The sourcing levers (Schiele, 2007)

The sourcing levers Schiele presented, also present long-term cost avoidance methods, such as process optimization, SRM, and improvement in supplier pooling and segmentation. (Schiele, 2007) The cost avoidance reflects activities that will bring savings through innovation which will create more efficient supply processes. (Rasti Borazjani Faghat, Khani & Alemtabriz, 2020) Or through direct savings by analyzing the company's needs and managing the supply through contracts. (Kähkönen, Lintukangas, 2018; Tsay, Lovejoy, 1999) Lastly, cost management will have an impact on the liquidity flexibility of the organization. When the organization's demand has been analyzed properly. The supply management can procure more efficiently the supply which will increase the forecasting abilities of the supplying endeavors; increase the flexibility in liquidity through forecast and transparency improvement of the financial structure of the organization. (Helms, Etkin & Chapman, 2000) The sourcing levers by Schiele 2007. (Schiele, 2007)

Lastly, Supply Management aims to create additional value for the organization. Added value can be tangible or intangible. (Lambert, Cooper & Pagh, 1998; Presutti, 2003) Tangible added value can be measured in direct savings in the capital. Such as, choosing an outsourcing strategy that can lead to direct cost savings and lightening both, profit, and

balance sheet. (Helms, Ettkin & Chapman, 2000) Intangible added values are values that bring indirect cost benefits for the organization. (Li et al., 2006; Presutti, 2003) Such as, implementing corporate social responsibility (CSR) strategy in supplying which can lead to image improvement of the brand. (Aguinis, Glavas, 2012) In addition, supply management as a function can create added value as a side product for other internal stakeholders. For example, by sharing knowledge from the supplying process other stakeholders such as finance and development functions can improve their processes. (Helms, Ettkin & Chapman, 2000; Rasti Borazjani Faghat, Khani & Alemtabriz, 2020) The following chapters will continue the topic of supply management by defining service supply management and SRM.

2.1.1 Supplier relationship management

Supplier relationship management is part of the overall function of Supply management. SRM focuses on the strategic planning of supply management from the relationship perspective. (Huemer, 2006) This includes assessing the current relationship of the supplier, the relevance of them for the organization from both, opportunity, and risk points of view. Lastly, SRM reflects on the organization's overall strategy before implementing the Supplier relationship activities in its sourcing strategy. (Day, Lichtenstein, 2006)

Several SRM models can be used to evaluate and optimize the supplier relationship strategy (Svahn, Westerlund, 2009; Terpend, Krause & Dooley, 2011). Schuh, Strohmer, Easton, Hales, and Triplat (2014) suggested a framework for True supplier relationship management, Figure 2. The framework simplifies the identification of how critical the supplier is, by cross-referencing the strategic potential and the performance of the supplier. (Schuh et al., 2014) In other words, the framework evaluates the power relation between the supplier and the buyer and how to act upon it. (Jean, Kim & Sinkovics, 2012) Each section presents one supplier relationship strategy which can be divided into three main segments: Valued, Basics, and troublemakers. (Schuh et al., 2014)

To summarize, SRM is a concept that takes the sourcing strategy into account and determines how to treat or transact with the selected suppliers. From the supply management point of view, SRM is a process that acts according to the sourcing strategy. The framework is

presented in figure 2. Can be used only after the organization has determined which kind of sourcing strategy they have for the supplied service. (Schuh et al., 2014)

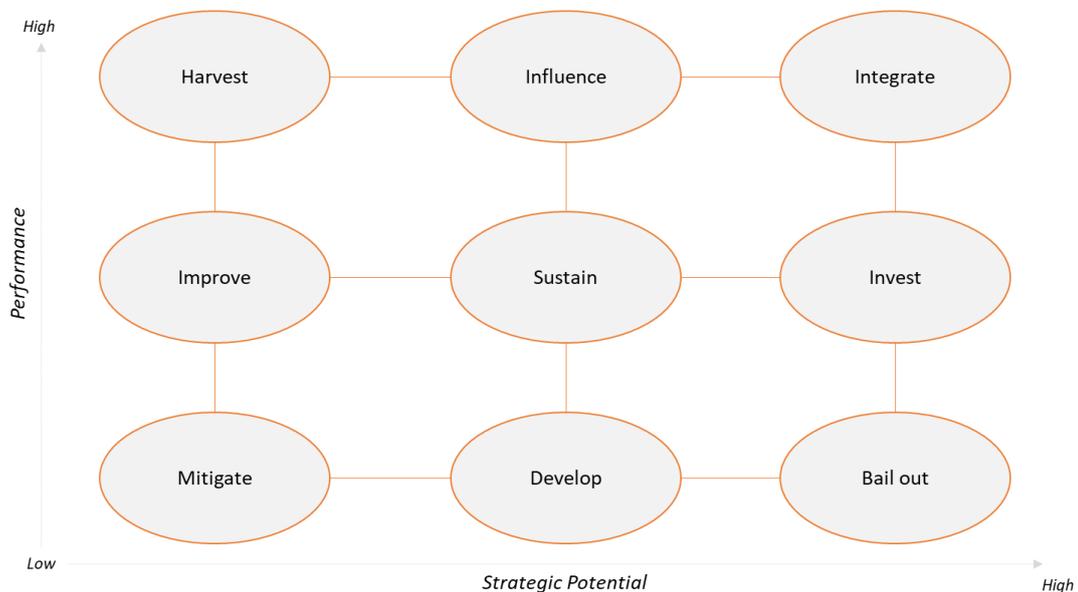


Figure 2. TrueSRM framework (Schuh et al., 2014)

2.1.2 Service supply management

In the realm of supply management, services are nontangible products that are predefined through contracts and SLA. (Stentoft Arlbjørn, Vagn Freytag & de Haas, 2011; Ellram, Tate & Billington, 2007, p. 47-49.) Rober Lusch (2011) defined services to be everything else that goods are not. In addition, he argued that a single process can be defined as a service. (Lusch, 2011) Furthermore, services' nature can be defined as fleeting or momentary products. (Baltacioglu et al., 2007, p. 110) If the service is seen as an intangible product that brings more value for the buyer or end client. Then the focus of the service supply management should lie on the drafting and managing of the supplier through contract & SLA. (Ellram, Tate & Billington, 2007, p. 48-49)

The key difference between normal product-based supply management and service supply management comes from the measurement of success. Product-based supply is clear to both define and measure since it is tangible and there is a concrete result of the supply process.

Service-based supply is harder to measure since there are no tangible end products. (Wang et al., 2015) That said, both service and product-based supply can be measured either by output or outcome. The difference comes from creating the SLA. This includes establishing the KPI which will measure the success of the supply campaign. (Ellram, Tate, 2015; Ellram, Tate & Billington, 2007 p. 49)

In addition to contract management activities, service supply management emphasizes the SRM. SRM can be seen, as a critical practice in service supply management since the service provider has so much power in the outcome of the service. (Baltacioglu et al., 2007, p. 116) To put it differently, the service providers become a representative of the buyer, which will have an impact on the buyer's image. (Wang et al., 2015) This is why SRM becomes essential in service supply management. To ensure the successful and desired service outcome, SRM needs to be applied in service supply management campaigns.

To summarize, service supply management differs only a little from the academically recognized concept of supply management. It values the same culture as its essence as supply management with a slight differentiation of focus. (Azadegan et al., 2020. Zsidisin, Melnyk & Ragatz, 2005 p. 3413) The emphasis lies more on contract managements SLA and KPI defining due to the nature of intangible products, services. (Ellram, Tate, 2015)

2.2 Sourcing strategies

For organizations to do business, they need to determine what kind of services they need and how they are going fulfill those needs. For this, organizations can implement different kinds of sourcing options. These options are referred to as sourcing strategies. (Talluri, Narasimhan, 2004) Caniëls and Gelderman (2005) stated according to Kraljic's theory that sourcing options reflect the supply management strategy of the company. In addition, they stated according to Kraljic, that supply management strategy is composed of economical drivers and risk recognition & mitigation activities. (Caniëls, Gelderman, 2005)

Sourcing strategies reflect the overall supply strategy. To determine which kind of supply strategy is in place, both the product and the supplier need to be assessed. (Akhavan, Beckmann, 2017; Day, Lichtenstein, 2006) Kling, Manrodt, Vitasek, and Keiths (2015)

presented an overall framework for supply management which determines the correct sourcing strategy by presenting questions that are divided into five layers. The framework is presented in figure 3 and it shows a proper sourcing strategy in addition to the relationship model the procurer should take. (Kling et al., 2015 p. 70)

		← Transactional (Market)		Relational (Hybrid)		Investment (Hierarchy) →	
		Basic Provider	Approved Provider	Preferred Provider	Performance based / Managed Services	Vested	Investment (Equity Partner / Shared Services)
Business Model							
Business Model	Economic Model	Transaction Based (per transaction)	Transaction Based (per transaction)	Transaction based (per activity)	Output based	Outcome based	Transactional, Output or outcome based
	Relationship Model	Transactional / no relationship	Transactional / Supplier vetted approved list	Relational contract - Emerging collaboration	relational contract - Collaborative	relational contract - highly collaborative	Investment based
Vision & Intent		Supply at lowest cost	Recurring Commodities at fair or lowest cost	Value added capabilities at best value	Performance to SLA - process efficiencies	Shared vision, Desired outcomes & value creation	Sustainable value
Scope of Work							
Statement of Work & Objectives		Who and How	Who and How	Who and How with jointly defined How	What, Limited emphasis on How	What	What if, What for and when
Performance Management							
Performance Focus		Simple three way accounting match	PO requirements	Activity based SLA	Output based SLA	Strategic desired outcomes	P&L based measure
Performance Measures		right quantity, right price, damage free	Basic provider metrics + increased quality emphasis	Operational + customer satisfaction	Operational + Relational (Values & Behaviors)	Operational, Transformational and Relational system wide KPIs	Joint measures of success
Pricing							
Pricing Model & Incentives		Fixed price / Typically no incentives / Volume Rebates	Fixed price / Low no incentives / Volume Rebates	Fixed price / Low incentives / Volume rebates	Price with incentives and penalties	Pricing model with value based incentives	P&L based equity sharing
Governance							
Relationship Management		Delivery & Pricing Validation	Some performance & pricing oversight	Limited SRM	Overight emphasis: SRM	Insight emphasis: Strategic relationship management	Shared control and management
Improve, Transform & Innovate		None / Market driven	Limited / Market driven	beginning to focus on incremental improvement	Supplier driven to meet SLAs	Joint and proactive transformation management	Core innovative capabilities
Exit Management		One way / Limited commitment to buy	One way / Termination for cause & Convenience	One way / Termination for cause & Convenience	performance based termination for cause with safeguard	joint exit management plan	Divestiture
Compliance & Special Concerns		compliance driven / Survey based	Typically compliance driven / Survey based	Typically market based / minimum audit requirements	Corporate based audit requirement	Outcome based joint requirements	Investment based joint requirements

Figure 3. Sourcing framework (Kling et al., 2015 p. 70)

The Sourcing framework presented in Figure 3. is in line with the sourcing continuum which describes the make or buy decision. (Kling et al., 2015 p. 56) The framework's five layers are the following: the business model which reflects on the needs and triggers of sourcing. Followed by the second and third layer which reflects both, how the supply process is done and how the success is being measured. (Kling et al., 2015 p. 70) Reflecting on SLA and KPIs. (Ellram, Tate & Billington, 2007, p. 47-49.) The fourth layer is focusing on the costs. Defining the pricing, incentives, and penalties. The last layer focuses on the management of the supplying campaign, where the relationship and governance model are reviewed for the business relationship. (Kling et al., 2015 p. 69-70)

For this research, three different sourcing strategies are reviewed more thoroughly. Firstly, the organization can produce the services itself by procuring human resources for its organization. The second option is to outsource which reflects procurement of the service from an external supplier from the market. (Gilley, Rasheed, 2016) Thirdly and lastly there is hybrid sourcing, where the supply is outsourced but the buyer is involved in the relationship actively. Rather than outsourcing from the market, the buyer and the supplier co-operatively create the aimed service and end results. In other words, the question in sourcing strategies comes down to two key factors: make or buy and quality vs price comparisons. (Arya, Mittendorf & Sappington, 2008, p.1748-1749)

The following chapters will define sourcing strategies as key factors in the make or buy chapter. This chapter reviews the sourcing continuum framework and represents how the framework can be used to determine the proper sourcing strategy for a company. Lastly, three sourcing strategies are reviewed from a pros & cons point of view.

2.2.1 Make or Buy!

The sourcing continuum is a theoretical framework that illustrates the service supply sourcing decision-making. Should the organization buy or make the service themselves? (Kling et al., 2015, p. 56; Moschuris, S.J, 2007) The sourcing continuum can be divided into three different sections: Transactional (outsource & buy decision), Relational (outsource & buy decision with buyer control), and Investment (insource & integrating the process into the organization). (Kling et al., 2015, p. 55-71).

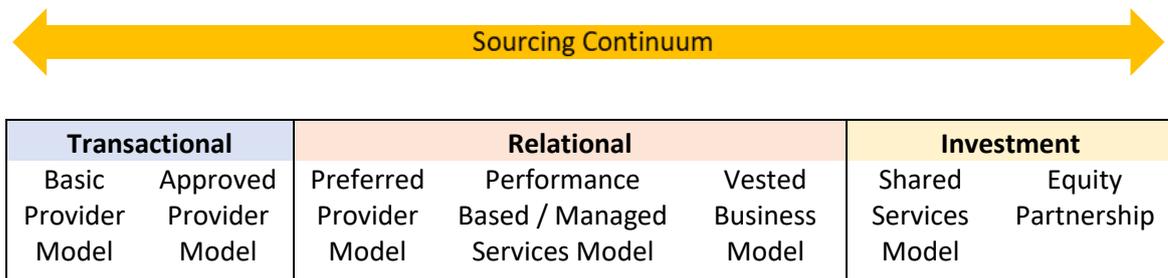


Figure 4. Sourcing Continuum (Kling et al., 2015 p. 56)

On the far left is the basic transaction model-based outsourcing. (Day, Lichtenstein, 2006) The transaction models represent the buy decision-making and reflect a relationship where the buyer only buys the service from the market and measures it by simple KPIs. The KPIs are measuring more, how the service is provided instead of the sole result. (Bai, Sarkis, 2014) This model is a basic provider model on the sourcing continuum, and it is located on the far-left end. (Kling et al., 2015 p. 56-70.) The second part of the Buy decision is called the Approved provider model. In the approved provider model the buyer has already tendered fixed pricing for the services which will give two key advantages: fixed costs and time. Fixed costs reflect the fact that the price has already been tendered to market price which ensures that the pricing is competitive, and the buyer can forecast the costs. Time reflects efficiency which will act as a key factor since it can reduce the total costs by giving more flexibility in the procurement process. (Anderson, Dekker, 2009; Kling et al., 2015 p. 56-70).

The next phase on the continuum is the preferred provider model which acts also as the first and lowest form of hybrid sourcing model. (Kling et al., 2015 p. 56) The preferred provider model is akin to the approved provider model, but the buyer is getting involved in the relationship. By involvement, the buyer initiates a long-term relationship with the supplier to develop and gain a more competitive advantage from the chosen supplier. A preferred provider is still by essence a “buy” decision-related option, but it has the potential to become a strategic supplier. (Kling et al., 2015 p. 58-70; Miller, 2011) The preferred provider is followed by the Performance-based service model or performance-based contracting (PBC) which is still a buy decision, but the supplier will be more involved in the supply relationship. (Glas, Henne & Essig, 2018) The supplier is tied down to the buyer in a long-term

relationship with clear benchmarks and KPIs which are determined in SLA or service agreements (SA). (Liang, Atkins, 2013)

The importance of these KPIs can be used to reward or punish the supplier according to their success ratio. The act of upkeeping these are called performance measurement and management (PMM). (Glas, Henne & Essig, 2018) For example, the supplier needs to provide a certain number of innovations during the contract. Table 1 illustrates an example of how this can be used in a service supplying with innovations. In table 1, the SLA states that the supplier needs to provide 50 different kinds of innovations to improve the service outcome for the buyer. If they are overachieving the required quantity of innovation by 25 or more, they will get a bonus of 20,000.00€. Underperformance gives the buyer a 20% discount from this activity of the contract. Additionally, if the supplier does not meet up the minimum requirement of 25 innovations annually, then they are bound for penalties from innovations KPI. (Gray, Handley, 2015; Starbird, 2001)

Table 1. Example of KPI reward & punishment system (Gray, Handley, 2015; Starbird, 2001; Vitasek, Ledyard & Manrodt, 2013, p. 145-176; Vitasek, Manrodt & Ledyard, 2018)

The fixed annual fee for innovations: €100k KPI: Annual innovation quantity	Multiplier	Supplier commission according to KPI
>75	1.2	120,000.00 €
>50	1	100,000.00 €
>25	0.8	80,000.00 €
<25	-0.5	-50,000.00 €

The last part of the hybrid model, and most close to insourcing is the Vested model. The vested business model relies on the principle of a Win-Win relationship. The main goal of Vested sourcing is that it ignores the how and focuses on the results, as priorly presented in the PBC. (Kling et al., 2015 p. 63-64, 70; Vitasek, Ledyard & Manrodt, 2013, p. 145-168) The Vested model's win-win mentality reflects on the fact that, when the supplier succeeds and creates additional value to the buyer, the supplier gets also additional value. As illustrated in table 1. If the supplier manages to create more innovation KPIs than required in SLA. The supplier will get financial benefit from it whilst the buyer will gain more efficient or sustainable processes which should boost their competitive advantage. (Gray,

Handley, 2015) By nature, the vested model is also a buy decision, but it is categorized as a hybrid due to the involvement of the buyer.

On the sourcing continuum, the next key decision is to determine if the vested supplier's service is a core or non-core function. If it is seen as a non-core function and the service is on the required level, then Vested is the level where the buyer should be satisfied. (Nordigården et al., 2014) On the other hand, if the buyer has started to view the supplied service as a core business function or the supply on the market is unable to provide the Service quality (SQ) the buyer is looking for; it can start to insource the service. On the sourcing continuum, the insourcing activities are called the Shared service model or Equity partnership. (Kling et al., 2015 p. 65-67, 70).

The shared service model reflects the model where the buyer has insourced the service within its organizational structure. This can mean either establishing a new unit or reallocating the service into its subsidiary where the buyer is being a majority stakeholder. Either way, the shared service model becomes an internal client within the new organization who will offer services for other stakeholders inside the organization. (Gordon Murray, Rentell & Geere, 2008) Equity partnership reflects the situation where the buyer purchases a share of the business and integrates it into the organization as a new entity. The essential difference between insourcing and hybrid is the relationship approach in addition to the actual procurement. (Kling et al., 2015 p. 159-188)

2.2.2 Outsourcing

Gilley and Rasheed (2016) declared that outsourcing definition varies according to the starting situation. The outsourcing is divided into two scenarios: Service is being replaced by an external supplier or the service has never been done before and is being procured as a new function from an external supplier. (Gilley, Rasheed, 2016 p. 764-765) As the sourcing continuum Figure 4. presents. The more transactional the relationship is with the supplier, the more certainly the service is outsourced. Outsourcing consists of the transactional buy decisions on the sourcing continuum and overlaps in the relational middle section with the hybrid sourcing strategy. (Kling et al., 2015 p. 56, 69-70)

Benefits

The organization outsources only if it can gain a competitive advantage from it. (Arbaugh, 2003) These competitive advantages vary according to the business strategy of the organization. (Nordin, 2008) In general, three main reasons are recognized in the literature: Cost control and quality control of the service. (Everaert, Sarens & Rommel, 2007) The third reason to outsource is to gain a strategic advantage in the market. In other words, differentiate. (Arya, Mittendorf & Sappington, 2008 p.1751; Burke, Carrillo & Vakharia, 2007; Nordin, 2008)

The cost control includes cost reduction and cost control. Cost reduction is the most common reason for outsourcing under cost control. As the name suggests, it aims to lower the costs of the outsourced service. (Everaert, Sarens & Rommel, 2007) Cost control reflects the increasing ability to control the costs if the service is outsourced. By outsourcing the service, the buyer gains more control of the costs created by the generation of the service. In other words, the buyer can allocate their capital better to support their core business functions. By outsourcing, the buyer can lower the fixed costs of the service production but it can also increase the hidden costs. On that note, outsourcing can either increase or hinder the visibility of the total costs of the outsourced business function. (Gilley, Rasheed, 2016 p. 765-766)

The quality control reflects the ability to gain better control of the SQ. By outsourcing the services from the market, the buyer should be able to get access to up-to-date skills, quality, and innovations. (Altin, 2017; Belcourt, 2006) On that note, outsourcing services will need management from the buyer to keep the SQ on the required level. One way of managing the SQ is KPI which are determined in each contract. In addition, there can be Service Agreements (SA) between the two parties which ensure the quality of the service. (Selviaridis, Norrman, 2014) Finally, outsourcing opens access to the market's innovations and technology. By outsourcing the buyer gains access to up-to-date technology and pricing. In addition, by tendering on regular basis the buyer can access up-to-date skills and innovations. (Kling et al., 2015 p. 74-90; Vitasek, Ledyard & Manrodt, 2013, p. 23-23), That said, suppliers can be activated to produce the innovations on regular basis via the supply agreements. (Letica, 2016)

Lastly, outsourcing can be a strategic move to gain more market share within the target market and supply market. When the buyer can produce the service, the triggers for outsourcing needs to be in place: price and quality. (Nordin, 2008) If the buyer sees that the price and quality are not enough to push the buyer into a buy decision, but they have the resources to do so. Then the buyer can inspect the strategic benefit of the outsourcing option. By outsourcing the service, the buyer can reduce the amount and quality of free service providers in the market. In other words, take a bigger part of the supplier market. For the competitors, this can lead to decreasing in quality or an increase in price through suppliers. (Arya, Mittendorf & Sappington, 2008 p.1751)

Downsides

By gaining a competitive advantage, outsourcing has the downside that it is by nature a tradeoff. The organization gains a competitive advantage in the tradeoff but forfeits something in return. (Dalton, Warren, 2016) The tradeoff nature is a cause-and-effect relationship. For example, if the buyer reduces costs of service creation by outsourcing, simultaneously they are reducing the control of the service delivery process. By withdrawing the control of the service process, the total costs can increase due to hidden costs that have not been considered when making the outsourcing decision. (Juntunen, Grant & Juga, 2010) Another risk related to cost reductions is the hindering of the service quality. (Dalton, Warren, 2016; Gilley, Rasheed, 2016 p. 765-766)

The tradeoffs are also taking place in risk management. The risks vary depending on the outsourced function and the service provider. Every time a company decides to outsource a risk assessment needs to be done. (Dalton, Warren, 2016) After the assessment, the outsourcer needs to determine what they are willing to trade-off to gain competitive advantages? That said, risks related to outsourcing can be controlled and mitigated through proper planning of the outsourcing endeavors. The mitigation will be done ensured via contracts, SA, and management of them. (Vetráková, Potkány & Hitka, 2013, p.89; Feng, Ren & Zhang, 2019)

Ikediashi D, Ogunlana S, Boateng P, and Okwuashi O, (2012) researched the risks related to outsourcing FM and recognized 5 main types of risks related to outsourcing FM. The risks were rated in the following order according to the research: Client (buyer), Vendor (supplier), Contract, Relationship, and General risks. (Ikediashi et al., 2012 p. 308-310) Client risk reflects the risk that the buyer is inexperienced and does not completely understand the service they are buying. Hence, they are not grasping the whole function which they are outsourcing, and they try to act as an internal manager instead of a client. This is a common risk from the transaction cost economic point of view. For example, the supplier realizes that there is high demand for their services in the market and the buyer is only having a transactional relationship with the supplier. The supplier can start exploiting the opportunity of creating extra revenue by raising prices. (Rindfleisch, 2020)

Vendor risk relates to supplier-related issues. Such as unhealthy finances of the supplier or SQ-related issues. (Matook, Lasch & Tamaschke, 2009) In addition, vendor risk relates to a scenario where the vendor or service provider does not have the competence or resources to provide the sold product. (Belcourt, 2006; Ikediashi et al., 2012 p. 308-310)

Contract risks are walking hand in hand with the previous risk categories through SQ and management of KPIs. Contract risks are reflecting in the lack of SLA and management of predefined benchmarks and KPIs. (Belcourt, 2006; Feng, Ren & Zhang, 2019) The first three categories of risks can be mitigated through proper planning of the outsourcing campaign. The planning and execution of the outsourcing campaign can be enforced through thorough contract management. This also mitigates vendor and client risks. (Matook, Lasch & Tamaschke, 2009)

Relationship risks reflect on the lack of Vitasek's "Win-Win" mentality. (Vitasek, Ledyard & Manrodt, 2013, p. 27-38) In order to mitigate relationship-related risks, the communication and management of the relationship need to be established when creating the service contract. (Selviaridis, Norrman, 2014) To summarize, all risk categories are mitigated through the supply contract by predefining and benchmarking relevant KPIs and consequences for success and failure, bonuses, and sanctions. (Gray, Handley, 2015; Starbird, 2001) Risk mitigation is an ongoing process that is being executed through the

management of the contracts, SA, and relationships. (Nordigården et al., 2014; Nordin, 2008)

2.2.3 Hybrid sourcing

Hybrid sourcing is the mixed form of sourcing which is between the buy and make decisions on the sourcing continuum. (Kling et al., 2015 p. 56-64) In other words, the hybrid model reflects a relationship form where the buyer is actively involved with the supplier. Depending on the scale of involvement, the buyer can be involved in the actual supply process. Either by managing it or being actively involved such as in vested ideology. (Vitasek, Ledyard & Manrodt, 2013, p. 27-38) As the name hybrid reflects, hybrid sourcing is still outsourcing but not in the traditional buy mentality. Especially on service supplying, the hybrid model is still outsourced service but the involvement from the buyer is heavier than in the traditional outsourcing. (Kling et al., 2015 p. 94-132)

By managing the supplier's relationship, the buyer will invest more in itself and get more involvement from the supplier. In addition, the buyer will embrace a cooperative mentality where the thinking turns from an individual point of view into a team effort, where the end goal matters. (Feng, Ren & Zhang, 2019; Vitasek, 2020) Furthermore, if the hybrid sourcing method's nature is Vested, then the service provider will also invest into the relationship in addition to the buyer. (Kling et al., 2015 p. 132-157)

Benefits

Hybrid sourcing brings the buyer closer to the supplier than in a classic outsourcing relationship but still outside of their organization unlike in insourcing. (Kling et al., 2015 p. 56-64) The benefits of hybrid sourcing come from the joint efforts of the supplier and buyer. As in outsourcing, the supplier will be offering a standardized, pre-emptively agreed service according to certain KPI's in which are defined in SLA. (Gray, Handley, 2015) In addition, the supplier will start to develop their service for two initial reasons. Firstly, the supplier tries to cut costs down. By cutting costs down the supplier improves their organization's efficiency and competitiveness. In other words, they can reduce their resources whilst providing similar SQ for the customer. (Glas, Henne & Essig, 2018; Starbird, 2001) This

kind of strategy would fall into the lowest tier of the hybrid sourcing strategy in the sourcing continuum. (Kling et al., 2015 p. 56-64)

Secondly, when the buyer is more invested in the buyer-supplier relationship, they can start harnessing the team mentality benefits. (Kling et al., 2015 p. 60-64) The closer the sourcing strategy moves to the insourcing on the sourcing continuum, the more involved and invested the buyer party becomes in the supplier relationship and process. (Dubois, Fredriksson, 2008) By increasing the involvement both in the process and management of the supplied service, the buyer can increase the accuracy of the service results and find more efficient ways for the supplier to work on it. Hence increasing the agility and adaptability of the process. (Vitasek, Ledyard & Manrodt, 2013, p. 42-56)

Other benefits of hybrid sourcing are increasing cost control, SQ management, total cost, and process transparency. The more invested the buyer is, the more hybrid they are. By giving the supplier more incentives to succeed in the supply process, the more invested the supplier will become. (Vitasek, Ledyard & Manrodt, 2013, p. 45-46) This reflects the increase in cost control and transparency. When the contract states clear rewards and penalties according to the success of the provided service. The buyer will be able to forecast and anticipate cost commitments better. Furthermore, the SQ management and process transparency increase when the reward and penalty perks are introduced into the relationship. (Altin, 2017; Altin, Uysal & Schwartz, 2018) Lastly, Vitasek argues that the SLA should be designed in a way that the outcomes of the overall supply process should be measured. Instead of traditional market outsourcing where the key measuring is, how the supply process is done. (Vitasek, 2020) To summarize, hybrid sourcing relies heavily on the supplier contract and the management of it. This can be a strength or a weakness, depending on the buyer's experience and ability to handle the supplier relationship. (Ikediashi et al., 2012)

Downsides

Hybrid sourcing can be a double-edged sword. It opens prospects for the development and optimization of business models. That said, controversy is also possible. Hybrid sourcing can create vulnerabilities for both the buyer and the supplier which can lead to exploitation. (Altin, 2017; Kling et al., 2015 p. 133-157) Both parties need to see the value from the

business relationship. Otherwise, either party may either, start strong-arming and exploiting the other party depending on the power relation. (Dabhilkar, Bengtsson & Lakemond, 2016) Or start neglecting and reprioritizing towards other customers while taking the knowledge gained from the relationship. (Caniëls, Gelderman, 2005; Schleper, Blome & Wuttke, 2017)

As in outsourcing, the hybrid sourcing model carries similar risks such as hidden costs risks, supplier performance issues, and brand image risk. (Bettis, Bradley & Hamel, 1992; Quélin, Duhamel, 2003) If the buyer is not experienced enough to plan thoroughly the outsourcing decision, there might be left opportunities for exploitation and hidden costs for the supplier. (Juntunen, Grant & Juga, 2010) On the other hand, if the supplier does not comprehend the contract and SLA thoroughly, they can become trapped into a business relationship that they are not mature enough to handle. (Ikediashi et al., 2012 p. 308-310) If the service provider fails to deliver the agreed level of service. The buying company's brand and image can take a direct or indirect hit from the poor supplier performance. (Nenonen, Ahvenniemi & Martinsuo, 2014)

To conclude, hybrid sourcing is resource-wise, an enormous investment from both the buyer and the supplier. Both parties need to be mature enough for a hybrid relationship to work. (Kling et al., 2015 p. 133-157) Hybrid sourcing strategy is still at its core an outsourcing campaign which indicates that it shares the same realm for risks as pure market-based outsourcing methods. (Ikediashi et al., 2012 p. 308-310) Such risks are familiar with transaction cost theory. Where the problem can be the information or knowledge trading between the supplier and buyer can already create costs. This can also happen internally on either side of the relationship which can reduce the profitability of the relationship. (Benkler, 2002; Rindfleisch, 2020)

2.2.4 Insourcing

Insourcing reflects the make decision where the buyer party starts producing the service within its own organization. (Arya, Mittendorf & Sappington, 2008 p. 1749) By producing the service itself, the buyer can gain more control over the procedure of creating the service results. This can add to the value of the service due to the control increases of the production process. (Watjatrakul, 2005) The service insourcing organization can withdraw more

information from the service process which can be used to improve the process. (Moschuris, S.J, 2007) Insourcing is the following step on the sourcing continuum after the hybrid sourcing strategies.

The sourcing continuum recognizes two forms of insourcing: The shared service model and the Equity partnership. (Kling et al., 2015 p. 65-67, 70) Both forms bring advantages when compared to outsourcing options, but the risks also change. In equity partnership, the organization acquires an already existing business or creates a new subsidiary that will be integrated into its organization. (Kling et al., 2015 p. 174-188) In a Shared service model, a business function is insourced into an internal business unit which can be treated in a similar manner than in outcome-based outsourcing. (Kling et al., 2015 p. 159-173)

Benefits

In outsourcing, the benefits come through the constant competition created by the market and the focus is on the process of creating the service, rather than the outcome of it. (Geis, 2010, p. 245-256; Williamson, 2008) Hybrid sourcing takes the market competition side of outsourcing but focuses more on the end goal of the service. In other words, the results or outcome of the service. That said, hybrid involves the procuring organization heavily into the relationship with the supplier. (Kling et al., 2015 p. 94-132) The strengths of insourcing come from the fact that the buying party will own the whole service process. By owning the service process, the organization can ensure that the process of creating the service, gets enough resources to deliver the service on the requested level. This way, the organization can determine its commitment to the service process, what level they want the service to be at. (Hartman, Ogden & Hazen, 2017)

When the organization owns the service process. They can dictate both the process and the intended outcome. In other words, the more complex the sourced service is the more tempting insourcing should be. (Hartman, Ogden & Hazen, 2017) Shared service models' greatest benefit is that the control over the service process increases due to the location of the service provider. The supplier will be still an individual business entity that just is located within the organization. (Kling et al., 2015 p. 159-173) This way the organization can use a more arms-length approach toward the supplier. (Kim, 2008) In addition, the organization

can guide the service process into a preferred direction whilst not worrying about diminishing the supplier relationship. Due to the increase of the control over the service process in shared service model strategy. The service production process will become more standardized. This way, the visibility over the total costs of the service function will increase since the supplying unit is accountable for the organization from both, financial and operational perspective. (Kling et al., 2015 p. 159-173) This does not ensure that the total costs will go down, but it increases the forecasting ability of the organization for the supplied services costs. (Hartman, Ogden & Hazen, 2017; Watjatrakul, 2005)

The benefits of Equity Partnership come from the fact that the service production becomes into the organization which reflects a make decision. All the process control and preferred outcome of the service is within the organization which indicates complete control of the service process. (Kling et al., 2015 p. 174-188) With complete control of the service, the added values can also be increased and customized for the whole organization's needs. Additional information created during the service process in addition to the service can be used to benefit the whole organization. (Hartman, Ogden & Hazen, 2017)

To summarize, the greatest benefit of insourcing the service is to gain more control of the process. The process control increases the visibility to total costs through the insourcing. (Kling et al., 2015 p. 159-188) In addition, the process can be controlled more accurately which will give more control over the service quality. As an added value, the process control can create additional value and pursue innovations that can develop the service process, or the whole organization's business process. (Hartman, Ogden & Hazen, 2017; Watjatrakul, 2005)

Downsides

Insourcing is the best way to achieve complete control over a service, but it is a tradeoff like any other sourcing method. On the sourcing continuum, the closer the supplier moves towards the buyer organization, the higher chance they will have to create additional value for the buyer. (Kling et al., 2015 p. 67-68) That said, the total costs will increase the more complex the service process becomes. (Kling et al., 2015 p. 67-68, 159-188) In both forms of insourcing, the total costs may increase and reduce the flexibility of the service process

from a financial perspective. (Foerstl, Kirchoff & Bals, 2016) This is due to the fact that the process ties more liquidity into itself in the form of fixed costs instead of variable costs. (Stentoft, Mikkelsen & Johnsen, 2015)

The more dependent the buyer becomes of the supplier the higher the business risk they are taking in the relationship. (Kling et al., 2015 p. 68, 159-188) The risk growth reflects the commitment of the service process. The company needs to bind more capital towards the service which will change the liquidity structure of the organization. (Foerstl, Kirchoff & Bals, 2016) The resources can be both tangible such as equipment, or intangible such as skills and knowledge through employees. In other words, the Client risk increases from financial flexibility perspective but may reduce the business continuity risk. (Chudzicka, 2013, p. 11-17; Stentoft, Mikkelsen & Johnsen, 2015)

One risk that comes with insourcing is the legislation of the market. For example, in this research target market: Finland. The labor law: Työsopimuslaki (26.1.2001/55) states in chapter 7 section 1, that employee's contract cannot be terminated without a heavy reason. (Finlex, 2001) In addition, the labor law (Työsopimuslaki, 26.1.2001/55) states in chapter 7 section 3 that the employer cannot terminate employee contracts through cooperative negotiations if the employer continues similar activities afterward within its own organization. (Finlex, 2001) To summarize the human resource acquisition risk, there are two aspects to it. Firstly, the lack of skills of the employee. If the employee proves to be as valuable as the employer hoped for, the employer cannot terminate the contract by free will. Secondly, the employer commits to a fixed cost either for a predetermined or ongoing length. (Stentoft, Mikkelsen & Johnsen, 2015)

Lastly, insourcing terminates the competition for providing the service. Since the service process is within the organization, the service provider does not need to compete with the service providers on the market. (Kling et al., 2015 p. 53) This can be both an advantage and a disadvantage. By removing the competition from the service provider, they will lose the initiative to compete with other service providers on the market through quality and innovations. This can lead to diminishing value over longer periods (Chudzicka, 2013, p. 11-17; Kling et al., 2015 p. 159-188). On the contrary, insourcing can increase the quality of

the service and create innovations for the business. (Chaudhury, Gerdemann & Kapoor, 2015; Foerstl, Kirchoff & Bals, 2016) In addition, insourcing can lead to a communication loop which can start creating more transaction costs within the organization. This can lead to unexpected costs which are hard to recognize. This problem is shared in both hybrid and insourcing strategies. (Benkler, 2002; Rindfleisch, 2020)

2.3 Business environment

The concept of business reflects an organization or legal entity, which practices economic activity which generates a service or product whilst creating revenue. (Kaler, 2003) Wetherly and Otter acknowledge three different business sectors: private, public, and third sector which reflects charity. (Wetherly, Otter, 2011 P. 6-9) The environment reflects the surrounding the business functions in. To put it differently, the environment can reflect different settings or contexts. These settings can be divided into two main categories, internal and external environments. The internal environment reflects the organization's internal setting where the business process is conducted. The external environment reflects the realm where the organization is practicing business. (Wetherly, Otter, 2011 p. 19-23)

The external environment can be viewed from two perspectives: Micro- and Macroeconomics point of view. (Aras, Crowther, 2011) Microenvironment reflects the environment where business can affect the surroundings by its actions. (Wetherly, Otter, 2011 p. 20 & 32) In other words, the environment is as wide as the organization's reach on the markets it is influencing in. This covers from the lowest tier suppliers all the way to the highest owners and stakeholders of the organization. The macroeconomic environment reflects on the surroundings which are out of the organization's actions influence. To put it differently, the organization's environment is out of its control. For example, the European Union trade zone is a macroeconomic environment. An organization can do business in it, but its actions will not directly affect the settings of the EU trade zone. (Wetherly, Otter, 2011 p. 32-37)

2.3.1 Recognizing economical setting

The business environment can be analyzed by using PEST analysis. PEST is a tool that focuses on establishing a status review of a business from a macro environment point of

view. (Halík, 2012 p. 14) Each initial stand for a different factor that should be analyzed to create an objective review of the business environment. (Lamas Leite et al., 2017 p.709) That said, PEST analysis even with its different variations which can change the allocation of different themes in the analysis. Since themes such as waste management will move under Environment in PESTEL analysis rather than staying in technology in the basic form of the tool. (Halík, 2012 p. 15. Lamas Leite et al., 2017 p.709) Lastly, PEST analysis or its variations should always be executed on a case-by-case principle to avoid misinformation. (Weisheng et al., 2013)

Table 2. PEST analysis categories (Diaz Ruiz et al., 2020; Halík, 2012 p. 15; Lamas Leite et al., 2017 p.709; Song, Sun & Jin, 2017; Weisheng et al., 2013; Wetherly, Otter, 2011 p. 32-37)

Political	Economic	Social	Technological
Parliament cycle, Employment laws, Political stability, Taxation, Government model	Market & Business cycle, Employment levels, Tariffs, Inflation, Exchange rates, GDP, infrastructure	Demographics, Consumer trends, Education, Immigration, Culture & Values, Health care,	Internet, Waste management, ICT, Patents, Manufacturing capabilities, Innovations, Software infrastructure

This research focuses on the economic business environment aspect of the PEST analysis which is presented in table 2. Particularly the correlation between procurement strategy and the implementation of it when considering the market cycle trends. (Halík, 2012 p. 14-15; Song, Sun & Jin, 2017) The following chapter presents the economic cycle of market cycles and its trends.

2.3.2 Business cycle

The economic aspect of PEST analysis covers the business cycles which describe the development of the economy. (Halík, 2012 p. 15) This includes both up and down turns of the cycle. These two trends are called the growth and the diminish phases. Academic literature recognizes these phases as expansion and contraction. (Lerner, 1947. P. 223)

Organization for Economic Co-operation and Development (OECD) defines business cycle to visualize variation in the economy according to chosen criteria. (OECD Directorate, 2001)

Expansion and contraction are describing the development of the market but not the turning points. These turning points where the development changes course is called peaks. In other words, the peak marks the moment when the expansion ends and diminishing begins. The trough marks the moment when the diminishing part ends and the recovery starts. (Sumru, 2010 p. 9-10) The diminishing and growth of the economy can be visualized in four different sub-phases: recession, depression, recovery, or revival & expansion. Each of the phases describes the current development when compared to the chosen trends starting level or forecasted level. (Reed, Wu, 2010)

Recession describes the development of the economy after it has passed the peak but has not yet reached the comparison trendline. After the development diminishes under the compared trend, it becomes depression which continues until the economy hit a trough point. A trough is followed by the growth phase which is called recovery. Recovering continues until the economy has reached the comparison trend again. The last part of the cycle comes to the expansion phase which shows the economy's growth versus the comparison trend. Expansion ends at the peak point of the business cycle which initiates the start and end of a cycle. (Reed, Wu, 2010; Sumru, 2010 p. 9-10)

Business cycles can also be presented in more specific market cycles than on an economic scale. The concept is the same, but the context is different. Market cycles exclude the economies and focus on a specific cycle. (Reed, Wu, 2010) For example, in real estate, the markets can be divided into Office, Retail, and Residence cycles. (Mueller, Peiser, 2015)

2.4 Literature review-based research framework

According to the theoretical literature review, the research framework for sourcing strategy can be established. Figure 5 presents the theoretical framework for sourcing FM service within the PM function. This theoretical research framework is in line with the already established SRM sourcing framework (Kling et al., 2015 p. 70) and the sourcing continuum. (Kling et al., 2015 p. 56) The research framework in figure 5 is divided into 4 tiers. First-tier

represents the overall objective, the service supply strategy. Second-tier presents three sourcing strategy options that are in line with the sourcing continuum: market outsourcing, hybrid, or insource option. In other words, choosing between the Make or Buy decision. Third tier describes the nature of the strategy from the buyer's perspective. The lowest tier describes the SRM towards the supplier.

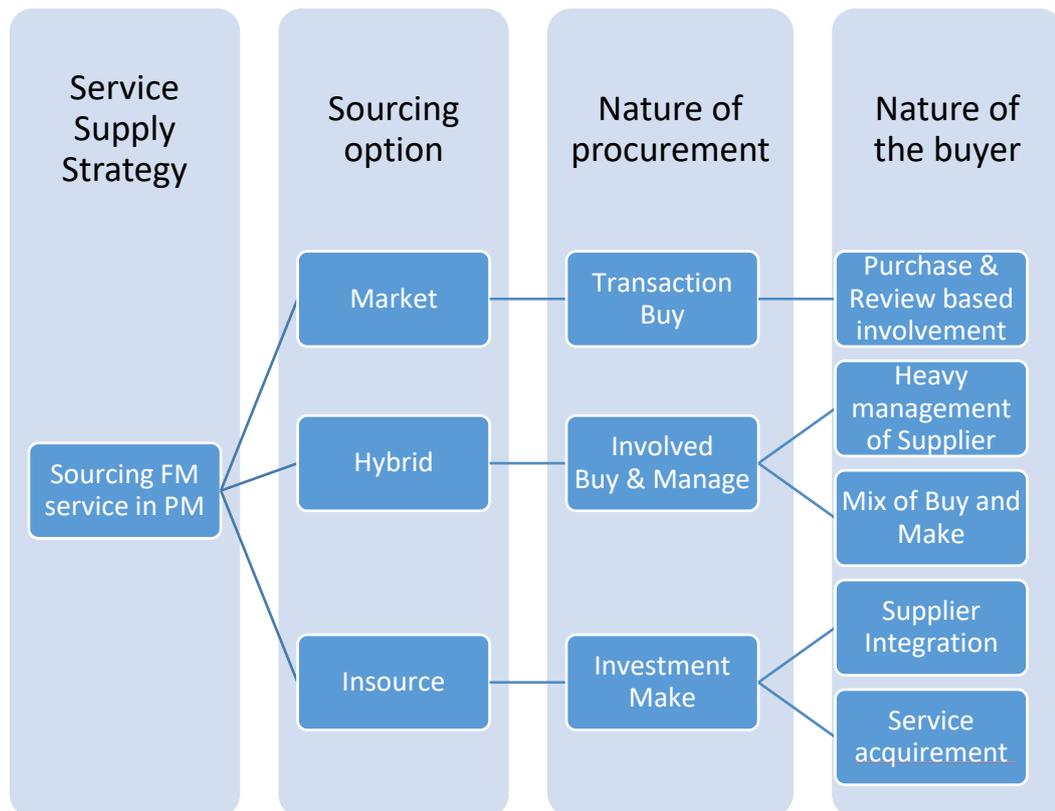


Figure 5. Adapted theoretical framework for sourcing (Kling et al., 2015 p. 56-70 Williamson, O.E. 2008)

Before the framework can be implemented in the research, the theoretical model needs to be described. After the literature review of all theory aspects, a model can be presented from the factors influencing the model. The literature review recognized three different factors which can influence the sourcing strategy: Finance and Business strategy of the procuring organization. In addition, the external business environment. By combining these three aspects, the theoretical sourcing framework can be implemented for analysis purposes. Figure 6 presents the theoretical model for sourcing FM service.

The business strategy reflects the organization's valuation of the FM service. Is it a core and critical business function or is it a supportive business function? (Drion, Melissen & Wood, 2012) This strategic alignment can guide the sourcing activity towards different sourcing strategies. For example, if FM is seen as a supportive function, then according to the theory review, FM service as a business function should be outsourced. (Williamson, 2008) In addition to the business strategy of the organization. The finance strategy of the organization can have an impact on the sourcing activity. Even if the business strategy aligns the FM to be a critical and core business function, the finance strategy and structure of the organization can influence the sourcing strategy. The financial strategy reflects the decision, where the organization decides the cost type of the FM service. Do they prefer fixed costs or variable costs? (Gilley, Rasheed, 2016 p. 765-766)

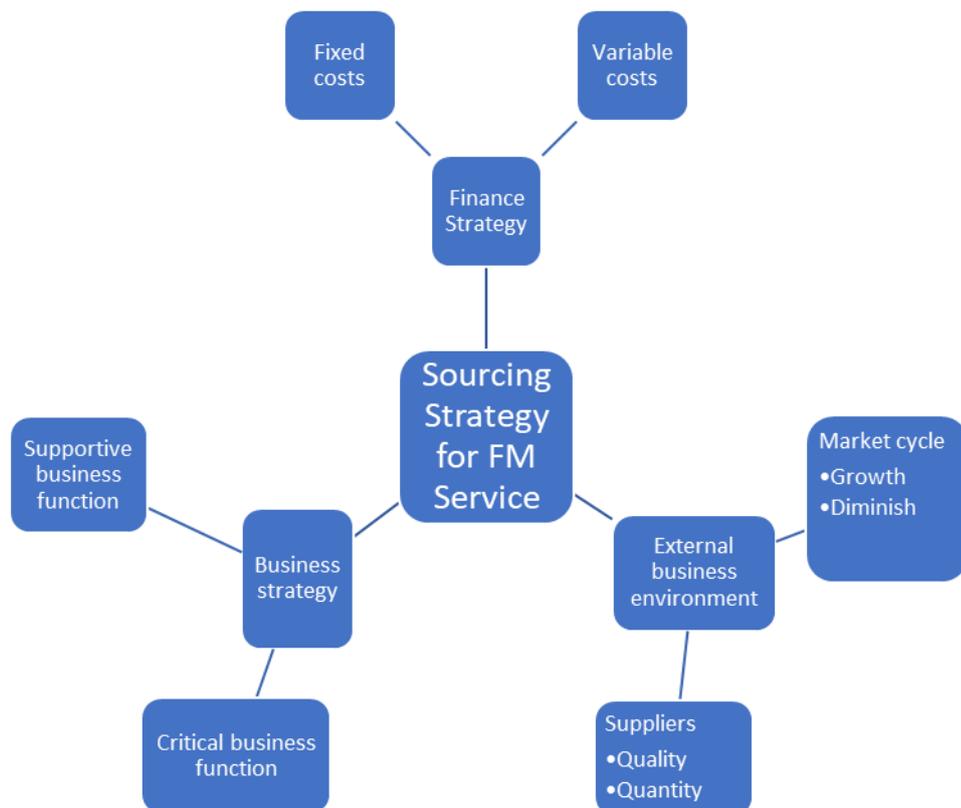


Figure 6. Theory model for sourcing FM service

The third aspect of the theory model reflects the external business environment. Two different factors are recognized in the literature review: the market cycle and the market offering. (Ikediashi et al., 2012 p. 308-310) Does the market cycle guide the organization to source FM service? The market cycle is connected to the second factor which reflects the supplier pool in the market. Does the market provide enough potential suppliers? In addition, is the service quality the market can offer on a required level to outsource? Lastly, the supplier factor can also reflect the prospect insourcing strategy. This is done by answering the question: is there enough skill in the market? (Geis, 2010, p. 245-256; Williamson, 2008)

3 Research methodology

The first part of this research introduced the theoretical framework of supply management, sourcing strategies, and business environment theories. This is the second part of the research and it introduces the research methodology. This section intends to lay a research methodology framework that can answer the research question: What is the best strategy when sourcing FM service in PM?

This section starts by establishing the right scenery for conducting the research. After the research methodological framework and purpose have been established. The data gathering will be presented. Lastly, the case sample will be presented. Besides, the data analysis framework.

3.1 Research philosophy

Saunders, Lewis, and Thornhill (2016) defined research philosophy as:” *system of beliefs and assumptions about the development of knowledge.*” (Saunders, Lewis & Thornhill, 2016, p. 124) By that definition, research philosophy reflects increasing knowledge in a targeted business sector. Research philosophy as a concept is divided into three philosophical aspects which define the choices the researcher does during the research process. (Thapa, Omland, 2018)

The first one is Epistemological, which reflects the current knowledge and reasoning of humanity. In other words, what is the current knowledge of the researched phenomenon in the world, or the authors? The second aspect consists of the ideology of viewing reality and existence, Ontology. (Eriksson, Kovalainen, 2008 p. 12) In research, this reflects the current and new facts found during the research. The third and last aspect is Axiology which investigates and measures value. This reflects the researchers, stakeholders, and contributors’ values and how they can influence the research. (Saunders, Lewis & Thornhill, 2016, p. 127-128)

Five main research philosophies can be recognized for business-related research: Positivism, Critical Realism, Interpretivism, Postmodernism, and Pragmatism. (Saunders, Lewis & Thornhill, 2016, p. 135-144) These philosophies are reviewed from their features and

characters in Table 3. In addition, the philosophy research framework goal is defined in simplified terms. Critical realism and interpretivism are the two philosophies that support qualitative research and fit the research framework. (Eriksson, Kovalainen, 2008 p.17-20) Positivism is also a valid option from its characteristics of following cause-effect relation. (Rutzou, Steinmetz, 2018, p. 24-32) That said, the research topic is measured in a qualitative manner which will rule out positivism. (Goldkuhl, 2012)

Table 3. Research philosophy review: feature and framework goals

Philosophy	Features & characteristics in research	Research methodological framework goal	Source
Positivism	Deductive, high sample quantity, cause-effect mentality	Measure, explain, predict	Goldkuhl, 2012. Rutzou, Steinmetz, 2018, p. 24-32
Critical realism	Reverse engineering, fallible view of data	Identify & interpret	Andrew, Baker, 2020. Archer, Archer, Margaret S. (Margaret Scotford), 1998 p.189-203. Thapa, Omland, 2018)
Interpretivism	Inductive, small sample quantity, highly context-related	Explain	Curry, 2020. Goldkuhl, 2012. Yoshida, 2014 p. 16-22.
Postmodern	Redefining, Qualitative approach, selective	Redefine	Fisher, 2018. Raschke, 2017
Pragmatism	Solution orientated to the concrete problem, quantitative & qualitative	Solve practical problems	Donelson, 2017. Goldkuhl, 2012. Malachowski, 2010, p. 17-32.

The literature review presented that supply management and procurement have a well-established theory framework. This fits into the critical realism philosophy. (Archer, Archer, Margaret S. (Margaret Scotford), 1998 p.189-203) That said, the researched topic is highly context-related: business function, field, and environment. This suggests that the research leans towards the Interpretivism philosophy. (Curry, 2020) Table 4 presents the key takeaway of choosing research philosophy when viewed from different philosophy aspects.

Table 4. Research philosophy comparison from different aspects (Andrew, Baker, 2020. Archer, Archer, Margaret S. (Margaret Scotford), 1998 p.189-203. Curry, 2020. Goldkuhl, 2012. Rutzou, Steinmetz, 2018, p. 24-32. Saunders, Lewis & Thornhill, 2016, p. 127-128 & 135-144. Thapa, Omland, 2018. Yoshida, 2014 p. 16-22)

Reviewed philosophy	Epistemological	Ontology	Axiology
Positivism	Scientific observation creates data that becomes knowledge	One truth and its universal until proven otherwise.	Researcher is objective
Critical realism	Facts are already existing, and they are laws that determine knowledge.	The reality is an external factor that is objectively observed	Researcher is biased
Interpretivism	Focusing on interpreting and providing new insights.	The reality is the social world, and it is not ready. The reality needs to be constructed.	The researcher is subjectively part of the research and considered in the analysis of the data.

As a breakdown, the epistemological view of the research setting fits into both critical realism and Interpretivism. The theoretical framework already exists, and the research aims to increase understanding and explain why and how different sourcing solutions are best practices in a certain context. From the ontological aspect, the reality might vary according to the context such as organizations strategy and business environment. This indicates that Positivism is not a good fit since there is no one truth. Lastly, the axiology of the researcher falls into critical realism since the research approaches the research question from empirical origin. Hence, Critical realism is chosen as the main philosophy of the research; with a hint of interpretivism aspects characteristics.

3.2 Research Approach

The approach towards the research question can be distinguished into three schools: Deductive, Inductive, and Abductive. The deductive approach aims to validate the existing theory, hypothesis, or phenomena. (Saunders, Lewis & Thornhill, 2016, p. 145-147) In addition, the deductive schools approach aims to research and generalize the results of the deductive research. (Johnson-Laird, 1999. P. 111-130) Inductive school approach aims to create a new theory or solution. (Cornelissen, Clarke, 2010) To compare with deductive schools' approach, the inductive method is a counter approach. Hypothesis or phenomena are approached in deductive from an overall perspective and the results are meant to be scaled to smaller settings. Whence inductive approaches from a specific perspective and aims to scale the data into a general context. (Saunders, Lewis & Thornhill, 2016, p. 145-148)

The third school is abductive. The Abductive approach is not linear like deductive and inductive. Instead, the abductive approach involves reviewing the theory and researched phenomenon back and forth. (Saunders, Lewis & Thornhill, 2016, p. 145-150) The Abductive approach has gained some criticism since it is an approach that makes deductions from observations and tries to approach a solution that is likely true. (Awuzie, McDermott, 2017) That said, the research aims to specify, enforce, and increase knowledge in a predetermined context: Academic field of Procurement, the Business field of Real Estate, and the Business function of PM. This means that the logic of this research is to test and

verify existing knowledge that falls in line with the abductive approach. (Saunders, Lewis & Thornhill, 2016, p. 145-150)

3.3 Research purpose

Research purpose reflects the design of the research and answers the question: what this research is trying to accomplish. To put it differently, what is the angle of the research, will Explain, describe, explore, or evaluate the research phenomena. This reflects the overall research strategy and determines from which angle the research will be conducted. (Atkinson, Delamont, 2010 p. 170-177. Corbin, Strauss, 2008 p. 65-86)

Explanatory research aims to answer the question How and Why of the phenomena. The research aims to explain the phenomena and their relation to the research context. (Saunders, Lewis & Thornhill, 2016, p. 174-176) Exploratory research aims to create new knowledge or insights into the existing phenomenon. To goal is to explore a phenomenon which means that the approach of the research is open for new information. (Corbin, Strauss, 2008 p. 67-70) Exploring research uses What and How questions when exploring the phenomena. (Saunders, Lewis & Thornhill, 2016, p. 174-175)

Descriptive research acts as an opposing reason to exploratory research. Descriptive research aims to give a more thorough insight into researched phenomena or context. The objective is to understand better an already existing setting or phenomena. Describing research uses all questions to find the best understanding of the phenomena. Lastly, the Evaluative research, where the goal is to how effectively or efficiently the researched phenomena functions. This research uses both What and How in addition to Why questions. The goal is to create a proper understanding of the phenomena and if there are ways to improve the phenomena. (Saunders, Lewis & Thornhill, 2016, p. 176) This research explanatory since it tries to increase knowledge of procurement in PM and the setting is set from the buyer's perspective of the procurement. (Corbin, Strauss, 2008 p. 65-86)

3.4 Research method

Research method reflects the conduction of the research: How the data is collected and analyzed? The research can be executed in either a quantitative or qualitative manner. The

selection is bound to the philosophy, purpose, and strategy of the research. (Saunders, Lewis & Thornhill, 2016, p. 162-174) As the name quantitative suggests, quantitative research revolves around both, the amount of data and the analysis of it. Quantitative research tries to establish trends between the context and the data which reflects a deductive approach. (Saunders, Lewis & Thornhill, 2016, p. 166-167) Qualitative research focuses on explaining and exploring a phenomenon before generalizing the results. Qualitative research approaches the research from an explanatory and exploring point of view. (Köhler, Smith & Bhakoo, 2019) In opposition to quantitative research, qualitative research relies more on the context of the research than the quantity of the data. (Eriksson, Kovalainen, 2020; Flick, 2007 p.36-51)

This research is explanatory in nature and the approach is abductive, which leads the research to be more fitting to qualitative data gathering and analysis method. (Flick, 2007 p.36-51) In addition, qualitative research fits both, Critical realism and Interpretivism philosophy which supports the research method to be qualitative instead of quantitative. (Saunders, Lewis & Thornhill, 2016, p. 162-174)

3.5 Research strategy

The data collection can be conducted in multiple ways according to the research method. For qualitative research, there are several strategies for gathering data and analyzing it. To this research, the strategies can be divided into two. Grounded theory (Corbin, Strauss, 2008) or Case study (Atkinson, Delamont, 2010). Grounded theory reflects a method where the research aims to explore phenomena and generate brand new theory from the research data. (Corbin, Strauss, 2008 p. 1-18)

As a term, the case study is used for a study that investigates a phenomenon empirically. In addition, it studies the phenomenon in a way that the results can be generalized for a wider sample of similar phenomenon and setup. (Gerring, 2004) Farquhar (2012) defined case study:” *A case study is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context.* “(Farquhar, 2012, p. 5) Rober K, Yin described case study to revolve around three key questions: who, why and what. The questions Who and Why enable the case study to research from Exploring, interpretative, and describing the

angle of the phenomenon. (Yin, 1981, p. 59) Lastly, the What question aims to answer directly to the research question. (Yin, 2013)

The case study is a research method that can be implemented to varying data gathering methods and research data. That said, a case study reflects more on a research strategy than a single method of conducting research. (Yin, 1981, p. 58-59) The case study has been criticized for providing too context-related results which are hard to generalize outside of the context. To put it differently, the case study is not viable if the setting needs to be manipulated or standardized. (Atkinson, Delamont, 2010 p. 219-243) For this research, the grounded theory does not fit in since the goal is not to create a brand new theory in procurement & supply management. Rather implement and deepen the existing knowledge in the field within the context of the target market and environment.

3.6 Population & Sample

To conduct a successful case study, the population, sample frame, sample unit, and sample need to be defined. The population describes the overall setting the researcher can pick the sample. In addition to population, a targeted population needs to be defined. The targeted population reflects the set of criteria which will filter out the irrelevant participants. (Saunders, Lewis & Thornhill, 2016, p.272-276) After the population and target population or the framed criteria are defined, the sample unit and sample are chosen. The sample unit reflects the single medium from which the information is gathered from. The actual sample of the research is a collection of sample units that will provide the research data. (Guest, Namey & Mitchell, 2013, p.41-46)

For this research, the population will be the Commercial Real Estate investor organizations that have their own portfolio of properties. The overall population of the research is framed according to the KTI's 2020 listing of the top 30 largest real estate investors in the target market. (KTI Finland 2020) The targeted population or the sample framework will include companies from the population which focus on Office and Retail properties. The targeted population will not exclude organizations who have in addition to the criteria other properties such as residence, industrial or logistic. The Sample unit will be a person who oversees or is

an expert in the field of FM service. The research sample will be a combination of these sample units from the sample of companies from the target population.

Due to the qualitative nature of this research, a non-Probability sampling approach is selected. Non-probability sampling fits this research since the goal is not to determine how the population sees the current situation in the market. On the contrary, the goal is to determine the best sourcing strategy for FM service in PM. (Saunders, Lewis & Thornhill, 2016, p.295-303) Furthermore, the resources of the author are limited which creates a problem for achieving a complete population-level census. Thus, Probability sampling is ruled out. (Guest, Namey & Mitchell, 2013, p.41-49)

The sampling is done in a purposive manner with a homogenous style. The sample will include similar position-owning experts in the targeted population organizations. (Saunders, Lewis & Thornhill, 2016, p. 302) The sampled experts are involved in the sourcing and maintenance of the FM service in the target sample companies. This experience should give the experts a similar level of understanding of the FM service which validates them to fit the targeted population. The interviewed expert's titles vary according to the employee organization's structure; hence the position and title are kept anonymous. To summarize both, the target population and the sample are handled in this research anonymously.

Table 5. Case study specifications

Case study specifications	
Target market	Finnish Real Estate investors
Population	Top 30 largest Real estate investors (KTI Finland 2020)
Target population	The portfolio focus is on Retail and Office properties
Sampling method	Non-probability
Sampling style	Purposive manner and homogenous style
Sample	10 Experts involved in sourcing and management of FM service
Successful data gathering	7 out of 10

The sample will act as a single case study for the research question and is presented in table 5. The whole sample was contacted, and seven experts agreed to an interview. The success rate of achieving interviews was 70%. The successful sample is presented in Table 6 where each participant will be coded accordingly: Expert + alphabet. To ensure the anonymity of the interviewed expert, the coding is done in a random manner and does not reflect any indication of any characteristics of the expert. In addition, the interview lengths and contacting methods are presented in table 6.

Table 6. Research sample

Sample	Interview length (mm:ss)	Method of contact	Interview Channel
Expert A	19:56	Cold call, Agreed	Teams online meeting
Expert B	13:23	Cold call, Agreed	Teams online meeting
Expert C	10:22	Cold call, Agreed	Teams online meeting
Expert D	15:42	Cold call, Agreed	Teams online meeting
Expert E	18:17	Cold call, Agreed	Teams online meeting
Expert F	18:30	Cold call, Agreed	Teams online meeting
Expert G	15:20	Cold calls, Agreed	Teams online meeting
Expert H	X	Cold calls, Email & declined	No interview
Expert I	X	Cold calls, no response	No interview

Expert J	X	Cold calls, no response	No interview
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3.7 Data collection and analysis techniques

Since the research is a case study in a qualitative manner with a small sample quantity. The data collection needed to create specific and in-depth information from a small quantity of sample units. For this reason, the in-depth interview method was chosen to be the main data collection method. (Guest, Namey & Mitchell, 2013, p.113-121) To specify, the interviews were conducted in a semi- structured manner where both the questions and their order were fixed. That said the interviewees were able to answer freely without the interviewer's interruptions. In some cases, the interviewees replied to multiple questions in one go. In these cases, the interviewer would still ask all the questions in the predetermined order. This was done to keep the reliability of the interviews and to ensure that the interviewees did not want to add anything to the topic. Lastly, the interviewer specified or elaborated the question if needed, in order to help the expert to understand the question which was asked. (Saunders, Lewis & Thornhill, 2016, p.390-396)

In this case study, the set of questions were given beforehand for the interviewees. This was done to lead the interviewee into the topic of the research beforehand which smoothed the interview flow. Due to the restrictions in the target market caused by the COVID-19 pandemic. The interviews were conducted in a Teams video calls rather than the preferred face-to-face scenario. The interviews were recorded, and notes were made during the interviews. In addition, the recorded data were transcribed and coded to act as the research data. The coding was done in order to ensure the anonymity of the respondents and is seen in table 6.

This case study's data analysis was conducted through inductive content analysis, where the transcribed data was coded to recognize patterns and themes which could be used to answer the research questions. Through the content analysis, the research can also establish a connection between the theoretical framework of this research and the collected data. (Saunders, Lewis & Thornhill, 2016, p.579-587) The interview questions were targeted to recognize and answer the three research questions. The interview questions had three

questions for each research question. The first three interview questions were targeting the second research question: How the procuring organization's financial strategy & structure affects the sourcing strategy? Simultaneously the first set of questions were guiding the interviewee into the topic by establishing the understanding of the researched function: FM service. The second set of three questions were targeted to answer the first research question: What is the best sourcing strategy for FM service in PM function? This left the last set of interview questions to target the last research question: Does the business environment have an impact on sourcing strategy?

The analysis process followed inductive content analysis according to Elo and Kyngäs (2008). Firstly, the author went through the recordings and transcribed them. After transcribing and familiarizing with the data, the data was coded. Once the coding was completed, the coded data were grouped, simplified, and categorized in order to quantify the results and recognize themes. Lastly, the data were abstracted in order to create a connection between the established theoretical research framework. (Elo, Kyngäs, 2008) After the abstraction process, the research could answer the research questions.

3.8 Research validity and reliability

To review the validity and reliability of the research, the concept needs to be established. Validity measures the lengths of correct answers provided by the research. In other words, it answers the question: Did the research measure the phenomena it was intended to? (Kirk, Miller, 1986, p. 19-21) Reliability measures the replicability of the research and answers the question: How accurate is the research method if it is repeated in a similar manner? (Saunders, Lewis & Thornhill, 2016, p.202)

3.8.1 Reliability biases

Since the data was collected in a semi-structured interview, three biases were recognized. Interview bias is the first reliability issue that was recognized. Interview bias reflects a scenario where the interviewer compromises the interview. (Saunders, Lewis & Thornhill, 2016, p.396-401) Due to the fact that the researcher conducted the interviews, research bias is a valid threat to reliability. To counter the interview bias, the researcher consulted external individuals about the research questions who are non-related to this research or the industry.

This was done to determine that the questions would only target relevant information. That said, the research population was off-limits within the consultations to ensure the anonymity of the research population.

To counter the interviewer's bias: influence of the interviewer. The interview questions were sent beforehand for each interviewee. This was done for two reasons: to ensure that the interviewee would feel comfortable answering the questions without the fear of probing sensitive information. Secondly to let the interviewees get their minds into the interview beforehand which would narrow down the data and focuses it on the researched topic. Lastly, the interviewer did not guide the interviews in any direction which was not in the scope of the research topic. The only external influence the interviewer gave was if the interviewee requested an example or elaboration of the question and its aim within the subject.

The second bias taken into consideration was interviewee bias which reflects the perception of the interview and interviewer. In this research case, this reflects to probing threat. (Saunders, Lewis & Thornhill, 2016, p.396-401) To counter the interviewee bias, the data collection took into consideration two solid actions. Firstly, each interview was handled completely anonymously. This meant that no identification data are published in this research. This was taken care of by coding the respondents through a key that is only in the author's knowledge. Secondly, the interviewees were reminded twice that this research only aims to gather knowledge from the expert's own experiences, not as current or previous employer representatives. This was done to counter the probing threat of the interviewee's employer information. The first time this was informed was through the initial contact. The second time was on record before the first interview question during the interviews.

The last bias recognized by Saunders, Lewis, and Thornhill (2016) was the participation bias which in this research case reflects the time consumption of the interviewees. The bias was countered through the designing and review of the interview questions. By targeting the interview questions straight to the point, the author managed to reduce the participation bias. The interview design was aiming for lengths between 12 and 20 minutes. In other words, the presented time reservation for an interview was 25 to 30minutes slot which turned out to be one of the key factors for gaining accepted interview reservation within a small time frame.

3.8.2 Validity

Validity can be divided into external and internal. Another way of describing these are credibility and transferability. Credibility reflects the description of the research and its results. In other words, if the target users of the research understand the description and review of the research with ease, the research passes the credibility check. (Thomas, Magilvy, 2011) For this research, the credibility issue was countered by representing the empirical part of the research for the participants prior to the publishing of the research. In this review for the participants, they were given the option to comment on their quotes if they found them misunderstood or misused.

This research has a transferability issue since the target sample was handled anonymously. That said, the issue was countered by a thorough sampling process that targeted only experts who have a deep understanding of the research topic, FM service from buyers' point of view. On that note, the anonymity created more credible responses since the interviewee was able to respond in a safe setting. (Saunders, Lewis & Thornhill, 2016, p.396-401) To summarize, the author weighed that the credibility of the research would value more than the transferability from the validity point of view. This conclusion came from the fact that this was an explorative case study that used an inductive analysis approach for the data. In other words, credible data was valued more than losing the anonymity of the respondents. (Thomas, Magilvy, 2011)

4 Sourcing strategy for FM in PM – Empirical summary

The empirical section introduces the research results through the established themes. This section is divided into four different parts where the first three are summarizing the main research themes. The fourth part summarizes the first three parts together and summarizes the main empirical findings of the data gathering. The first theme establishes the role of FM service in PM and the correlation of finance structure and strategy of the organization when considering FM service. The second theme establishes the current sourcing trend for FM service in the target market, what are its benefits, and what is the direction it is going to move? The last theme presents the correlation between sourcing FM and external business environment changes such as mega trends. Does the external business environment lead and direct the sourcing of FM service or does the PM organization dictate the market change and best course of sourcing themselves?

4.1 Role of FM function and influence of finance strategy in FM sourcing strategy

The interviews started by establishing the understanding of FM function within a PM organization. This was established to gain a thorough picture of how the experts saw FM service in the overall picture of the business. The data showed that the experts were almost unanimous that the FM service is a Core business function. That said, the experts saw that the FM service is not a critical business function, rather it is supportive. FM was seen as a function that steps in as soon as the revenue side has been established.

“Technical Facility management services, overall are part of the business strategy and strongly core business functions” (Expert E)

“We are in the core because our doings are influencing the environment where the customers are. On the other hand, our maintenance costs are the critical point for balancing the cost efficiency.” (Expert C)

“supports that the leasing and premises are functioning well. We are working for our customers. This is a core business function, but I would locate it as a subordinate one.” (Expert B)

“I would say that it’s not a core business function for us, but it will catch up quickly.” (Expert A)

Once the role of FM was established as a core business function but supportive in nature. They elaborated why they saw FM as a supportive core function. The consolidated response divided for the reasoning of FM function’s role. The interview data revealed that that half of the respondents saw the role positioning of FM coming from the business strategy of the real estate investor organizations. The sub reason for these was that the asset type determines the role of FM after the overall business strategy has been considered.

“If the investment is short term, that it will be sold and there will be done, for example a value increasing investment such as leasing of premises and immediately it would be sold. Then the facility management services would be in a smaller role. In other words, they are more compulsory or must have, functions which will be acquired only be the minimum requirements. If the aim is to create more value on longer time period and steady cash flows. Then the strategy concerning Facility management services is completely different. Definitely can and for sure impacts.” (Expert D)

“These supportive functions which facility management service are producing, there are a lot of functions which are seen as supportive by nature. For example, Environment, Health & Safety. These are services which ensure the core business functions and through that they are extremely critical. There are a lot of areas which are supportive by nature and not core business functions. “(Expert E)

“If the company is a portfolio investor which has access to every investment instrument and the real estate is only one of those instruments. Then it will for sure have an impact on choices. On the other hand, if we go to the other end of real estate investing, where the core business function is real estate investing. There will be a difference how core business function facility management is viewed. “(Expert F)

The experts considered FM as a supportive function since it does not create direct revenues. On the contrary, it is always seen as an OPEX. That said, real estate investing is seen as a

customer orientated business. This creates a link for FM being a competitive advantage-creating function.

“In general, FM personals are focusing more on the cost side of the cash flow and if you are still on the starting line in the process. Then the income side is more important, prioritizing rental activities.” (Expert A)

“The maintenance cost is extremely critical and one of my main jobs is to make sure that the maintenance cost does not create pressure to raise the property maintenance fees and through that narrowing the competitive advantage within that market region.” (Expert C)

“I see it important because the facility management is done for the customers, also known as the users. Maybe there has been a more traditional way of approaching from the facility’s perspective, but our ideology is based on customer orientation.” (Expert B)

“First is the investment process which is for sure the most important process and next in line is the business plans execution. From there, the leasing for customers or maintaining of the current customer relationships is the second important activity but after that. I place facility management and the maintenance services.” (Expert F)

The division between FM function investment types is important since if it is defined as a more critical function, it can be seen also as a CAPEX-related function which can have an impact on the valuation of the facility. CAPEX connection seemed to be related to the asset type, business strategy, and hold length on the property.

“But if you are playing for the long game in facility development and asset management. Then your goal is to develop the valuation, usage, and everything. In that case, I would see the facility manager's role to be important. It would ensure that the decisions that are made on the way are done also from the technical perspective of the facility which serve the overall use.” (Expert G)

“It needs to be noted that facility management service is a lot more than just supportive functions. Because facility management focuses on renovations and development activities. It is a core business function, but it is worth to recognize that there are a lot of support functions included which are not core business functions.” (Expert E)

After the role of FM service as a function was established, the finance relation to FM sourcing strategy was determined. The experts were unanimous that Finance strategy and structure have an impact on the sourcing strategy of FM service. The majority of the respondents agreed that the business and finance strategy of the organization dictates completely the sourcing options for FM functions. The data indicated that there were two main reasons for this: the organization structure guides the finance strategy which will dictate the sourcing strategy. Another reason was that the portfolio asset types are impacting on the sourcing strategy as a secondary reason after the finance strategy which was dictated by the organization structure.

“Absolutely, it can and should because the finance strategy or how the company plans finances is relevant when consider fixed costs. Such as head count. Which organization structure the service wants to be produced? From my opinion, it should definitely, be part of the planning of the finances.” (Expert E)

“Typically, portfolio investors who are investing with other instruments, tend to go with outsourcing. Of course, there are different methods for outsourcing.” (Expert F)

“And of course, the property characteristics influence which kind of facility management service are procured.” (Expert F)

“For us it impacts. For example, our investment view is really long.” (Expert B)

“Unfortunately, it can, we think from facility management the quality of the service from the overall valuation of the property, and our shortest cycle is a year. Preferably we would like to create long-term plans for years and for a much larger time frame. On the other hand,

the organization's finance strategy might be a quarter, or a year is already a long time. Also, it will reflect when something needs to be done.” (Expert C)

4.2 Current sourcing trend and future predictions

The second theme started similarly to the first one. Firstly, the current knowledge and most recent experience of the respondent concerning FM service was established. This was done to create a picture of the current market trends and to find out reasons why this kind of sourcing strategy is used. After the current trend and experience of the expert was established, the interview continued by inquiring, how they would source the service themselves the FM service? If there would not be no restrictions or influence from any stakeholders and they would have unlimited resources.

The data revealed a current trend for sourcing FM service is divided into insourcing and hybrid strategy. In hybrid strategy, the performance-based sourcing model seemed to be the most common, but qualities of the Vested hybrid strategy were also recognized within the data. The most common feature that was established was that the hybrid strategy emphasizes incentives.

“In general, there is a business partner on background who is invested into it and then the one who is executing the FM service. That can either be, the partner itself or an employee. It would be important that someone is invested and committed” (Expert A)

“For core properties, we in-housed the service.” (Expert F)

“We have used the concept of hybrid model where the company in houses the knowledge and resource to produce these services and execute corporate governance. Again, we outsource mostly the operative facility management part.” (Expert E)

“So, you could think that the employees are partially in-housed even though they are outsourced which helps to motivate and commit the actual sourced employees to do their work with a long-term mindset. And also, there is a way to impact the resources recruitment which are offered to our customer account.” (Expert D)

The insourcing strategy was also brought up as a current trend of sourcing FM service. The characteristics that could be associated with insourcing were to keep decision-making and control within the organization instead of letting it go external. This was done to ensure that the service quality stays on a desirable level. In other words, the goal was to keep control internal instead of outsourcing the responsibility and control of quality to the market.

“The organization's strategy would stay internal in addition to the information, why things are done. Then you do not need to explain the strategy to the operative level since they do not need to know why something is made, they just execute.” (Expert C)

The data also revealed that the Real estate investment industry is a service industry by nature that is aligned with the quality control needs.

“I feel that real estate investing, when looked where it starts, is a service business where the premises are fulfilling the customer's premise needs. Whatever the property type is.” (Expert F)

“We have both, outsourced and our own resources with a split of half and half. For the outsourced services, we are buying concrete resources, not services” (Expert B)

As a final note for the current sourcing trends, penalties and sanctions were not notified in the data which shows that the mentality of the experts is to aim for a win-win mentality whichever the sourcing strategy they are familiar with or currently practicing. This was recognized due to the recognized need for high service quality. The interviews revealed that the future trend aims for higher and higher skill demand and flexibility from FM service. Insourcing and hybrid were the most recognized preference and future trends for sourcing strategy. Insourcing was seen as valuable because of the decision power control and corporate governance which would increase the efficiency and quality of the service. As a risk for insourcing, skill vacuum was recognized.

“There is a change coming. The trend has been that the service is bought as an external service but now the sourcing is aiming to become even more determined. In other words, they are setting more clear meters to measure the service.” (Expert B)

That said, the hybrid was also recognized due to the flexibility and scaling of the service. In addition, the hybrid was seen as an option that takes the best qualities from both insourcing and outsourcing. Hybrids risks were acknowledging that the interval of employee switching from the operative outsourced supplier is causing trouble.

“I could imagine that the employee changing will occur a lot. Now there is this service provider and then after two years a new one comes in.” (Expert A)

“it will have very big relevance. That which part the FM is on the owner’s payroll or is it outsourced”. (Expert G)

4.3 Business environments impact on sourcing strategy of FM service

The third theme was to establish the connection between the external business environment and sourcing strategy. Since the third theme was the last theme of the interview, the questions jumped right into the topic without leading questions. Firstly, the experts were asked, if the target markets economic business cycle phase can impact the sourcing strategy. The goal was to find out if the experts saw a connection between sourcing strategy and market cycle. After figuring out the relationship between market cycle and sourcing strategy, the experts were asked which kind of external factors such as mega trends they recognize to influence the sourcing strategy. The last theme was concluded by diving deeper into the previously established reasons why the sourcing strategy is having a relationship with the external business environment; or why it is not having one.

The interviews were split between the relationship between market cycles and sourcing strategy. Four out of the sample indicated that the market cycle does not impact the sourcing strategy. That said, three out of the sample indicated that it does. The grounds given for the decliners was that the business strategy dictates the sourcing strategy and if the sourcing strategy is affected by the market cycle, then the whole business is acting according to the

market cycle's influence. Those who indicated that it impacts reflected factors such as, market pool size changing and skill movement due to the market cycles change.

“What comes to my mind from this is the commitment. When we have them as an investing partner. Then they are also taking a little bit of risk. For example. If a City’s heavy industry facility goes down, then the whole region suffers, and then we are sitting in the same table with the same problem. It helps with the continuity; It is not going well but everyone is motivated to make things better. But when we are making these partnership contracts their average length is long.” (Expert A)

“I do not think so. It does not impact since, in the end, we are looking for the corporate’s interests and strategy.” (Expert C)

“I do not see it. It might have an impact on the work force availability on regional level.” (Expert D)

“Often this is the case. I have witnessed in my career that the worse the nation’s economic state is. In other words, trough or recession is on. The more it seems that companies are outsourcing services which impacts that service providers of facility management are doing better when the economic situation is weaker.” (Expert E)

“Are there even enough service providers whom to pick high-quality service. Of course, in a way, the state of national economy can impact the organization's way of thinking cost efficiency. That, if the growth is moving upwards and there is growth, it is easy to scale up the outsourced service from the existing partners but of course from other suppliers who can produce the service, it is a flexible resource. I would probably see the resource flexibility here that how it impacts, and this is related greatly to the supply and demands status.” (Expert F)

The whole sample recognized that external business environment changes have an impact on sourcing strategy. In addition, mega trends such as Environment, Social Corporate governance (ESG), and Technology: For example, the internet of things (IoT), were

recognized to be factors from external business environment changes which will have an impact on sourcing strategy for FM service. Other factors recognized from the external business environment having an impact were: resource scarcity and supplier quality changes.

“Urbanization can move the skill and professionals into greater growth centers and cities. This can impact on acquiring of skill through recruitment. It would be easier to recruit in the capital city or Turku or Tampere regions for facility management service than sparsely populated regions than in the inner country.” (Expert E)

“They impact and influence. We must live with the trends and of course we are feeling out and making the decisions. We want to be the market leader and market ourselves by being the best.” (Expert C)

To summarize, the technology was recognized to be one of the biggest mega trends with ESG. Technology was recognized to be a gamechanger because it would determine which suppliers would be used as partners for FM service. If the suppliers cannot provide, up-to-date skills then there is no reason to source from the suppliers. Instead, the data showed that the service will be insourced if this happens.

“When focusing only on ESG investment mandate. It will put and it will force this model to renew completely. When it is measuring everything financially, then it does not matter which model you have. When finance is in the center, the sustainability will force a change.” (Expert A)

4.4 Summary of data

To briefly summarize the empirical findings of the interviews. FM is seen as a core business function, but its nature is supportive. As such, FM was seen to be always aligned with the business and finance strategy of the sourcing organization. The financial structure and strategy of the organization were seen to dictate the sourcing strategy of FM service. That said, the business strategy and organizational structure were seen to equally having an impact on the sourcing strategy as finance strategy and structure of the organization.

The impact of the external business environment and the market cycle was found to have split opinions. No impact gained the better half with four out of seven experts and the grounds for this were that the company structure and business strategy will dictate completely the sourcing strategy, neglecting the external environment. Three respondents replied that the market cycles can have an impact on sourcing strategy through the change in supplier pool and quality of FM service. Mainly the regional human and skill resource scarcity with the mega trend of urbanization was recognized as a combination with the market cycles which can impact sourcing strategy.

Table 7. Recognized characteristics of sourcing strategies.

Strategy	Strength	Weakness
Hybrid	Decision power, Cost Control, Scaling ability, Up to date skill	Supplier employee changes, Compliance issues
In sourcing	Decision power, Service quality, Compliance of service, Process control	Skill vacuum, Scaling ability
Out sourcing	Scaling ability, Cost control	Service quality, Decision power, Compliance issue, Supplier employee changes

Lastly, the most common and preferred sourcing strategies were recognized to be insourcing and hybrid sourcing for FM service. The main reason for neglecting outsourcing as a strategy was to lose service quality, cost, and decision control over the operative functions. The respondents did not focus on the downsides of each strategy. They rather focused on the positive qualities of preferred strategies. The main qualities which were found to rely on insourcing were: decision making, service quality control, and work efficiency & compliance. For hybrid sourcing, the main strengths were decision power, cost control, and

scaling of the service. Table 7 will summarize the main qualities found out of the sourcing strategies according to the empirical data.

5 Discussion

This section aims to answer the research questions. The responding of the research questions will be done through back and forth referencing the established theoretical framework of the research and the collected empirical data. After the connection has been established, the research questions will be answered in a counter order. This means that the supportive research question will be answered before answering the main research question. Before answering the question, the connection between theory and Empirical findings will be reflected.

5.1 Theory and empirical data reflection

Facility management as a service was found to be in line with the finance strategy and structure of the organization. In other words, FM walks in line with the business strategy of the sourcing company. This is in line with the current literature concerning FM as a function. (Drion, Melissen & Wood, 2012) When reflecting the data on the established sourcing strategy framework, FM service matches both, insourcing and outsourcing. The core business function defends the insourcing activity due to the need to keep decision-making internal. As a core function, the literature recognizes that it is best kept in-house to gain a competitive advantage. (Kling et al., 2015 p. 159-188) The data connected FM to be a competitive advantage through skill and knowledge. In addition, by insourcing the FM function, additional benefits and values can be created through the service process. (Hartman, Ogden & Hazen, 2017; Watjatrakul, 2005) For example, higher service quality was found out to appear from increasing customer service and orientation levels when insourcing.

The hybrid strategy was seen as the most attractive sourcing strategy since it can take the best qualities from both insourcing and outsourcing strategies. (Altin, 2017; Altin, Uysal & Schwartz, 2018; Vitasek, Ledyard & Manrodt, 2013, p. 45-46) The function which the data were valuing was to keep the decision power in the house. This reflects both service and cost control. (Glas, Henne & Essig, 2018) By keeping the service as an internal function, the FM service was recognized to be more aligned with the business strategy which creates a more efficient service process and more return on the OPEX investment. This is in line with the established sourcing framework which determined that hybrid could increase service quality

if the buyer party is experienced enough to define and manage the outsourced service. (Ikediashi et al., 2012) The experts recognized the risks related to both hybrid and insourcing, but they weighed more on the benefits than the downsides of each approach. Lastly, the hybrid strategy was recognized to be a valued strategy since it was most adaptable for change and scaling purposes. This was seen as a rather important function and related to the business and finance strategy of the organization sourcing FM.

The second most popular strategy recognized in the data was insourcing. This is in line with the core business function status but rebels against the supportive role of FM service. Insourcing was seen almost as a synonym to the hybrid strategy in the research data. This reflects the data which indicates that many who would insource the FM service, would also procure external operative resources on a flexible basis. Including technological skill needs. That said, the data is in line with the research theoretical framework which indicates insourcing benefits to be exploited the more complex the service is. Since FM was seen as a complex, both technical and customer orientated position, it is safe to call the service a complex function that can be insourced. (Hartman, Ogden & Hazen, 2017) That said, it was recognized that there is a need to scale FM service if the organization is going through a great change, and in this case, Insourcing was seen as a non-optimal solution since it creates too heavy a fixed cost structure.

Outsourcing did not get much attention from the gathered data. The data recognized that outsourcing has its place and time in the sourcing of FM. That said, the threat of hindering service quality and decision power away from the buyer reduced the need for outsourcing completely. The literature recognizes this as a downside of the outsourcing strategy for service. (Dalton, Warren, 2016; Gilley, Rasheed, 2016 p. 765-766) According to the collected data FM was seen as a supportive but critical business function. By that placement, FM could be outsourced according to the established sourcing strategy framework. (Arya, Mittendorf & Sappington, 2008 p.1751; Burke, Carrillo & Vakharia, 2007) This works out when the FM is connected both, to the facility types and their criticality within the portfolio. In other words, FM outsourcing should be executed only if the asset is not critical for the organization and its business strategy. This is due to the fact that outsourcing should only take place for a service if a competitive advantage can be achieved by doing so. (Nordin,

2008) Lastly, according to the collected data. Outsourcing as a strategy was connected to the insourcing strategy which brought a connection that the current trend is to insource the FM service but to leave the option of outsourcing skill and resource acquirement when needed to scale for sudden demand. This is aligned with the sourcing continuum for a hybrid: Preferred provider model. (Kling et al., 2015 p. 56)

5.2 Sub research question: Does the business environment have an impact on sourcing strategy?

The business environment was seen with mixed feelings having an impact on the sourcing strategy. Those who did not see a connection between the external business environment were also heavily indicating that both the business strategy determines the sourcing strategy due to long-term planning. Because of that, the external business environment changes were not seen to have a major impact on the sourcing strategy of FM. In addition, this group saw that they can be trendsetters for FM service. Rather than reacting to the external business environment changes and adapting the sourcing strategy accordingly.

The other group saw that the external business environment changes have an impact on sourcing strategy since it can change the qualities of FM service. Such as the entering of IoT changes the technological skill need of FM service. In addition, both groups recognized that the regional business environment changes may affect the human and skill resource for FM experts which may hinder recruiting efforts but not change the overall sourcing strategy. This was not seen as a real problem, rather a hindrance.

The answer to the question is that business environment changes have an impact on FM, but it is not a critical impact. It may change the timing and expectations of the sourcing campaign but not completely change it. The biggest factor in the business environment was recognized to be the technology changes in the environment. This was because it changes the core skill demand of the FM service which can be a problem especially when the service is being insourced. Other impacting factors were urbanization and regulations which can hinder the sourcing strategy but not completely change it. Even the regulations were seen as more as a detour than a complete game-changer for FM service.

5.3 Sub research question: How the procuring organization's financial strategy & structure affects the sourcing strategy?

The finance structure and strategy of the sourcing organization were seen to always have an impact on the sourcing strategy. The data revealed that it does not necessarily lead the sourcing, but it can dictate which sourcing strategy will be enforced in the end. The respondents connected this to be one key factor in how the sourcing of FM service is done in an organization. Three key factors were identified which may trigger influence on the sourcing strategy of FM: Cost control, Portfolio structure, and business strategy of the organization or a singular asset. Cost control reflects the simple facts of costs, how much will the sourcing organization invest into FM function. The portfolio structure reflects the asset characteristic. Are the assets Retail, Office, Residence, or Logistic & industrial types? Lastly, what is the business strategy of the sourcing organization? Do they aim to have a short, medium, or long-hold on the assets? In addition, increasing valuation and creating steady cash flow was notified as a business strategy from the interview data.

To summarize, in the real estate business, the FM sourcing strategy is decided in the end by the financial strategy and structure of the organization according to the empirical data. It is an enabler but not a direct income generator which makes it fall under the compliance of the financial strategy of the organization. The data indicated that the FM role varies according to the business structure of the sourcing company. This Lastly enforces the conclusion. FM sourcing strategy is a supportive but core business functions sourcing activity which in the end is a cost function for the business. For this reason, it falls under the influence of the finance jurisdiction when sourcing strategy is chosen.

5.4 Main research question: What is the best sourcing strategy for FM service in PM function?

The data indicated that the trend right now is that the FM Service is either insourced completely or hybrid sourced. Some of the respondents recognized that they would insource but use outsourcing also which would allocate their strategy on the lower and mid-end of the sourcing continuum theory. In other words, Preferred provider, or performance-based hybrid sourcing. That said, one Vested approach was recognized from the data. To conclude, most of the collected data falls into the hybrid sourcing strategy. (Kling et al., 2015 p. 56) The

future trend was indicated to be similar to the current trend where the control and quality would be valued more than the pure cost factor. This does not mean that the gathered data neglected the business and finance strategy which revolve around costs. Costs were found to have a critical impact when choosing sourcing strategy, but the emphasis should be according to the experts in the quality of the service.

Insourcing was recognized as the second most popular sourcing strategy for FM service. Insource received three responses out of seven. Insourcing as a sourcing strategy would mean that the FM is directly on the company's payroll. The data revealed that there was a misalignment with some of the responses for insourcing. Some insourcing supported responses added that they would procure external resources to scale up a sudden need in manpower or skill and knowledge. This can be interpreted in two ways; the respondents saw that the external resource was a first-tier FM supplier who would be used when the internal resources were not enough to provide the required level of FM service. Another way of interpretation is that in insourcing the external suppliers are viewed as "second-tier" suppliers who would be equivalent to actual maintenance and technical services.

This raises the hypothesis that the insourcing organizations were using a hybrid strategy with a preferred supplier model. From insourcing replicants, half would prefer to insource and use external suppliers as a scaling option and half would insource the service completely.

Table 8. Results of the interviewee vs. theory

Results	Answers	On framework
Hybrid	4	6
Insourcing	3	1
Outsourcing	0	0

Outsourcing was ruled out by the data as a recommended sourcing strategy which left the hybrid approach on the table. The hybrid approach was seen as the most popular approach of all among the respondents with a result of four. If the insource preferences who would fit in the hybrid preferred provider model would be considered, then there would be five or six hybrid strategies, depending on the interpretation of the overall question responses. Even with five out of seven supports hybrid was seen as the best course of action for sourcing FM service.

From hybrid sourcing strategies, all three approaches could be identified from the sourcing continuum theory framework. According to the research data and chosen sourcing framework. The relational supplier relationship approach is the recommended sourcing strategy for FM service. This falls into the realm of hybrid sourcing which is in between with the make or buys decision. The concrete sourcing strategy should be a performance-based & managed service model. In FM service, this would reflect a situation where the sourcing organization would purchase the operational labor and skill from single or multiple first-tier suppliers which would be managed by an internal manager of the sourcing organization.

When put on sourcing framework which is presented in figure 3. The guide would according to the recommendation to enforce output-based contracting which would have incentive pricing for the supplier. This would be to ensure the required service quality. The spirit of the relationship should be collaborative and leave the option open for a partnership approach if the supplier is performing well. The supplier relationship management approach should be determined according to the criticality and productivity of the supplier. (Schuh et al., 2014) The sourcing organization should focus on their management of the supplier more on defining the FM services scope of work. Rather than how the work is being provided by the supplier. (Kling et al., 2015 p. 70) In other words, the framework is supporting output-based contracting which should be enforced by guiding management from the sourcing organization.

The answer to the main research question is the Hybrid sourcing strategy with a performance-based & managed service model. That said, the data indicated that the future trend and wish would be to go more towards the insourcing strategy. The reason why the research answer is allocated right at the middle of the sourcing continuum framework is the sub-questions answers. The external business environment changes can create a sudden need for new skills in the FM service. By insourcing the risk of creating a skill vacuum increases in addition the costs become higher since the fixed costs per will increase. In other words, the hybrid offers better scalability in external business environment changes. The second reason is the costs of FM service. FM service was recognized to be a complex core business function but supportive in nature. It does not create income directly, only costs. Because of the nature of the service, the financial strategy of the organization can easily prioritize operative costs to functions that increase the income of the facility in the first place. As the data indicated the financial strategy and structure of the organization, dictates in the end the sourcing strategy. For these reasons, Insourcing was ruled to become second place holder, and Hybrid sourcing strategy with performance-based & managed service model became first.

This said the result should be viewed from every organization's perspective. If the main goal of the sourcing strategy for FM service is to create as high quality as possible. Then the strategy should be to insource the complex service of FM. Since the data reflected that at the

end of the day, the finance strategy and structure of the buyer dictates the sourcing strategy. A hybrid sourcing strategy would be the best compromise for quality versus cost comparison. From an SRM perspective, a hybrid with a vested would offer the best solution. This on the other hand would require both, incredibly mature suppliers, and buyers in the business sector. This would also increase the overall price of FM service, but it would prove potential for long-term orientated investment strategies. Also known as, having a long hold on assets.

For closure of the empirical part of this research, the suggested answer carries heavy supplier risk which can only be countered proper and transparent contract management. In addition, SRM is vital for the hybrid collaboration strategy to bear any fruits if either side feels wronged. They start to withdraw from the collaboration mentality. From the buyer's perspective, this leads to strong-arming, and from the suppliers' side, this will lead to incentive hogging instead of creating additional value for the service buyer, the customer.

6 Conclusion

6.1 Correlation between theory and results

The research aimed out to investigate and create academic knowledge for sourcing FM service in the Finnish real estate market. The research had been done from the FM service providers' perspective on the previous decade which had left a research gap for the author to approach the topic from the buyer's perspective. In the end, the existing theoretical framework fits well into the real estate industry and the research ended up enforcing the selected theory frameworks instead of challenging them.

Firstly, the research enforced currently existing Supply management and Supply relationship management by defining the role of FM service in a real estate investing organization. This positioning created the grounds of, how FM as a service is seen in the industry in Finland. By acknowledging the role of FM, the service sourcing can be connected to the SRM framework which recognizes the investment behavior the buyer should use for the service. In this case, the service was a core but supportive service in nature.

After creating more reach for the existing SRM theory into the real estate industry. The research established a strong connection with the sourcing continuum theory. Sourcing continuum theory was also enforced and spread on the real estate industry through this research. This increases the validity of the theory. This was the second offering the research did for the academic world. The last academic perspective the research aimed to spread was the connection between the sourcing theory and business environment theory. The business environment theory is related to the service sourcing theory which was integrated into the sourcing theoretical framework. The external business environment factors findings in the research strengthened the functionality of the sourcing continuum framework.

For the real estate investors, the research acted as a hub to gather and consolidate both the current and the future trends concerning FM service and its role in the real estate investment industry. In addition, the findings are backed up by academically recognized theories which create more credibility for the findings of the research and the knowledge the Experts possess themselves. Especially, during the time of the Covid19 pandemic, this research enabled

information sharing between professionals in the same market in a safe way where they can keep their anonymity. Whilst trading knowledge and visions.

6.2 Limitation of the findings

This study was limited to the real estate sector's investors: owners and buyers of assets. This limits the findings to be only generalized from only the buyer's perspective. The target market was narrowed to be only Finland which limits the generalization of the findings to only work in the Finnish market. In other words, this research only reflects how the buyers are viewing the FM service and its sourcing options within the Finnish market.

The research is also limited for generalization through data. The sample was small, and the research method was a case study. With a case study, the research was heavily context-related. This was the aim of the research, but it reduces the generalization of the research, even for the complete real estate market of Finland. Since the sample was small, the research could not widen the information pulled from the sample to show the correlation of the organization's funding structure. This would have enabled more thorough market analysis opportunities and the generalization of the findings to fit similar markets. Instead, the research focused on the expert's knowledge and only dug up the hidden knowledge concerning the FM service.

By limiting the recognizability of the respondents to ensure complete anonymity. The findings were limited for further market analyzes. To summarize, the research was narrowed for a single purpose to recognize the best course of action for sourcing service from the SRM perspective. The topic could have been also approached from more supply chain management and contract management perspective which would have added more depth and validity to the current market trends and future predictions.

6.3 Reflecting & future research suggestion

For the final words, this research left and opened new research opportunities. This research can be repeated by two different variations: either increase the sample size or approach the sampling from a completely different angle. Such as regional or investor type angle. Both approaches could provide more insights into the current trend of viewing FM service. Also,

the author suggests that this research would be repeated from the supplier's perspective. This would provide a prospect cross-referencing which could create a more depth understanding of the Finnish real estate market in general. That said, the research can be also applied to the FM service providers and their suppliers, the maintenance service providers.

Lastly, the author suggests that this research would be done from a corporate level instead of an expert level. By widening the data sample to the corporate level, the research could be turned into market research that will recognize market trends at a higher level in procurement than in a single service. This could allow supply chain management research to be executed.

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Appendices

Haastattelu kysymykset:

Organisaation rakenne ja taloudellinen strategia

1. Kuinka ydinliiketoimintana näet Teknisen kiinteistöjohtamisen palvelun?
2. Miksi koet sen, edelle mainitsevasi kriittisyydellä?
3. Voiko mielestäsi yrityksen talousstrategia ja -rakenne vaikuttaa tai ohjata hankinta strategiaa Teknisen kiinteistöjohtamisen palveluun?

Hankinta strategia

4. Mikä on viimeisin hankinta strategia, jonka kanssa olet työskennellyt tai työskentelet Teknisen kiinteistöjohtamisen palvelussa?
5. Mikä olisi sinun mielestäsi paras hankinta strategia Tekniselle kiinteistöjohtamisen palvelulle?
6. Miksi hyödyntäisit/ käyttäisit edellä mainittua strategiaa?

Liiketoiminta ympäristö

7. Voiko alueellisen kansantalouden tila vaikuttaa tai ohjata hankinnan johtamista, kun hankitaan teknistä kiinteistöjohtamisen palvelua?
8. Millaisia vaikutuksia koet ulkoisen liiketoiminta ympäristön muutoksella olevan Teknisen kiinteistöjohtamisen palvelun hankintastrategiaan?
9. Miksi koet, että ulkoisilla liiketoiminta ympäristön tekijöillä on tai ei ole vaikutusta Teknisen kiinteistöjohtamisen palvelun hankintastrategiaan?