INNOVATION MANAGEMENT IN PUBLIC PROCUREMENT – CASE KELA

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Innovaatiojohtaminen julkisissa hankinnoissa – Case Kela

Kauppatieteiden kandidaatintyö

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Avainsanat: innovaatio, innovaatiojohtaminen, julkiset hankinnat.

Julkiset hankinnat ovat merkittävä arvon tuottaja yhteiskunnalle. Niitä kuitenkin sitoo tarkemmat säännökset ja usein tiukempi budjetti kuin yksityisiä yrityksiä. Innovatiivisten ratkaisujen avulla yhteiskunta voi merkittävästi hyötyä julkista hankinnoista. Tämän vuoksi on hyödyllistä tutkia kohdeinstituution osalta, miten se priorisoi innovatiivisuuden. Lisäksi kommunikaatiolla ja yhteistyöllä paitsi yrityksen sisällä myös sen sidosryhmien kanssa voi olla merkitystä innovaatioiden kehitykselle ja käyttöönotolle, joten tämä tutkimus kartoittaa myös niitä kohdeyritys Kelan osalta.

Tämä kandidaatintyö on laadullinen eli kvalitatiivinen ja sen empiirinen osuus on toteutettu tapaustutkimuksena. Kohdeinstituution edustajia haastateltiin tutkimusta varten. Analyysi on toteutettu sisällönanalyysinä, jossa on käytetty deduktiivista menetelmää.

Tutkimuksen tulokset osoittavat, että kohdeinstituutio priorisoi innovaatiot. Tähän kuitenkin liittyy useita haasteita, joiden lievittäminen on olennaista innovatiivisuuden tukemiseksi. Tutkimuksen tulokset myös painottavat, että yhteisten tavoitteiden kommunikointi läpi organisaation on tärkeää.

ABSTRACT
Lappeenranta–Lahti University of Technology LUT
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Innovation management in public procurement – Case Kela

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Public pocurement is an important value creator for the society. Nevertheless, public procurement is governed by stricter regulations and often tighter budgets compared to ptivate enterprises. Through innovative solutions, society can significantly benefit from public procurement. Therefore, it is useful to examine the prioritisation of innovation within the target institution. Furthermore, communication and collaboration, both internally within the organization and with its stakeholders, could play a significant role in innovation development and implementation. Consequently, this study also examines these aspects concerning the target company Kela.

The empirical section of this bachelor's thesis adopts a qualitative approach, specifically employing a case study methodology. Representatives from the target institution were interviewed for the study. The analysis was conducted using content analysis, incorporating deductive methods.

According to the study results, the target insitution prioritises innovation. However, this commitment is met with various challenges, the mitigation of which is pivotal to fostering innovation. The study results also emphasize the importance of effectively communicating common goals across the organization.

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Appendix 1. Interview Questions

1 Introduction

The process of public procurement entails the acquisition of services, goods and works by governments and entities owned by the state (OECD 2024). The public sector's procurement can be viewed as essential to safeguard the social and economic structures of society, and it is also recognized as a substantial driving force in the market (Lähdesmäki & Kilkki 2008; Obwegeser & Müller 2018). Thereby, public procurement can be viewed as a significant value creator (Malacina, Karttunen, Jääskeläinen, Lintukangas, Heikkilä & Kähkönen 2022). In Finland, annual public procurement totals approximately 35 billion euros. This is equivalent to about 18 % of Finland's GDP, surpassing the figures in most OECD countries (Ministry of Economic Affairs and Employment of Finland 2024a; International Trade Administration 2023). Thereby, as public procurement has a significant effect on both the citizens and the government, it is an important topic to conduct research on.

Public procurement in Finland must follow not only the Finnish procurement law but also European Union directives and Agreement on Government Procurement (GPA) by the World Trade Organization (Ministry of Economic Affairs and Employment of Finland 2024b). According to the national procurement legislation, there are underlying principles based on a treaty with the European Union, which must be met if the procurement exceeds national and European Union thresholds. These obligations are transparency, equality, proportionality, and non-discrimination (Julkisten hankintojen neuvontayksikkö 2016; 2022). Public procurement is also monitored by the Finnish Competition and Consumer Authority (Finnish Competition and Consumer Authority 2024). Rigorous monitoring of public procurement contributes to ensuring that procurement practices are high-quality in Finland.

With outstanding policy measures for public procurement, Finland not only excels in implementing these measures but also leads in the volume of innovative solutions in public procurement compared to other European countries (European Commission 2021). Additionally, the Finnish Government Programme (2023) has set an objective to raise the

amount of innovative procurement further. Innovative public procurement revolves around acquiring new or significantly enhanced services or goods to elevate the productivity, sustainability, quality and/or efficiency of public services. In connection, a strategic approach aiming for public authorities to use their purchasing power to foster innovation throughout the market, is referred to as public procurement innovation (PPI) (Edquist & Zabala-Iturriagagoitia 2012). Major advancements such as enhancing health and social services and promoting the circular economy can be supported through innovative public procurement. (Ministry of Economic Affairs and Employment of Finland 2024a) Thereby, endorsing innovative public procurement and its research is advantageous, considering their economic impact and potential benefits for the society and governments.

It is also important to recognise that innovative public procurement has some added complexities in comparison to private procurement as it is under a higher level of scrutiny and the budget is very limited. The regulative framework and control mechanisms in public procurement impose constraints on the buyer autonomy. Additionally, fostering innovation simultaneously to optimising cost-effectiveness and efficiency frequently results in conflicts. Furthermore, innovation investment poses greater challenges for public procurement due to stringent rules and the necessity for traceability, often resulting in greater risk aversion in comparison to the private procurement sector (Obwegeser & Müller 2018). Private sector companies may also enter contracts in a more flexible and rapid manner than public sector entities and maintain long-term relationships with chosen suppliers, which is more challenging in public sector (Wontner, Walker, Harris & Lynch 2020). The theoretical background section in this thesis will further explore the necessity of collaboration and its limitations between networks facilitating innovative public procurement projects.

This thesis focuses on examining how innovation is prioritised within public procurement in Kansaneläkelaitos (Kela). Kela and the counties responsible for wellbeing services have a collaborative responsibility for the residence-based component of social security in Finland. The primary aim of social security system is to extend fundamental economic security for individuals who are unable to attain it through their own resources in various circumstances, such as old age, unemployment, or disability. (Kela 2023b) Under the oversight of the Finnish Parliament, Kela functions independently as a social security institution, managing its own budget and administration (Kela 2024b).

1.1 Aim of the thesis and research questions

Previously, it has been stated that research on innovation and public procurement is still emerging and dispersed (Tammi, Saastamoinen & Reijonen 2020; Obwegeser & Müller 2018). The aim of this paper is to contribute to the dialogue on the advancement of innovation within the field of procurement and to explore how innovative public value can be created with suppliers in public procurement. This thesis explores this topic through the case institution Kela. The specific research questions addressed in this thesis are as follows.

Q1: How does Kela ensure the prioritising of innovation within its procurement management?

This question explores the actions that Kela takes to advance innovation within their procurement. For instance, the kind of practices and goals Kela has for innovation management will be explored. Additionally, the barriers and constraints of innovation within Kela's procurement will be discussed.

Kela has separate procurement unit, IT procurement unit and an IT innovation unit, which poses a further question to explore. This thesis aims to explore how these divisions communicate and collaborate since it may have implications for innovations and their implementation. The second research question is:

Q2: How do Kela's procurement divisions collaborate in connection to procurement?

These research questions will be explored through sources available online, academic literature, as well as semi-structured interviews conducted with Kela's employees. The collaboration is explored from the viewpoints of frequency and quality.

1.2 The structure of the thesis

This bachelor's thesis is structured into five main chapters to explore innovation management in public procurement. The introductory chapter introduces the groundwork by outlining the research topic and specific research questions. Essential terms and concepts are also defined through a literature review, setting the stage for the theoretical framework, which is established in the second chapter. The framework delves into relevant theories and concepts, which form the foundation for understanding innovation in connection to public procurement practices.

The subsequent chapters form an empirical phase focusing on Kela as a case study. This phase includes presenting the research methodology, the techniques used to acquire data and an analysis of the key findings. Results and the discussion section together combine the results with the previously introduced theory. Finally, the conclusions provide a summary of the main findings and central themes explored throughout the paper. The conclusions also discuss limitations and possible further research suggestions in connection to this thesis. In addition, the study includes a list of references and appendices.

2 Theoretical Framework and Concepts

This section explores the theoretical background and previous research on the research questions of this thesis. First, value creation and its importance is discussed shortly in connection to public procurement. As public value creation is stated, it can be discussed how institutions and their networks may interact together under the premise of the institution creating value. Secondly, the social capital theory and social capital in more detail is explored. Finally, this section introduces types of government-business relationships during contract implementation by Wang and Bunn (2004).

2.1 Public Value Creation

Before delving to the theoretical framework of the thesis, public value creation is shortly discussed. While public organizations aspire to create public value (Moore 1995), a common and precise definition for public value is still undefined (Malacina, Karttunen, Jääskeläinen, Lintukangas, Heikkilä & Kähkönen 2022). The chosen definition for this thesis is from Meyenhardt (2015): public value refers to public procurement functioning as a crucial value creator in connection to other agents of public procurement such as the suppliers. Public value creation is a dynamic process that requires collaborative efforts among a range of stakeholders, as value cannot be created without collaboration (Bryson, Crosby & Stone 2015; Uyarra, Ribeiro & Dale-Clough 2019).

It is important to understand what public value creation refers to as it is the basis of why public procurement warrants attention. Governments and institutions are able to shape markets as they have vast monetary resources. Thereby, public procurement is an influential value driver. (Karttunen, Jääskeläinen, Malacina, Lintukangas, Kähkönen & Vos 2024; Mazzucato and Ryan-Collins 2022) Since the aim to create public value is influential, it is valuable to study innovations in connection to it to gather more information on how more value could be created through collaboration and innovation.

2.2 Social Capital Theory

The multidimensional social capital theory is proposing that the interlinked networks of relationships serve as a valuable resource for managing social matters, granting their members access to capital owned collectively enabling access to credit (Bourdieu 1986; Nahapiet & Ghoshal 1998). More specifically, social capital may be defined as economic or social value, which originates from resources that are available through social networks or relationships (Coleman 1990; Granovetter 1992). The capacity possessed by social capital to empower individuals and various communities to participate in collaborative and trustworthy networks is unequivocal. Social capital has three dimensions: cognitive, relational and structural dimension (Nahapiet & Ghosal 1998), which will be explored further next.

Cognitive dimension involves the alignment of values, visions and goals within a social framework. This aids the comprehension of information and reduces misunderstanding between the parties, depending on the communication skills. Additionally, it fosters resource and idea exchange. (Tsai & Ghoshal 1998) Thereby, sharing values and visions with the supplier while being able to communicate these effectively may facilitate the performance and aid in creating new innovations (Sukoco, Hardi & Qomariyah 2018; Yeniyurt, Henke & Yalcinkaya 2014).

The structural dimension on the other hand encompasses an arrangement of relationships between individuals or entities (Nahapiet & Ghosal 1998), embodying social interaction dynamics denoting the interplay among involved parties. (Sukoco, Hardi & Qomariyah 2018) In the context of buyer-supplier dynamics, social interaction stands as the cornerstone as it cultivates a sense of confidence regarding the competency and dependability between the parties during economic transactions (Yli-Renko, Autio & Sapienza 2021).

Finally, the relational dimension encompasses the mutual obligations, trust and shared recognition of the relationship between parties (Nahapiet & Ghoshal 1998). For the buyer-seller relationship the trust between the entities creates a feeling of connection enabling enhanced communication as well as increased sharing of knowledge. The parties will also

be more inclined to share resources without concern that the other party might exploit them. (Sukoco, Hardi, Qomariyah 2018; Tsai & Ghoshal 1998)

It can be concluded that social capital is relevant to relationships between institutions such as Kela and their networks. Without these characteristics described in the dimensions, the relationships may not develop powerful enough to create strong relationships and new innovations. The results and discussion sections will explore how these dimensions may be observed in Kela's procurement.

2.3 Types of government-business relationships

In contract implementation process, there are four types of government-business relationships that may be identified according to Wang and Bunn (2004). They state that this division is based on the duration of contracts, the level of uncertainty concerning outcomes and the complexity of products. The four described types are recurrent, supervisory, arms-length and collaborative relationships. Figure 1 shows the types in a matrix in relation to their information exchange intensity and the sharing of cooperative norms.

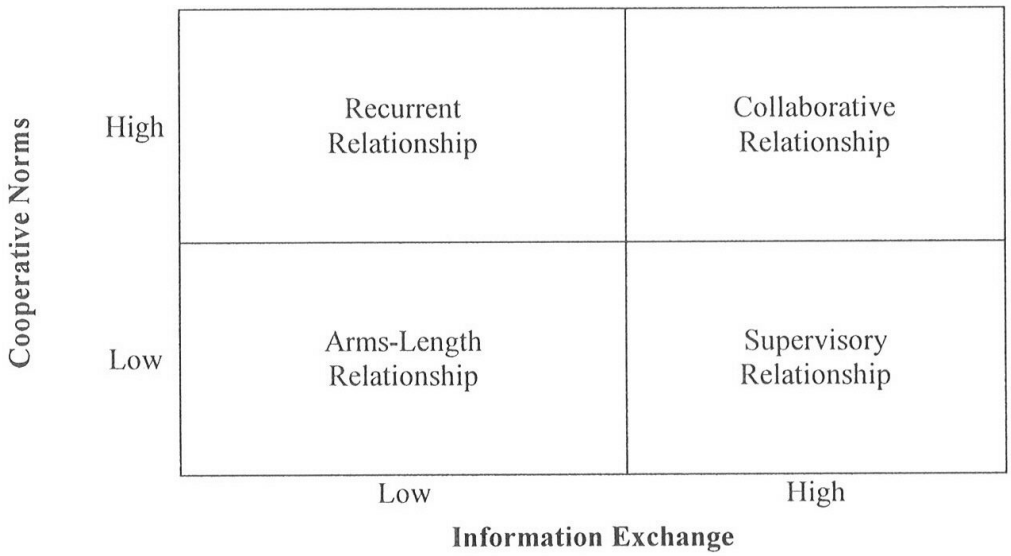

Figure 1. Matrix of Government-Business Relationships (Wang & Bunn 2004)

In collaborative relationships the exchange of information is high and very open. Additionally, the parties share cooperative norms and aim to fulfill the contract goals

together. Wang and Bunn (2004) also emphasize that these kinds of relationships are also potential for co-invention, especially in connection to high product complexity and uncertainty surrounding results.

Similarly to collaborative relationships, recurrent relationships engage in continuous exchanges between the procurers and suppliers as they hold mutual expectations for the sustained continuity of their exchange relationship. While they cooperate, their information flow is still limited and irregular. In contrast, supervisory relationships involve high information exchange, as the seller might need to report information to the procurer. However, the cooperative norms are low as the institution embodies a more of a supervisory role. Finally, the arms-length relationships are introduced. In this case, both parties regard the relationship as a transactional interaction or a market. Information exchange is rare and the nature of the shared information notably limited. (Wang & Bunn 2004)

The public procurement has been described to rely on arm's length relationships as the transactions are generally seen as standalone exchanges, which differs from relationships between private organisations (Lian & Laing 2004; Keränen 2017). This has been suggested to be the result of the priciples and legislation connected to public procurement, demanding the procurers to better serve the public while decreasing the costs while maintaining transparency and equality in their contracts (Erridge & Greer 2000, Erridge & McIlroy 2002). However, Keränen (2017) states that research indicates a shift towards developing also other kinds or relationships with partners instead of being limited to the arms-length relationships.

3 Methodology

This section introduces the methodology and detailed information of data collection. Insights on the analysis process are also discussed. The methodology of the thesis will be explored alongside discussing the data used in the paper.

3.1 Methods and Data

The qualitative method was chosen for this study to gather detailed information on the approach towards innovation in Kela's procurement and collaboration between units. By conducting interviews, the study is able to better understand the perspective behind procurement decisions and their innovativeness. Merely examining numerical data could not reveal the thought process behind these decisions, how innovativeness might be prioritised, and why.

While the study also contemplates on innovativeness in public procurement generally, the focus is on Kela as a specific institution. Thereby, this study is a case study, aiming to understand the innovativeness in Kela more deeply. Case studies serve as a well-established research method aimed towards a comprehensive and nuanced understanding of complex matters within their authentic contextual setting (Crowe, Cresswell, Robertson, Huby, Avery & Sheikh 2011).

In order to achieve the triangulation of data, multiple methods of data collection are utilised in this study. This study conducted two interviews with Kela's employees from the procurement unit. The data for the research was gathered through individual Teams-interviews in March 2024. The interviews lasted for approximately 30 minutes each and for anonymity the interviewees are referred to as Interviewee 1 and 2.

The interviews were semi-structured as they were based around nine main interview questions (Appendix 1). These main questions were designed to support the investigation of the research questions of the study. The interview outline was predetermined to ensure that

the most important themes were discussed during the interviews. However, as the interview was semi-structured, all the questions were not asked in the same order and some questions were altered to fit the interview better. Additional follow-up questions were also asked to gather more in-depth information and to enable new perspectives to emerge from the interviews. The interviewees had the option to preview the main questions to prepare for the interview. The interviews were also recorded with the permission of the interviewees to allow the interviewer to concentrate better on the interviewee and the possible new relevant questions.

Additionally, the study includes data from online sources, books, and articles. Supporting data will be especially gathered from Kela's webpages and scientific articles. While the articles are mostly used to provide background information and theoretical knowledge, Kela's webpages include practical information about their procurement practices. Therefore, the webpages are also utilised in the empirical section to complement the information from interviews.

3.2 Analysis

The two interviews were conducted in Finnish, and they were transcribed utilizing Microsoft Word dictation feature. This allowed extracting important quotes and themes from the data. The primary data from the interviews was coded based on these transcripts to find relevant insights and possible patterns from the data (Saldana 2021, 8).

After the coding was complete, the study used content analysis to derive insights from the primary dataset. As a research method, content analysis offers novel perspectives, enhances comprehension of distinct phenomena, or guides practical decision-making. Thereby, content analysis is regarded as a scientific instrument. (Krippendorff 1980, 24) There are also disadvantages to content analysis, such as overinterpretation by the researcher, which can threaten the accuracy of content analysis. Nevertheless, this limitation is applicable to all qualitative analysis methods. (Elo & Kyngäs 2008)

This study adopted a deductive approach. There is usually a theoretical framework directing the data gathering in deductive coding and codes are obtained based on the framework

instead of data. (Adeoye-Olatunde & Olenik 2021) In this study, the content analysis aimed to uncover themes from the data, which aligned with the topics of the research. For instance, this study focused on the dimensions of social capital theory and how they were reflected regarding Kela's operations. Also, the interview questions were formed deductively, and the emergence of these themes from the data was anticipated.

4 Results and Findings

This section presents the findings of the paper. Firstly, the results in connection to the research questions will be discussed. Additionally, the social capital theory and findings connected to it will be presented separately.

4.1 Prioritising innovation in Kela's procurement management

Interviewee 1 states that there is continuous development in connection to procurement in Kela and that innovativeness may be one point of view that is considered. At first, they mention that there are no specific goals in Kela to achieve regarding innovativeness but during the interview they indicate that there is a goal mentioned in the strategic procurement guidelines (Kela 2020). According to these guidelines, Kela is creating conditions to facilitate an increase in the share of innovative procurements to 10% of all their procurements and measures this percentage. In comparison, the interviewee 2 directly embraces the idea of innovative development and describes it as continuous in their department. However, they immediately mention that there are several barriers and challenges that must be considered in connection to innovativeness in Kela.

These mentioned challenges are also important to note in connection to further facilitate innovativeness in Kela. Interviewee 1 mentions data protection law and interviewee 2 the Finnish public procurement legislation as constraints. Both interviewees also state concerns regarding time and financial recourses. These mentions are affirmed by the literature as they are characteristic to public procurement, which is often under high scrutiny, rigorous legislation, and limited budget (Obwegeser & Müller 2018). In connection to time resources, both interviewees mention how especially innovative projects need to be envisioned and planned very early on, given the lengthy completion time. In addition, this connects to how both interviewees mention that there also needs to be a strong drive throughout the institution to create innovations.

"There should be positivity towards innovation throughout the organisation, or like a willingness to experiment and do things in a new way, and also like a permission to fail…"

This statement by interviewee 1 is also in line with common difficulties regarding public procurement, which were mentioned before. Institutions are under a higher level of scrutiny and a tighter budget than most private companies. A mistake might be very costly and cause complaints on a large scale. However, avoiding mistakes might affect the level of interest towards innovation if the employees do not feel safe and secure to pursue innovations.

A more specific challenge in connection to Kela was also mentioned by interviewee 2. They stated that some innovations would not be currently possible as the IT-systems are not updated. The systems would not be able to implement some possibly desired resolutions and innovations. However, as mentioned by the interviewee, Kela is presently renewing and modernising its information systems and platforms in a development program called Eepos (Kela 2024a). These updates could allow for some further innovations to be implemented.

Both interviewees also mention concrete examples of utilising innovation in Kela. These examples can showcase how innovation is present in Kela's procurement management. Both interviewees mention "Rekisteröitymismenettely" which translates to a registration procedure. It is utilised in connection to rehabilitation services, as different service providers can make a contract with Kela if they fulfil Kela's criteria. (Kela 2023a) While this process is flexible for the provider, they must adhere to prices set by Kela if they wish to enter a contract. The interviewees explain that this is innovative as it a new way to procure services for Kela and its customers and it is quicker and less labour-intensive than the previous procedure. Additionally, interviewee 1 mentions that in connection to small-scale procurement, there has also been innovations connecting to artificial intelligence.

The prioritisation of innovation connects to public value creation. As Kela engages in public procurement, it has the capacity to create value for the whole society. By engaging in innovative procurement, this ability to create value can be amplified. For instance, the mentioned new and efficient registration procedure can be viewed as beneficial for the society. The new procedure requires less governmental funds and personnel, while it enables individuals to find the most suitable service for their needs.

4.2 Collaboration between procurement units in Kela

The second research question of this study discusses the collaboration between separate procurement units in Kela. According to Kela's strategic procurement guidelines (Kela 2020), one of the aspired development actions is enhancing cross-unit communication and collaboration. According to interviewee 1 there are regular collaboration mechanisms in place, which are mostly used by the group leaders. However, there is for example an online collaboration platform enabling less constricted exchange of information between units to provide peer support. Interviewee 1 also states that conversations between units are effortless to have and they do not perceive a need for any additional platforms for conversation. Additionally, they mention that there is a plan for the units to have common functions a few times a year.

In contrast, interviewee 2 identifies some challenges in connection to communication and collaboration within the organisation. They mention that the organisation is very large and still somewhat hierarchical. There are also schedule limits for the employees, which must be considered. Interviewee 2 also states that currently common conversations about long-term goals and achievements is insufficient. They argue that this type of discussions could facilitate collaboration and create a drive towards change and new innovations. However, they also mention that there is a continuous drive to develop collaboration despite challenges in Kela. The strategic procurement guidelines of Kela (2020) state that one of the actions Kela will implement to achieve their strategic procurement goals, is to enhance cross-border communication and cooperation within Kela. Thereby, the results imply that developing collaboration within Kela and its units is a priority and currently in progress.

According to interviewee 1, there is no absolute necessity for daily communication between the units because of work distribution and independent decision making. They add that there is not many "synergy advantages" to gain from very different type of procurement. Nevertheless, interviewee 1 states that Kela's IT procurement unit and IT innovations unit are probably more in contact with each other than other separate procurement units. However, this could not be verified from either of these units directly in this study.

4.3 Findings connected to the theoretical background

Interviewee 1 confirmed during the interview that they would agree on long-term collaboration with other private/public entities to support innovative procurement. They state that:

"The success of innovations and doing things in a new way, so there's also the challenge that it kind of requires like trust and partnership from us with that that for example supplier but also then like our own resources perhaps more than just the typical procurement…"

This quote may be considered to point towards a relational social capital. Interviewee 1 considers that innovation together with another entity requires both trust and partnership to succeed. Interviewee 1 also mentions how the Finnish procurement legislation recognises innovation partnership. This allows public procurement to benefit from long-term partnerships (Finlex 2016). Additionally, Kela's strategic procurement guidelines (2020) mention strengthening cooperation and trust as goals for Kela's procurement. The goals also include facilitating the flow and utilisation of information, which supports building trust. Especially the mention of trust refers to a relational social capital. Based on the guidelines and the interview 1, it could be suggested that there is a strive towards stronger relationships at least with selected partners and in connection to innovative projects.

In addition, interviewee 2 mentions factors illustrating structural social capital. They mention in connection to the registration procedure how there has been collaboration with the service providers:

"Then there is also cooperation made with service providers and (Kela has) organized either workshops or webinars and educated them and also then they have had the opportunity to give feedback…"

This quote refers to having structural social capital as it describes the way in which there is continuous contact with stakeholders, in this case service providers. The frequency of these actions was not inquired about during the interview. In addition, as previously mentioned, the strategic procurement guidelines (Kela 2020) include a mention of facilitating the flow and utilisation of information, which could also refer to structural social capital as it links to the ties between networks and the communication within them.

Interviewee 2 also mentions how for example in connection to rehabilitation service sector, some of the service providers have their own strong agendas and goals, which might differ from Kela's goals. There are no other mentions towards cognitive social capital in the interviews. This is interesting as it could suggest that depending on the type of procurement, there might be very little shared cognitive social capital with some of the stakeholders. However, this would need to be studied further to make any conclusive statements. Table 1 summarises the results of the study relating to the social capital theory. The lack of mentions regarding specifically cognitive social capital is emphasized by the empty column.

Table 1. Summary Table of Results connecting to the Social Capital Theory

Relational	Structural	Cognitive
A requirement of trust and partenrship regarding innovation (Interviewee 1)	Different ways of collaborating with suppliers (Interviewee 2)	x
Strengthening cooperation and trust according to guidelines (Kela 2020)	Facilitating the utilisation and flow of information according to the guidelines (Kela 2020)	x

Finally, the results also connect to the type of relationship that the institution could have with their stakeholders and the matrix of government-business relationships (Wang & Bunn 2004). As mentioned in connection to relational social capital, interviewee 1 mentions how they agree that long-term innovation collaboration is important with trust and partnership present in the relationship. This could point to collaborative relationships, which could be important also in public sector, especially in connection to innovative projects, as interviewee 1 states. It is also important to note that for instance in case of rehabilitation providers, there are so many providers that it would be impossible for Kela to maintain close collaborative relationships with each one. Thereby, it may depend on the unit within an institution, the possible partner, as well as on the type of project whether the relationship is collaborative or for instance an arms-length relationship.

As mentioned earlier, Keränen (2017) argues that public procurement has recently leaned towards diversifying the types of relationships they uphold instead of merely relying on arms-length relationships. The results of this study are in line with this statement as it is indicated that Kela as a public institution creates different types of relationships with their network. Furthermore, it could be suggested that collaborative relationships could be preferable in case of innovative projects. This is noteworthy, as collaborative relationships are most distinctively different from arms-length relationships.

5 Discussion and Conclusions

The objective of this study has been to investigate how innovative public value may be created in public procurement and to contribute to the discourse on innovation advancement within public procurement. The topic is explored especially through the case institution Kela. The two more specific research questions are “Q1: How does Kela ensure the prioritising of innovation within its procurement management?” and “Q2: How do Kela’s procurement divisions collaborate in connection to procurement?” To explore these themes two interviews were conducted with employees from Kela. Information from the website of the case institution and scientific articles were also used to further examine these topics and to provide background context.

5.1 The key results

The main findings of the study are connected to the research questions. The first research question explores the prioritisation of innovation within the procurement management in Kela. The results of the study suggest that Kela does set innovation and creating new solutions as a priority as the interviewees indicated some prominent new innovations that have been implemented. Goals for innovation are also mentioned in the strategic procurement guidelines of Kela. However, as expected based on previous research some challenges connected to innovation within public procurement were mentioned. These include for instance financial resources and time as a resource. As a challenge connected specifically to Kela was current IT-system updates necessary for applying new innovations.

The study set to explore the second research question and thereby communication and collaboration within the institution as it might have implications for both innovations and their application. Kela’s procurement units seem to operate in a considerably autonomous manner. They are also able to make decisions independently of other procurement units. In contrast, one of the interviewees pointed out that IT procurement and IT innovation units might be described as more connected than some other units. Their decision making could

also be interconnected. However, this information could not be confirmed directly from these units. Additionally, according to the interviews form Kela's procurement unit, while there is no necessity for daily communication, platforms exist for the exchange of information. Nevertheless, one of the interviewees expressed an interest to have more communication about common goals and achievements. They also point out that this could be beneficial for the implementation of new innovations.

There were also some key findings connected to the social capital theory. These results are relevant as they relate to how innovative value maybe created with other stakeholders such as suppliers. The interviews revealed that there are some factors connecting to social relational and social structural capital. However, there were no indications of cognitive social capital and the results suggested that in some procurement units the goals between supplier and the procurer (Kela) might differ considerably. It can also be suggested that developing Kela's social capital could benefit the innovation creation. The development of the different dimensions would aid in strengthening the relationships with the networks from different angles towards partnerships, which could subsequently result in innovations.

Lastly, some of the key findings were related to the types of government-business relationships. Depending on many factors, the public institution could benefit on different types of relationships. For instance, the department within an institution, the chosen partner and the type of project could affect the best type of relationship to engage in. As mentioned in the literature, there has been a shift from arms-length relationships within the public sector towards also other types of possibly more fulfilling relationships. For example, in case there is an innovative project, a collaborative relationship with a long-term partner might be the best option, as one of the interviews suggested. In this case, the relationship would not be based on a mere singular exchange transaction but a long-term commitment to collaborate on an innovation.

5.2 Limitations, reliability, and suggestions for further research

The limitations of this study include interviews as a research method. As mentioned earlier, there is always interpretation involved in content analysis. Each interviewer and interviewee have their own understandings of the interview questions and answers. Additionally, there

is translation involved in this study, which could affect how the points made by interviewees are presented in the study.

An additional limitation of the study is that no interviewees were reached from Kela's IT procurement and IT innovation units. Thereby, all the conclusions on the collaboration between separate divisions are based on Kela's procurement unit. This is especially limiting to the study's second research question. Additionally, further inquiries regarding artificial intelligence and other innovative project could have been directed to the IT innovation unit.

For a qualitative study there are separate dimensions, which can be explored to assess reliability. These include credibility, transferability, dependability, and reflexivity (Kylmä & Juvakka 2007, 127). The accuracy of the information generated by the study is evaluated through assessing the reliability of the research. In this study, the extent of reliability will be assessed through transferability and credibility.

Transferability refers to how well the results of the study could be transferred to another situation (Lincoln & Cuba 1985) As the study is based on anonymity, very specific information of the interviewees is not provided. This could affect the transferability of the study negatively. Additionally, the study revolves around two interviews, which is a further limitation. However, the basic background information about the interviewees is provided and the empirical interviews are combined with information from other sources, which enhances the transferability of the study.

Credibility on the other hand points to the trustworthiness of the research and its outcomes. Therefore, the researcher must ensure the accuracy of the alignment between the interviewee's perceptions and the outcomes of the research. (Kylmä & Juvakka 2007, 128) The main questions of the interview are visible on the appendix to examine objectivity. Some additional questions were also made during the interviews to confirm mutual understanding, which is reflected on interview transcriptions. Thereby, the aim was to achieve as accurate understanding as possible of the interviewee's perceptions.

Some suggestions for further studies could include studying further ways to alleviate the challenges public procurement faces regarding innovation. Additionally, the best internal communication style could be studied in connection to innovations. For instance, two departments of the same organisation/institution with different frequency or style (such as online, emails, face-to-face meetings) of internal communication in connection to innovation could be compared. There could be qualitative and quantitative measures of how innovativeness and innovative projects differ between the two departments of the same organisation/institution. This could create new ideas for institutions and organisations to enhance their innovativeness.

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Appendix 1. Interview Questions

Kelan hankinnat ja innovaation tärkeys

- Miten kuvaisit, että Kela kehittää hankintojen innovatiivuutta?
- Mitkä ovat Kelan tavoitteet innovatiivisten hankintojen osalta?
- Voisitko antaa konkreettisia esimerkkejä siitä, miten innovaatio näkyy Kelan hankinnoissa?
- Mitä rajoitteita ja esteitä sanoisit Kelan kohtaavan liittyen tavoitteisiin hankintojen ja innovatiivisuuden osalta?

Innovaatioyhteistyö

- Mitkä ovat yleiset haasteet tai esteet, joita Kela kohtaa yhteistyössä ulkoisten kumppaneiden kanssa innovaatioiden osalta?
- Miten koet yhteistyöponnistukset innovaatioissa instituutioiden ja yritysten kanssa?
- Voisiko innovatiivisten hankintojen edistymistä hyödyttää pitkäaikainen yhteistyö?
- Onko verkostossa palautemekanismi, joka mahdollistaa jatkuvan parantamisen innovaatioyhteistyössä?
- Miten kuvailisit osastojen välisen yhteistyön edistämistä Kelassa?

Translated interview questions:

Kela’s procurement and the importance of innovation

- How would you say that innovative procurement is advanced in Kela?
- What are Kela’s goals concerning the innovativeness of procurement?
- Can you provide concrete examples of how innovation is evident in Kela’s procurement?
- What constrains and barriers would you say Kela faces regarding the achievement of goals related to innovativeness and procurement?

Innovation collaboration with networks

- What are the common challenges or barriers that Kela faces when collaborating with external partners for innovation?

- How do you perceive collaborative efforts in innovations with institutions and corporations?
- Could the advancement of innovative procurement benefit from long-term collaboration?
- Is there a feedback loop with network that allows for continuous improvement in the innovation collaboration?
- How would you describe the promotion of inter-department collaboration in Kela?