



TENSIONS IN BUYER-SUPPLIER RELATIONSHIPS IN THE PUBLIC SECTOR

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ABSTRACT

Social exchange theory suggest that when firms repeatedly interact with each other with the expectation that their interactions will result in a reward. However, social exchange mechanisms in a public procurement environment seem to be limited as public organizations have to deal with European public procurement legislation. As relational norms in public procurement are difficult to establish, it can be argued that low relational norms form a source for opportunistic behaviour between public organizations and their suppliers. In addition, literature on public procurement suggests that decisions made by procurers have a significant influence on buyer-supplier relationships. Indeed, when these decisions affect the business of suppliers, it may negatively influence the buyer-supplier relationship, which can eventually have an impact on buyer performance. From a strategic perspective, buyers and suppliers cooperate to create value, while at the same time compete in order to appropriate the largest part of the value share, which may also be a potential driver of tension. These mechanisms together suggest that buyer-supplier relationship are highly difficult to manage and may form potential sources of tensions in buyer-supplier relationships in the public sector.

This study focusses on the identification of drivers of tensions between public procurers and suppliers by conducting an in-depth case study of a buyer-supplier relationship in the public sector. This study's contributions are threefold. First, it contributes to social exchange theory by examining the development of relational norms and mutual expectations in a buyer-supplier relationship in the public sector. Second, this study contributes to public procurement literature by focussing on the influence of decisions in public procurement procedures on the relationship between public organizations and their suppliers. Third, as buyer-supplier relationships in the public sector consist of both cooperative and competitive elements, this study is approached from a vertical coopetition perspective. Moreover, this provides new perspectives on vertical coopetition by approaching buyer-supplier relationships in the public sector from a coopetition perspective.

Results indicate that the public procurement environment is characterised by low relational norms, which form a driver for opportunistic behaviour and tensions in buyer-suppliers. In addition, decisions regarding the execution of tender procedures seem to have a significant influence on the development of tensions in buyer-supplier relationships. Finally, results suggest that when buyers and suppliers simultaneously engage in cooperative and competitive activities, it forms a source of tensions that can negatively influence the buyer-supplier relationship if proper management is absent.

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1. INTRODUCTION

1.1 Research motivation and problem statement

1.1.1 Social exchange theory and transaction cost economics in buyer-supplier relationships

Buyers and suppliers interact on many levels and in many different ways. They participate in economical transactions (Borden, 1964; Felton, 1959), but they also take part in social exchanges (Bagozzi, 1975; Borg, 1991; Piercy & Cravens, 1995). As such, social exchange theory and transaction cost economics serve a prominent role in explaining exchanges in buyer-supplier relationships (Hawkins, Wittmann, & Beyerlein, 2008). From a social exchange theory perspective, firms repeatedly interact with each other with the expectation that their interactions will result in a reward (Emerson, 1976; Homans, 1958; Thibaut & Kelley, 1959). From a transaction cost analysis perspective, bounded rationality and opportunism assume that contracts cannot always be complete and that firms will not always act in each other's best interests or even may show opportunistic behaviour (Rindfleisch & Heide, 1997; Williamson, 1985). These exchange mechanisms are also present when governments or public organizations buy goods and services from suppliers, which is referred to as public procurement. However, a key difference between public organizations and private firms is that public organizations, as opposed to private firms, are limited by European public procurement legislation when they buy goods or services. European public procurement legislation contains procedures and practices to which governments and other public bodies must adhere when they procure goods or services above a certain threshold. The legal framework of public procurement is designed to make sure that all potential bidders are treated equally, transparently and without discrimination when contracts are awarded (Achilles, 2015). This implies that public organizations are also limited in deciding whether, when, and how to reciprocate their suppliers. These constraints may have considerable implications for the development of the buyer-supplier relationships in the public sector and may possibly result in tensions between public organizations and suppliers.

1.1.2 The influence of public procurement practices

Application of European public procurement legislation may also have implications for value creation and the development of innovative solutions in the supply chain. Moreover, it may slow down the development of innovative or alternative solutions, which may further increase tensions in the relationship between suppliers and public organizations. Until now, there are only few studies that have examined how certain conditions, mechanisms or interactions influence innovation in public procurement (Geroski, 1990; Rothwell & Zegveld, 1981; Uyarra, Edler, Garcia-Estevéz, Georghiou, & Yeow, 2014). For example, lack of interaction with between procurers and suppliers, the use of too rigid tender specifications, low competences and risk aversion of procurers during procurement processes have been identified as barriers to innovation (Uyarra et al., 2014). Given the many different practices and procedures associated with the procurement process and given the many factors that determine the procurement policy design, there is still an ongoing discussion on how different conditions and decisions influence innovation through public procurement (Uyarra et al., 2014). Consequently, it can be argued that these mechanisms may be a driver of tensions in buyer-supplier relationships in the public sector. Surprisingly, research on how these procurement conditions and decisions influence the development of relationships between public organizations and their suppliers remains underdeveloped.

1.1.3 Different types of relationship orientations within the same buyer-supplier relationship

European procurement legislation also has strategic implications for relationships between public organizations and suppliers. Although public organizations want to cooperate with suppliers, European

public procurement legislation forces them to ensure fair competition between suppliers. Following this line of thinking, it can be argued that relationships between public organizations and suppliers are characterised by both cooperative and competitive orientations. The presence of both cooperative and competitive element might be beneficial. Indeed, literature on buyer-supplier relationships suggests that a cooperative orientation improves value creation and the firms' competitive advantage. Moreover, long-term cooperation is associated with value creation and can be divided into product-linked benefits (e.g. quality, innovation), service-linked benefits (e.g. supply chain optimization, specific supplier know-how) and interaction benefits (e.g. problem-solving, flexibility) (Ulaga, 2003). It also enables firms to get access to important resources, skills and knowledge (Lado, Boyd, & Hanlon, 1997). These relational benefits are likely to generate economic benefits (Lacoste, 2012). In addition, Jap (1999) showed that cooperation between buyers and suppliers leads to enhanced profit performance and competitive advantage on the long run. Other studies on buyer-supplier relationships, on the other hand, showed that a competitive orientation can also generate economic benefits. For instance, competition pushes firms to work more efficiently, pushes firms to develop innovative solutions and pushes firms to improve their products, services and performance (Le Roy & Czakon, 2016). Competition also enables buying firms to have a good overview of market prices, thereby enabling them to achieve the best price/quality ratio when they buy products and enabling them to exploit market innovations. Buyers can thus use competition among suppliers to generate economic benefits that are in their best self-interest (Lacoste, 2012). As both the cooperative orientation and the competitive orientation have their own benefits, public organizations try to combine and exploit both orientations. However, combining the best elements of cooperation with the best elements of competition will not be likely to succeed, as the combination of both models will be more likely result in a complex interaction between both (Exworthy, Powell, & Mohan, 1999). Consequently, it can be argued that combining the cooperative and the competitive orientation is likely to result in tensions within the buyer-supplier relationship.

Although the cooperative and the competitive orientation may seem each other's opposites on the relationship continuum, both are not mutually exclusive. Moreover, recent literature on strategic procurement conceptualized a hybrid form of buyer-supplier relationships, which combines cooperation and competition and is referred to as 'coopetition'. Gnyawali and Park (2011, p. 51) define coopetition as "a simultaneous pursuit of collaboration and competition between a pair of firms." In this context, buyers and suppliers can cooperate in order to create value (Jap, 1999), but that they can also compete in order to appropriate the value that is generated throughout the supply chain (Zerbini & Castaldo, 2007). In other words, value appropriation between buyers and suppliers can lead to firms competing for the largest value share. The more the buyer appropriates value, the less will be left for the supplier, and vice versa. Cooperation between buyers and suppliers which leads to value creation is referred to as 'pie expansion' (Jap, 1999), while competition between buyer and supplier which leads to value appropriation is referred to as 'pie sharing'. This means that firms can compete in one activity, while cooperating in another activity (Johansson, 2012), which can result in tensions between buyer and supplier. These tensions in coopetition can negatively impact performance and therefore managing coopetition is essential (Raza-Ullah & Bengtsson, 2013). Until now, existing literature on vertical coopetition does not sufficiently address how tension between buyers and suppliers in cooperative relationships develops and how tension in coopetition can be managed. In order to manage tensions in a cooperative relationship, it is important to develop a better understanding of tensions in coopetition (Raza-Ullah, Bengtsson, & Kock, 2014). This study suggest that when buyers and suppliers fail to define clear roles and expectations within the cooperative relationship, these contradicting relationship orientations are likely to become intertwined and therefore likely to result in increased tensions between buyers and suppliers.

1.1.4 An in-depth case study in the public sector

Based on the previous sections, this study proposes three core problems:

- First, social exchange mechanisms between buyers and supplier develop differently in a public procurement context and may be a driver of tensions if they are not properly managed.
- Second, decisions regarding public procurement procedures and practices can be a driver of tensions and may negatively influence the buyer-supplier relationship.
- Third, different or contradicting relationship orientations may be a driver of tensions in the buyer-supplier relationship if the relationship is not properly managed.

This study focusses on exploring the buyer-supplier relationship between a buying public organization and one of its key suppliers in the public sector. The industry in which both firms operate is characterized by unique market circumstances and unique performance objectives. Market circumstances in the industry include long life cycles, lock-in due to current installed base, unpredictable demand, small non-routine manufacturing series, little or no standardization and high entry barriers due to regulations and intellectual property. Performance objectives are also different and may for example be met by improving products, recombining products, developing innovative delivery methods and developing innovative processes.

Because of these unique market circumstances and limitations in public procurement, interaction and knowledge sharing between the buying firm and its suppliers are considered to be of high importance. Consequently, the management of mutual expectations, relational norms and potential development of tensions in public procurement also play an important role in managing the buyer-supplier relationships. This study argues that the difficult management of mutual expectations, the complex and constraining public procurement legislation and a buyer-supplier relationship that consist of both cooperative and competitive elements explains the development of tensions between public organizations and their suppliers. Therefore, this case study provides an interesting environment to examine and deepen our understanding of drivers of tensions in buyer-supplier relationships in the public sector.

1.2 Research aim and research questions

1.2.1 Analyzing the real life case from three different perspectives

This study aims to contribute to literature on buyer-supplier relationships by conducting an in-depth analysis of driver of tensions between public organizations and private supplying firms. This analysis is approached from a multitude of theoretical perspectives in order to deepen our understanding of the development of tensions in buyer-supplier relationships (see Figure 1). As such, this study's contributions are threefold.

First, this paper examines the buyer-supplier relationship in a public environment from a social exchange theory perspective and transaction cost analysis perspective. More specifically, this study examines to what extent mutual expectations and relational norms are aligned and to what extent the buyer and supplier perceive opportunistic behaviour from their counterparts. In addition, this study examines to what extent and how trust and perceived opportunism of exchange partners explain the buyer's and supplier's behaviours in their interactions. Therefore, this study's purpose is to get a better understanding on how social exchange mechanisms between buyers and suppliers develop in a public procurement environment that is subject to European public procurement legislation.

Second, this study contributes to literature on public procurement of innovation by examining how public procurement procedures influence the possibility for suppliers to propose innovative solutions. More specifically, this study examines the possible implications of decisions of procuring public

organizations on innovation and performance outcomes. For instance, too rigid and narrow tender specifications in tender procedures are perceived to be a barrier to innovation (Uyarra, 2010). In addition, it is argued that when public organizations do not position themselves as intelligent demanders of innovation, it prevents them from capturing innovative solutions through procurement (Uyarra, 2010). Furthermore, this study examines how decisions of procuring organizations and low perceived justice of suppliers in tender procedures influence the buyer-supplier relationship.

Finally, this study aims to contribute to literature on coopetition by understanding key drivers of tensions in coopetitive buyer-supplier relationships. As stated earlier, the purpose of cooperation is to create value and to generate shared benefits, while the purpose of competition is to appropriate value and to gain private benefits (Das & Teng, 2000). Coopetition combines these contradicting logics, resulting in coopetitive relationships to be paradoxical by definition (Smith & Lewis, 2011). Yami, Castaldo, Dagnino, and Le Roy (2010) argued that the core of the problem in a simultaneous cooperative and competitive relationship is paradoxical and can only be captured by using the coopetition concept. Indeed, this study sheds a new light on buyer-supplier relationships between public organizations and suppliers by analysing their relationships from a coopetition perspective.

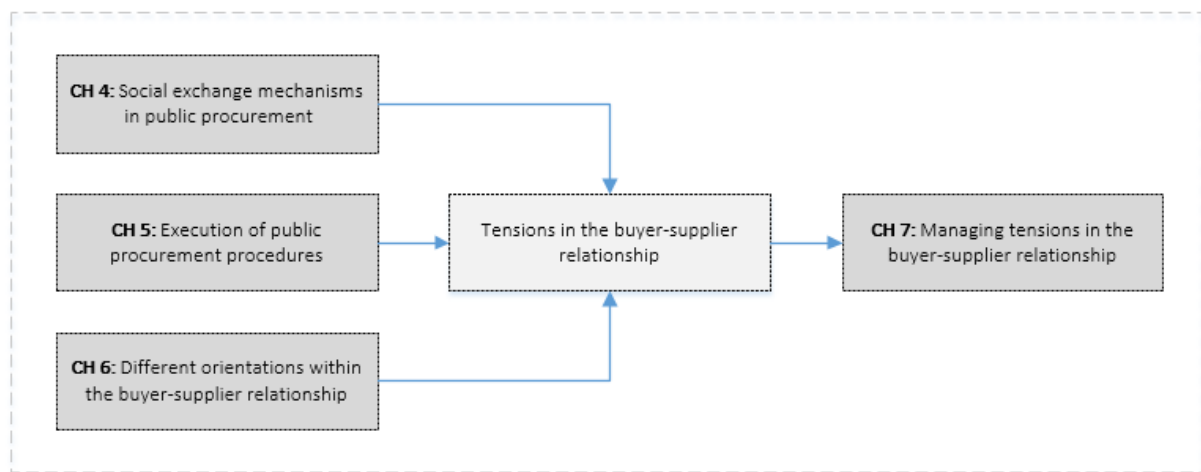


Figure 1: General research model.

1.2.2 Main research questions

By conducting an in-depth exploratory case study, this paper provides valuable insights in underlying mechanisms of sources of tensions in buyer-supplier relationships. Gaining a deeper understanding of these mechanism contributes to the development of approaches to manage tensions in buyer-supplier relationships in the public sector. From an academic perspective, this research is relevant because current literature on drivers of tensions in buyer-supplier relationships between public organizations and suppliers remains underdeveloped. From a practical perspective, studying drivers of tensions in buyer-supplier relationship provides managers of buying and supplying firms with insights on how to manage tensions in buyer-supplier relationships in order to optimize performance outcomes, thereby optimizing value creation for their businesses. Therefore this paper proposes the following research questions:

- (1) *How do social exchange mechanism drive tensions in buyer-supplier relationships in the public sector?*

- *(2) How do decisions regarding public procurement procedures influence buyer-supplier relationships in the public sector?*
- *(3) How do different relationship orientations influence the buyer-supplier relationship in the public sector?*
- *(4) How can tensions between buyers and suppliers in the public sector be managed?*

This paper will be structured as follows; this introductory section explains the research motivation, the problem statement, the research aim and proposes this study's main research questions. The second and next section provides background theory and the theoretical framework on which this study builds, including theory on social exchange between buyers and suppliers, public procurement literature and literature on vertical coopetition. The third section describes the methodology, including the research design, the data collection and analysis process. The fourth, fifth and sixth section presents a detailed qualitative analysis of the data and shows this study's key findings. Bases on both theory and practice, section seven proposes recommendations and possible solutions to reduce tensions in the buyer-supplier relationship. This paper concludes with a discussion, conclusion and recommendations for future research.

2. THEORY BACKGROUND

2.1 Relationship expectations and relational norms

2.1.1 Relationship expectations

Social exchange theory assumes that individuals or firms interact with others with the expectation that the interaction will result in a reward (Emerson, 1976; Homans, 1958; Thibaut & Kelley, 1959). In the context of supply chain relationships, a supplier interacts with the buyer by contributing to the buyers' activities in accordance with its supply chain management policies. In return for the contribution, the supplier will expect something from the buyer at a later time, resulting in the buyer developing a sense of obligation and the buyer will therefor reciprocate with an appropriate reward (Griffith, Harvey, & Lusch, 2006). Griffith et al. (2006) noted that social exchange theory consists of certain propositions that outline the idea of social exchange. Fundamental to social exchange theory is the proposition which assumes that for all interactions, the more often a member's action is rewarded, the more likely it will be that the member will perform that action again. In addition, the more valuable the result of an action is to a member, the more likely it will be that the exchange member will perform that action again (Blau, 1964). Conversely, in cases where an exchange member's action does not result in the expected reward, the exchange member will be likely to not perform that action again (Homans, 1974). Finally, when exchange members choose between actions, they will choose for the alternative of which the value of the reward multiplied by the probability of receiving the reward is the greatest (Griffith et al., 2006). Rewards that result from interaction with others are calculated based on both short-term and long-term, and implicit and explicit rewards (Lind & Tyler, 1988). Social exchange rewards however are difficult to calculate, as they cannot be expressed in numbers within an exchange, thereby making them difficult to evaluate (Masterson, Lewis, Goldman, & Taylor, 2000). From a social exchange theory perspective, suppliers that invest in knowledge to improve their products in order to contribute to the objectives of public organizations, also expect a reward for their efforts. However, governments and public organizations are limited in deciding which and to what extent suppliers will be rewarded. This implies that relational mechanisms develop differently in buyer-supplier relationships in a public environment.

2.1.2 Relational norms

In social exchange theory, relational norms are defined as "shared values and expectations between exchange partners about what constitutes appropriate or inappropriate behaviour in their relationship" (Joshi & Arnold, 1997, p. 827). They are explicit or tacit mutually agreed upon behavioural rules that are developed over time as exchange partners interact with each other (Blau, 1964; Homans, 1958; Thibaut & Kelley, 1959) and serve as a significant governing mechanism in social exchange relationships (Blau, 1964; Homans, 1958). Relational norms are multi-dimensional and consist of "solidarity (common responsibilities and interests), mutuality (mutual benefit and trust), flexibility (good faith modification), role integrity (dyadic roles extend beyond transactions), and harmonization of conflict (attempt to reach mutually satisfactory compromise)" (Gundlach, Achrol, & Mentzer, 1995; Hawkins et al., 2008, p. 903). Relational norm reduce uncertainty and increase the efficiency of relationships as exchange partners mutually agree on behaviour rules and the way in which they interact with each other. Thus, both weaker and stronger exchange partners benefit from the development of relational norms, as they serve as a means to control the way in which they interact without using formal contracts or legal mechanism (Lambe, Wittmann, & Spekman, 2001; Thibaut & Kelley, 1959). However, relational norms are only permitted in public procurement as long as they do not collide with European public procurement regulations. This suggests that relational norms are partly predetermined to a certain extent when

public organizations interact with suppliers. As such, a misalignment of relational norms may be a possible driver of tensions between public organizations and their suppliers.

2.1.4 Opportunism and bounded rationality

Opportunism plays an important role in the exchange process between firms (Hawkins et al., 2008). Research on opportunism is primarily approached from a social exchange theory and transaction cost analysis perspective (Lai, Liu, Yang, Lin, & Tsai, 2005). Two concepts, bounded rationality and opportunism, are key assumption in transaction cost analysis. Bounded rationality assumes that a person cannot have information about everything, which limits a person's cognitive ability (Williamson, 1981). This lack of information and deficiency in a person's cognitive ability means that contracts cannot always be complete and decision-makers within a firm do not always act in the firm's best interest (Rindfleisch & Heide, 1997), which leaves room for opportunistic behaviour. Opportunism can be defined as "self-interest seeking with guile" (Williamson, 1985, p. 47). The opportunism assumption in transaction cost analysis assumes that when individuals get the opportunity to profit from it, they will show opportunistic behaviour (John, 1984). Hawkins et al. (2008) identified dependence, low relational norms, formalization and uncertainty as key antecedents to opportunistic behaviour. Dependence exist when the potential rewards in a relationship cannot be found in other relationships (Lambe et al., 2001; Thibaut & Kelley, 1959). Joshi and Arnold (1997) found that dependence is positively related to opportunism when relational norms are low and that dependences decreases opportunism under conditions of high relational norms. In other words, relational norms serve as a guideline for exchange partners and reduce the threat of opportunistic behaviour (Lambe et al., 2001). Relationship formalization refers to the administration and control of activities, processes, outputs and obligations of firms in an exchange relationship (Gilliland & Manning, 2002). Finally, uncertainty is positively related to opportunism as changing circumstances that are not governed by the contract invite opportunistic behaviour (Joshi & Stump, 1999; Lee, 1998; Sako & Helper, 1998; Schilling & Steensma, 2002). As these antecedents of opportunism (e.g. low relational norms, dependence, and uncertainty) are likely to be present in the relationships between public organizations and suppliers, there is a continuous threat of opportunistic behaviour of one or both of the exchange partners.

Conversely, trust between firms is likely to increase as the length of the relationship increases (Sako & Helper, 1998). In addition, research has shown that a history of cooperation between firms tends to reduce fear from opportunism (Parkhe, 1993). Repeated interactions therefor enable firms to develop mutual trust and rely less on formal contracts to ensure that the desired performance level will be achieved (Zaheer & Venkatraman, 1995). On an individual level it is suggested that a history of interactions provides information and knowledge of an individuals' behaviour, which for social, psychological and economic reasons reduces the likelihood of opportunistic behaviour (Hoetker, 2005). Foss (2001) argued that past interaction situations play an important role in forming expectations about others' behaviour and choosing an appropriate approach in a changed and less familiar situation (e.g. the shift from a cooperative relationship to a competitive relationship). Furthermore, as trust develops as a result of repeated interactions, trust becomes institutionalized between organizations, even if there are changes of individuals involved (Zaheer, McEvily, & Perrone, 1998). However, within a public procurement, long-term and continuous relations with suppliers are exceptional. As such, it can be argued that trust between public organizations and suppliers is difficult to establish.

2.1.5 Power and dependence

It is argued that asymmetric and unbalanced power in a relationship can be a highly detrimental factor in interfirm relationships (Johnsen & Lacoste, 2016). Power balance in relationships is closely related to dependence. Zhuang and Zhou (2004) argued that dependence comes before power, as actors do not have a choice in becoming dependent, while dependency of one actor provides another actor with power. When a dominant actor has power over an actor with less power, it means that the actor with less power is dependent from the dominant actor (Emerson, 1962). In relationships where asymmetric power and dependence are present, the relationship will not only be more difficult to manage, but the dependent firm will also have greater difficulty to achieve its goals (Easton, 2002; Munksgaard, Johnsen, & Patterson, 2015). Using power to dominate and control another actor in a relationship will result in a decrease of trust and a weakened collaboration between actors (Kähkönen, 2014). Some researchers even refer to power as a “relationship killer” (Golicic & Mentzer, 2005). For example, power can result in opportunistic behaviour and has the potential to destroy relational resources which are necessary to build strong collaborative relationships (Maloni & Benton, 2000). Power imbalance also gives the dominant actor a greater availability of possibilities, which negatively influences cooperation with the less dominant actor (He, Ghobadian, & Galleary, 2013). Furthermore, unbalanced power will also have an effect on value sharing, as the dominant actor will attempt to capture the largest part of the created value (Duffy & Fearn, 2004). This means that the balance of power between buyer and supplier has a significant influence on who appropriates value in vertical relationships (Johnsen & Lacoste, 2016).

2.1.6 Justice

From a social exchange theory perspective, research on social and economic policies provide valuable insights on the developments of supply chain relationships (Griffith et al., 2006). As exchange is considered to be a tool in managing relationships, the more powerful actor in the relationship can force other actors to comply with its demands (Grienberger, Rutte, & van Knippenberg, 1997). For example, if the buying firm is the more powerful actor in a buyer-supplier relationship, it gives the buying firm the opportunity to establish and implement social policies, economic policies, and reward policies. In order to effectively manage relationships, firms can use their power to stimulate relational attitudes and behaviours (Masterson et al., 2000). Griffith et al. (2006) applied social exchange theory and showed that relational attitudes and behaviours can be stimulated by managing the perceived justice in a relationship.

Justice is considered to be a subjective concept (Luo, 2007b). In this context, literature distinguishes between distributive justice and procedural justice (Griffith et al., 2006; Liu, Huang, Luo, & Zhao, 2012). Distributive justice (Homans, 1961) refers to the extent to which actors perceive fairness in the distribution of benefits considering their contribution, commitment and responsibility in the interactions (Kumar, Scheer, & Steenkamp, 1995; Luo, 2007b). Therefore, Buyers and suppliers have more confidence in a fair distribution of future benefits when they perceive distributive justice to be high (Luo, Liu, Yang, Maksimov, & Hou, 2015). Distributive justice is thus viewed as an economic policy in supply chain management (Griffith et al., 2006). Actors in supply chain relationships are willing to accept skewed distributions of benefits on the short term as long as the overall outcomes of the relationship are perceived as beneficial. However, actors are not willing to accept negative outcomes of the relationship on the long term, which can eventually result in the deterioration of the relationship (Griffith et al., 2006).

Procedural justice (Thibaut & Walker, 1975) refers to the fairness of the process. It refers to the perceived justice and fairness of decision-making in procedures and processes and the attitudes of actors that are involved in those decisions or affected by those decisions (Korsgaard, Schweiger, &

Sapienza, 1995). Moreover, procedural justice is viewed as a social policy in supply chain management (Griffith et al., 2006). Procedural justice suggest that low perceived procedural justice will likely result in lower satisfaction and resentment in the buyer-supplier relationship (Griffith et al., 2006).

2.2 Relationship value, relationship quality and relationship coordination

2.2.1 Defining value

Many suppliers are increasingly looking for ways to differentiate themselves from other suppliers (Vandenbosch & Dawar, 2002). Consequently, suppliers need to find new ways how they can create and deliver value to buying firms (Ulaga & Eggert, 2006). Indeed, Anderson (1995) noted that the creation and sharing of value can be seen as the *raison d'être* of buyer-supplier relationships. This paper adopt the definition of value as conceptualized by Ulaga and Eggert (2006), who identified four characteristics of the value concept. First, 'value is a subjective concept' (Ulaga & Eggert, 2006, p. 314). As value is perceived as a subjective construct (Kortge & Okonkwo, 1993), the same product may be valued differently by different buyers (Ulaga & Eggert, 2006). It may even be the case that different buyers within the same organization perceive the supplier's value differently (Perkins, 1993). This may especially be the case in organizations where buyers have different roles and responsibilities within the organization (Robinson, Faris, & Wind, 1967; Webster Jr & Wind, 1972). Second, value is 'conceptualized as a trade-off between benefits and sacrifices' (Ulaga & Eggert, 2006, p. 314). This means that value is defined as the buyer's perception of value, which is a trade-off between benefits and sacrifices related to the supplier's offer (Monroe, 1979; Zeithaml, 1988). Third, these 'benefits and sacrifices can be multi-faceted' (Ulaga & Eggert, 2006, p. 314). For example, benefits consist of economic, technical, service and social benefits (Wilson & Jantrania, 1994), while sacrifices for example consist of monetary (Anderson, Jain, & Chintagunta, 1992) and relationship related costs (Groönroos, 1997). Finally, 'value perceptions are relative to competition' (Ulaga & Eggert, 2006, p. 314). This means that value of a supplier is always viewed in relation to the value of other suppliers. This definition of value implies that different actors within a buying firm may have different perceptions of the same supplier or product. These different perception may explain why decisions of different managers within a public organization. Consequently, these different perceptions may lead to contradicting attitudes and behaviour, which may negatively impact the buyer-supplier relationship.

2.2.2 Relationship quality

Literature on business relationships conceptualize relationship quality as a higher-order construct in which trust and commitment play a key role (Hewett, Money, & Sharma, 2002; Hibbard, Kumar, & Stern, 2001). Indeed, trust plays an important role in buyer-supplier relationships (Blau, 1964; Homans, 1958; Morgan & Hunt, 1994; Ulaga & Eggert, 2006). Moreover, Wilson (1995) referred to trust as a fundamental relationship building block that is included in most relationship models. Morgan and Hunt (1994, p. 23) noted that trust exists when exchange partners have confidence in each other's reliability and integrity. In the context of industrial buyer-supplier relationships, Doney and Cannon (1997) defined trust as the perceived credibility and benevolence of an exchange partner. Credibility refers to an expectancy that exchange partners can rely on each other's word or written statement (Lindskold, 1978). Benevolence refers to the extent that exchange partners are interested in each other's welfare and the extent to which they are motivated to create value together (Ulaga & Eggert, 2006). The development of trust is an important factor in social exchange theory because it allows firms to move from a relationship based on discrete transactions to a relationship based on relational exchange (Lambe et al., 2001). Commitment also plays an important role in buyer-supplier relationships and is significantly and positively related to trust (Morgan & Hunt, 1994). Moorman, Deshpande, and Zaltman (1993, p. 316) defined commitment as "an enduring desire to maintain a valued relationship." Morgan

and Hunt (1994, p. 23) gave a slightly different definition and defined commitment as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely.” Considering that trust and commitment are closely related, they are both difficult to establish in a public procurement environment. Moreover, suppliers may commit to public organization, but public organizations cannot commit to private firms due to European public procurement legislation. It can therefore be argued that it is extremely difficult to establish high relationship quality between buyers and suppliers in a public procurement environment.

2.2.3 Relationship coordination

Coordination of inter-firm relationships refers to the way in which contributions of firms are brought together and how interdependencies are being actively managed while working towards common goals (Astley & Fombrun, 1983). Okhuysen and Bechky (2009) discussed five different types of coordination mechanisms: plans and rules, objects and representations, roles, proximity and routines. Plans and rules are coordination mechanisms that focus on the purpose of formal organizations (March & Simon, 1993; Scott & Davis, 2015). Rules can also enable coordination by specifying the decision-making process. Specifying rules on how decisions are made has implications for how easily agreements are reached and how activities can be effectively coordinated (Falk, 1982). Objects and representations provide information and have a coordinating function and serve as a common reference point that people use when they interact, align activities and develop a shared meaning (Okhuysen & Bechky, 2009). Roles reflect behavioural expectations that are linked to specific positions. It is important to know which tasks are associated with certain roles, because it enables better coordination. Negotiating behavioural expectations that are associated with roles enables people to behave as is expected from them (Okhuysen & Bechky, 2009). Roles are not static and can be dynamically structured, because expectations can be negotiated in interaction (Turner & Turner, 1991). Proximity refers to the amount of interaction, communication and familiarity. Proximity enables coordination (Okhuysen & Bechky, 2009) and higher levels of cooperation (Uzzi, 1997). Indeed, partners with close proximity are likely to share similar values and beliefs (DiMaggio & Powell, 1983; Mariani, 2016). Routines are defined as “repeated patterns of behaviour that are bound by rules and customs” (Feldman, 2000, p. 611). Routines can also serve as a coordination mechanism and can help establishing a common perspective on how work should be done (Okhuysen & Bechky, 2009). All together, these coordination mechanism may help buyers and suppliers to coordinate their activities. By actively coordinating the buyer-supplier relationship, firms may be better able to develop a successful working relationship.

2.3 Innovation in Public Procurement

2.3.1 Defining innovation in public procurement

Literature on public procurement distinguishes between so called ‘normal’ procurement and public procurement of innovation. While normal procurement refers to a situation where public organizations buy off-the-shelf products which do not require research and development (Uyarra, 2010), public procurement of innovation has been defined as “the purchase of goods or services that do not yet exist” (EC, 2005a). It is however argued that this definition of public procurement of innovation is too R&D- and technology-oriented, which may possibly exclude more common forms of innovation that result from the recombination of existing products, innovation in the delivery of existing products or services, or innovations in processes (Uyarra & Flanagan, 2010). By adopting a broader definition as suggested by Uyarra and Flanagan (2010), it makes it possible to examine the influence of procurement decisions on more common forms of innovation. Therefore, this study adopts the broader definition of public procurement of innovation.

2.3.2 Capturing innovation through public procurement

There are four dimensions that foster the development of innovation in firms: the awareness of innovative opportunities, the capabilities to seize innovative opportunities, the resources available to innovate and the extent to which innovative solutions are rewarded (Metcalf & Georgiou, 1997). Procuring organizations can influence innovation in different ways, for example by creating a level playing field through tendering procedures (Uyarra & Flanagan, 2010), by early supplier engagement, by managing supplier expectations and by ensuring transparency and accessibility of procurement procedures (Uyarra, 2010). However, literature on public procurement of innovation proposes different barriers to capturing innovation through public procurement (Uyarra, 2010). Lack of skills of procurers, lack of interaction between procurers and suppliers, overly prescriptive procurement processes and risk aversion are considered to be key barriers to innovation (Uyarra, 2010; Uyarra et al., 2014). In addition, procurers' expertise is needed to effectively understand and interact with the market and close and early engagement with suppliers provides buyers with the possibility to access industry knowledge that is not available in-house, which can be used to formulate better contract specifications (Uyarra, 2010). Furthermore, procurers have a significant influence on innovation, as suppliers and the supply chain will respond to signals of the demand of public organizations. If public organizations position themselves as a demanding and intelligent buyer rather than focussing on the cheapest solution, suppliers will respond with innovative solutions (Uyarra, 2010). In this context, the development of innovative solutions is more difficult when specifications are made too rigid and too narrow than when specifications are based on performance or outcomes. In other words, too much rigidity limits the market to come up with innovative solutions (Uyarra, 2010). Inertia within public organizations prevents procurers to use outcome based specifications. In addition, a risk averse culture can also be a barrier for the development of innovative or creative solutions (Uyarra, 2010). This implies that public organizations may not be able to capture the full potential of innovation through procurement (Uyarra et al., 2014). In addition, suppliers may not see public organizations as intelligent and demanding customers, which may further explain why public organizations fail to capture the full potential of innovation in public procurement (Uyarra et al., 2014). This paper suggest that when public organizations fail to recognize and capture potential innovative solutions, it may lead to frustration of innovative suppliers, because they may perceive that there is no room for innovation within public procurement procedures.

2.4 Coopetition in buyer-supplier relationships

2.4.1 Coopetition in a buyer-supplier context

Literature distinguishes between vertical and horizontal coopetition. Horizontal coopetition refers to cooperation between competitors that operate in the same product market (Kylänen & Rusko, 2011). For example, a horizontal coopetitive relationship developed when Samsung and Sony, two rival firms that compete in the same product market, started cooperating to develop and manufacture flat-screen LCD TV panels, which put the firms in a cooperative and a competitive relationship at the same time (Gnyawali & Park, 2011). Vertical coopetition refers to coopetition between buyers and suppliers (Lacoste, 2012). Lacoste (2012, p. 654) defined the vertical coopetition continuum as "starting from price competition to a strong form of cooperation." A vertical coopetitive relationship develops when a buyer and supplier that cooperate to create value, start competing to appropriate a larger part of the value share or of if their competitive goals start to overlap (Luo, 2007a).

Although most literature on coopetition focusses on horizontal coopetition, Bengtsson and Kock (2014, p. 180) formulated a new definition: "coopetition is a paradoxical relationship between two or more actors, regardless of whether they are in horizontal or vertical relationships, simultaneously involved in cooperative and competitive interactions." This paper distinguishes between two types of vertical

competition: 'direct vertical coopetition' and 'indirect vertical coopetition.' Direct vertical coopetition is present when buyers and suppliers directly compete with each other over the same work. Indirect vertical coopetition is present when buyers use competition among suppliers to appropriate a larger part of the value share. For example, Danone, Henkel and Nestle sought a cooperative relationships with their suppliers in the consumer packaged goods market, while at the same time setting up electronic market places, which included electronic auctions and transactional tools, to ensure price competition among suppliers in order to appropriate a larger part of the value share (Lacoste, 2012).

2.4.2 Coopetitive tensions as a result of the coopetitive paradox

Firms that execute coopetitive strategies can benefit from both cooperative advantages and competitive advantages (Le Roy & Czakon, 2016). However, coopetition is perceived to be contradictory because of the contradiction of joint value creation on the one hand, versus value appropriation on the other hand (Brandenburger & Nalebuff, 1996a). As cooperation and competition, two contradictory yet interrelated concepts, are combined, they form a paradox (Lewis, 2000). This paradox may result in tensions. Indeed, tension is defined as "...two co-existing contradictory forces with conflicting goals" (Fang, Chang, & Peng, 2011, p. 774). Tensions in coopetitive relationships may also rise when firms share knowledge to create shared benefits, while simultaneously attempt to exploit each other's knowledge to create benefits for themselves (Hamel, Doz, & Prahalad, 1989; Khanna, Gulati, & Nohria, 1998). Another tension may rise from differences in short-term and long-term orientations, as some firms seek cooperation from a long-term orientation, while other firms seek short-term gains and show opportunistic behaviour (Das & Teng, 2000). Opposing forces that arise from the tension between cooperation to create value (pie expansion) and competition to appropriate value (pie sharing) (Bengtsson & Kock, 2000; Gnyawali & Park, 2011; Walley, 2007) make it extremely challenging to manage the tensions between coopetitive forces (Gnyawali, Madhavan, He, & Bengtsson, 2012; Lewis, Welsh, Dehler, & Green, 2002). Actors that are involved in coopetitive relationships experience tensions that arise from the coopetitive paradox (Gnyawali & Park, 2011), so tensions form an integral part of coopetition (Das & Teng, 2000). These tensions can be very strong and could put effective coopetition at risk (Bonel & Rocco, 2007) and could aggravate or break up a relationship (Fang et al., 2011). Raza-Ullah et al. (2014) therefore argued that coopetition should be approached and understood using a paradox lens.

2.4.3 Coopetitive tensions at different levels

Coopetition is present at different levels and can create tensions between and within firms (Le Roy & Czakon, 2016). In order to manage tensions, it is important to understand coopetition at different levels (Bengtsson & Kock, 2014). Bengtsson, Raza-Ullah, and Vanyushyn (2016) distinguish between external and internal tensions in coopetition. External tension refers to the extent to which firms experience difficulty when they simultaneously engage in cooperative and competitive activities (Bengtsson et al., 2016). It includes the tension between value creation and value appropriation (Gnyawali et al., 2012). Moreover, firms find it difficult to cooperate with another firm in order to create value, while at the same time competing to optimize their value share (Brandenburger & Nalebuff, 1996b). Another source of external tension lies in the transfer and control of knowledge between firms. Firms experience difficulty in balancing between sharing and protecting knowledge (Bengtsson et al., 2016; Li & Ferreira, 2008). External tensions can also rise when firms have different strategies, goals or priorities, which can result in managers having different mindsets and behaviours, leading to disagreements between firms (Fernandez, Le Roy, & Gnyawali, 2014). Internal tension, on the other hand, refers to the extent to which actors experience tensions within a firm (Bengtsson et al., 2016). For instance, tensions may rise between different business units within a firm (Luo, Slotegraaf, & Pan, 2006). Bengtsson et al. (2016) argued that literature on coopetitive tensions overlooks one critical implication. They argued that actors

within firms might have different or even conflicting opinions on the benefits of cooperating or competing with another firm. These different or conflicting opinions may lead to increased frustration and tensions within the firm, as actors within a firm have different opinions on strategic decisions made by senior managers (Bengtsson et al., 2016). Another source of internal tension may rise when employees have difficulties adapting to changing relationships. Employees may perceive cognitive tensions when they have to cooperate with competitors or when they have to compete with a partner. If employees are used to treat a firm as a partner, they will have to act differently when that partner also becomes a competitor (Fernandez et al., 2014). This study suggest that when these internal tensions occur, they will be reflected in conflicting decisions of actors within the buying firm. These conflicting decisions may negatively influence the buyer-supplier relationship, which can lead to performance deficiencies and may undermine the long-term strategic goals of the buying firm.

3. METHODOLOGY

3.1 Case study

Concerning the case selection for building theory, theoretical sampling of single cases is chosen because of their revelatory and extreme nature, which can provide useful opportunities for accessing knowledge that is difficult to access otherwise (Yin, 2013). Although it is often suggested that single cases should be representative to ensure generalizability, the rationale behind theoretical sampling is that cases are chosen because they are suitable for revealing relationships and logic behind constructs. Moreover, single-case research provides researchers with opportunities to explore constructs under rare or extreme circumstances (Eisenhardt & Graebner, 2007). Considering the extreme circumstances of the buying organization in case study, it is highly plausible that this case study will lead to clear results on how tensions in public procurement develop.

3.2 Research design

As the aim of this study is to observe how tensions within buyer-supplier relationships develop, the research strategy of this study involves the use of a case study to build theory from empirical evidence (Eisenhardt, 1989). The basic idea is to use a case study as basis to develop inductive theory, which is developed from observing a case and recognizing patterns and underlying mechanisms of relationships among constructs (Eisenhardt & Graebner, 2007). Building theory from cases can develop accurate and interesting theory, which can also be tested in practice (Eisenhardt & Graebner, 2007). More specifically, this study develops theory on buyer-supplier interactions that can be tested by other procurers in other public organizations.

This study proposes a theory-driven research question that extends the existing literature on social exchange theory and coopetition in public procurement. In order to offer deep and valuable insights into complex mechanisms, the research question of this paper is tightly scoped to the context of existing literature (Eisenhardt & Graebner, 2007). More specifically, in order to understand the complex mechanisms of interaction between buyers and suppliers in the public sector, the research question of this study is tightly scoped to existing literature on coopetition, while qualitative data offer insights into complex mechanisms of buyer-supplier interactions in public procurement.

3.3 Data collection

Conducting interviews can provide rich empirical data. However, the data gathered with interviews can be biased, because of impression management and retrospective sense making (Eisenhardt & Graebner, 2007). As such, interviewees from this case study are still involved in the buyer-supplier relationship that has been examined in this research. Past event may have an influence on the interviewees' perceptions of the buyer-supplier relationship. Eisenhardt and Graebner (2007) argued that a careful data collection approach can limit the bias of interview data. They argued that a key approach is to interview a number of highly knowledgeable informants who have a different perspective on the phenomenon and constructs that are being examined. These can include informants from different hierarchical levels, from different groups, who have different functions. In addition, many scholars that research buyer-supplier relationships agree that both the buyer perspective as well as the supplier perspective should be studied in order to get a better and deeper understanding of buyer-supplier relationships (Oosterhuis, Molleman, & van der Vaart, 2013). John and Reve (1982) argued that obtaining measures about the buyer-supplier relationship from only the buyer or the supplier does not give a valid assessment of the dyadic buyer-supplier relationship. Therefore, in order to increase data reliability, obtain a valid assessment of the buyer-supplier relationship, and limit bias of data collected using semi-structured interviews, people from different functional areas, with different positions, with different perspectives on the buyer-supplier relationship have been interviewed for this study. In total

there have been seventeen informants interviewed, which include managers, purchasers, project leaders and engineers from both the buying firm as the supplying firm. In addition to direct semi-structured interviews, secondary sources in the form of documents have been made available by the companies (e.g. strategy formulation and tender documents). The researcher also had the possibility to have informal chats with different employees of the buying firm and has been given the possibility to attend different meetings in order to observe internal processes. This use of primary sources and secondary sources assures triangulation of data and increases construct validity (Eisenhardt, 1989).

The semi-structured interviews focussed on the following concerning the buyer-supplier relationship:

- Identifying and describing the development of the buyer-supplier relationship by asking questions about trust, opportunism, common goals, perceived justice, reciprocity, interdependence and power asymmetry.
- Understanding the development of the relationship by asking questions about how patterns of events, activities, choices, decisions and procedures impact the development of the buyer-supplier relationship.
- Understanding how relational and historical factors influence tension in the cooperative buyer-supplier relationship by asking questions on the impact of relational and historical factors on the buyer-supplier relationship.
- Understanding and identifying drivers of tension in the buyer-supplier relationship by asking questions on the rationale behind certain choices and activities.
- Understanding and identifying underlying mechanisms that influence the strategy of the buying firm by asking questions on how the buying firm perceives the added value and impact of the supplier on the performance of the buyer.
- Understanding and identifying how perceived added value plays a role in the development of a buyer-supplier relationship by asking question on how the purchased product determines the relationship form.
- Obtaining suggestion on how to manage the buyer-supplier relationship by asking the interviewees questions on potential future directions and possible short- and long-term improvements in the buyer-supplier relationship.

3.4 Data analysis

All interviews have been transcribed by the researcher within 48 hours and have been sent back to the interviewee for validation of the transcript. In addition, interviewees were given the possibility to comment on the transcript in order to make sure the data was correct. Data of each interview was coded using qualitative data analysis software ATLAS.ti, which made it possible to code data in an efficient and structured way. Open coding involves breaking down data into distinct units of meaning (Goulding, 2002). First, each interview was separately analysed. The coding process made it able to expose thoughts, ideas and meanings in the text (Strauss & Corbin, 1998). The coding process enables the development of pattern codes in the data, which gives more meaning to the constructs (Strauss & Corbin, 1998). Subsequently, codes were clustered and causal relationships between the constructs could be identified, which provided the basis for the application of narrative (Langley, 1999; Pentland,

1999). The identified causal relationships are linked back to existing literature, moving from the analysis of empirical data back to the theory-driven research question. This process made it possible to connect empirical data to existing theory and extend the existing literature on tensions in buyer-supplier relationships in a public environment.

4. SOCIAL EXCHANGE MECHANISMS IN PUBLIC PROCUREMENT

4.1 Mutual expectations in relationships with high relational embeddedness.

Cooperation between buyers and suppliers based on value creation and value-sharing generates relational benefits (Anderson & Narus, 1991). Trust between buyers and supplier shapes relational embeddedness, which is conceptualized by Lawson, Tyler, and Cousins (2008) as a number of activities that reflect close working practices between buyers and suppliers. As such, relational embeddedness between firms are produced and governed by relational trust and relational norms that focus on mutual gain and reciprocity, which are developed through a history of repeated interactions over time (Granovetter, 1985; Larson, 1992; Powell, 1990). As relational trust develops, firms also become more dependent from each other (Larson, 1992). Indeed, inherent to trust is the acceptance of vulnerability (Sako & Helper, 1998; Zaheer et al., 1998). In addition, there is a possibility that trust develops inappropriate ties between firms, which may have negative outcomes for both buyers and suppliers (Day, Fawcett, Fawcett, & Magnan, 2013). For instance, relational embeddedness between firms may prevent firms from capitalizing opportunities for leveraging relationships or may prevent firms from monitoring competitive alternatives (Rowley, Behrens, & Krackhardt, 2000). Moreover, inappropriate ties and trust may result in non-optimal outcomes because of firms suffering from relationship constraints (Bendoly & Swink, 2007; Gargiulo & Benassi, 2000; Uzzi, 1997).

In this case study, interviewees from the buying firm acknowledged that they benefitted from the knowledge and experience of the supplying firm. However, they expressed that they experience difficulties in maintaining a cooperative relationships with the supplier. They argued that there is a tension that rises from the fact that both firms on the one hand wish to intensify cooperation, while on the other hand the buying firm is obliged to follow European public procurement legislation when they procure goods, services or public works. Interviewees from the buying firm stated that European public procurement legislation limit the buying firm's possibilities to engage in cooperative relationships, as European public procurement legislation focuses on promoting fair competition among suppliers while at the same time ensuring public procurement principles of non-discrimination, transparency and proportionality. Interviewees from the buying firm therefore experience difficulties in maintaining strong ties with the supplier.

This meant that projects above a certain threshold increasingly started to be awarded to the most competitive bidders in a tender procedure. Data from the interviews with the supplier showed that supplying firm was not used to strong competition from other suppliers. Indeed, the supplier was used to get a project almost automatically, without putting much effort into getting the project. As a result of European public procurement legislation, the supplier was forced to show more effort and started to compete with other suppliers in order to get the project. Over time, the buyer-supplier relationship made a transition from a cooperative relationship with strong relationship ties, to a cooperative relationship with increasingly more competitive elements and less relationship ties.

This changing relationship from cooperative relationship with high relational embeddedness to a relationship with more competitive elements had significant implications for the buyer-supplier relationship. Incorporating more competitive elements in the relationship enabled both firms to optimize their activities and performance, thereby increasing value. However, by adding more competitive elements to the cooperative relationship, the supplier was forced to share a larger part of the pie, which put the relationship under pressure. Indeed, changing supply chain roles of firms in buyer-supplier relationships can create tensions, as firms have difficulty coping with changes in the upstream and downstream supply chain (Harland, Lamming, Zheng, & Johnsen, 2001). In addition, tension may rise when employees have difficulties adapting to changing relationships. The changing relationship

caused a situation where both exchange partners had different expectations from the relationship, which were no longer in line with the relational norms that were developed over time. More specifically, data from the interviews shows a mismatch between the buyer's and the supplier's mutual expectations from the relationship. The changed relationship resulted in the supplier getting less projects, leading to declining turnover, disappointment, frustration and decreased trust from the supplier's side.

Key observation: Through a history of close interactions between the buying and supplying firm in this case study, high relational embeddedness and relational norms developed in the buyer-supplier relationship. This relational embeddedness and relational norms resulted in the supplier having certain expectations from the buying firm. As the buying firm initiated a shift from a cooperative to a more competitive relationship, it resulted in a mismatch of mutual expectations in the buyer-supplier relationship. This development led to disappointment and frustration from the supplier, which resulted in increased tension in the relationship between the buyer and the supplier.

Proposition 1: When high relational embeddedness and high relational norms are present in a cooperative buyer-supplier relationship, a shift to a competitive relationship initiated by one of the exchange partners, without consent of its exchange partner, is likely to result in misalignment of mutual expectations from the relationship, which is a driver of tension between buyer and supplier.

4.2 Price-competition to counter perceived supplier opportunism.

Interaction between buyers and suppliers can create an environment of trust, which can reduce opportunism and transaction costs when there is information asymmetry (Erridge & Nondi, 1994). Although the buyer-supplier relationship of this case study is traditionally characterized as a cooperative relationship that builds on relational norms, the buying firm increasingly started implementing transactional elements to 'correct' the relational approach (Lacoste, 2012). Transactional elements are primarily implemented to counter supplier's opportunistic behaviour (Wathne & Heide, 2000). Buyers implement these kind of corrective elements in order to be sure that even though they commit to a supplier for a longer period of time, they will still receive the supplier's products for the most competitive price (Lacoste, 2012).

Apart from the buyer's obligation to execute European procurement procedures, the buying firm uses the tender to get the best possible deal which is in its best self-interest by letting suppliers compete among each other. This enables the buying firm to optimize its value share. Moreover, interviewees of the buying firm in this case study stated that the supplier tends to have high profit margins and interviewees of the buying firm therefore perceive that the supplier shows opportunistic behaviour by appropriating a large share of the value in their offers. An interviewee from the supplying firm confirmed that the buying firm perceives the supplier's offers as an attempt to appropriate a large part of the value share.

Although cooperation with a focus on expanding the pie results in value creation for both firms in a buyer-supplier relationship, buyers do not want to hand in a part of the value share to the supplier at their own expense. Bounded rationality plays an important role here, as buyers do not have all price information about the supplier's offers. As such, the buyer will make sure that it appropriates the largest proportion of the increased value that has been created through cooperation in the supply chain (Lacoste, 2012). Lacoste (2012) argued that buyers apply new forms of vertical exchanges with their suppliers, which combines competitive elements with cooperation. In this case study, the buyer perceived that the supplier often has high profit margins, which are reflected in an offer that is above the market value. In order to counter opportunistic behaviour by the supplying firm, the buying firm used transactional elements in tender procedures to let suppliers compete among each other. Buying

firms apply these 'control mechanisms' to counter opportunistic behaviour of suppliers, which paradoxically increases the buyer's trust in their supplier, as buyers believe that the control mechanism ensures that the buyer captures the best value for money (Lacoste, 2012). In addition, the corrective competition mechanism allows the buyer to determine the market value. Thus, in this case study, a price-focused tender is used by the buying firm to correct for the risk of opportunism (i.e. high value appropriation) of the supplier (Lacoste, 2012).

Key observation: The buying firm in this case study perceived that the supplier's price offers are relatively high in relation to other suppliers. As such, the buying firm perceived that the supplier attempts to appropriate a large part of the value share. The buying firm therefore perceived opportunistic behaviour of the supplier, which resulted in distrust from the buying firm. The buying firm in this case study increased competition and applied transactional control mechanisms to correct for the risk of opportunism of the supplier.

Proposition 2: *Perceived supplier opportunism caused by relative high price offers is likely to result in the buyer to apply transactional control mechanisms in order to correct for the risk of supplier opportunism.*

4.3 Supplier's low perceived reciprocity and low perceived distributional justice

Trust between firms plays an important role of social exchange, because social exchange is governed by social obligations instead of formal contracts (Blau, 1964). In this context, it is suggested that when an actor provides another actor with a benefit, the other actor is expected to reciprocate that benefit at a later time. Moreover, mutual reciprocation of benefits through repeated interactions over a longer period of time creates an environment of trust (Blau, 1964; Homans, 1958). As such, it is argued that trust between exchange partners also creates obligations between exchange partners (Lambe et al., 2001). Chin, Chan, and Lam (2008) argued that trust in a relationship also enables firms to achieve successful cooperation. Indeed, trust enhances cooperative behaviour (Bengtsson, Wilson, Bengtsson, Eriksson, & Wincent, 2010; Doney & Cannon, 1997; Li & Ferreira, 2008), exchange of information (Morris, Koçak, & Özer, 2007) and knowledge (Uzzi, 1996). On the contrary, Osarenkhoe (2010) argued that distrust may hinder effective cooperation. In cooperative relationships, trust relates to a firm's perception of the extent to which another firm put its own interest before mutual interest (Morris et al., 2007).

In this case study, interviewees from the supplying firm stated that they are willing to put much effort in servicing the buyer, but at the same time expressed that they expect to be rewarded for their effort. Interviewees from the supplying firm stated that they do not perceive to be adequately rewarded for their efforts, which causes a feeling of underappreciation.

Literature suggests that trust significantly contributes to the commitment level of an exchange partner (Blau, 1964; Homans, 1958). From a social exchange theory perspective, there exists a causal relationship between trust and commitment, which result from the principle of generalized reciprocity: "mistrust breeds mistrust and as such would also serve to decrease commitment in the relationship and shift the transaction to one of more direct short-term exchanges" (McDonald, 1981, p. 834). Literature also suggests that mutual commitment is essential to the success of social exchanges, because commitment ensures that partners will sufficiently commit to the relationship, which is necessary to achieve the desired performance outcomes (Dwyer, Schurr, & Oh, 1987; Ganesan, 1994).

In this case study, interviewees from the supplying firm expressed that they perceived that the buyer did not sufficiently reward the supplier for the information and knowledge that was shared with the

buyer. Moreover, the supplier perceived low distributive justice, which negatively influences supplier's trust in the buying firm. As a result of the perceived low distributional justice, the supplier also started becoming less committed to the relationship.

Key observation: Employees at the supplying firm perceived that they were not sufficiently rewarded for their efforts to contribute to the performance of the buying firm. More specifically, they felt underappreciated because the buying firm did not reciprocate adequately. Therefore, the supplier perceived low reciprocity and low distributional justice, which led to decreased trust and decreased commitment of the supplier to the relationship. This resulted in the relationship falling into a downwards spiral, which dissatisfied both the buyer and the supplier and negatively influenced the buyer-supplier relationship.

Proposition 3: When the supplier perceives low reciprocity or low distributive justice, it negatively influences supplier trust and supplier commitment to the relationship.

4.4 Knowledge protection to counter perceived buyer opportunism

The collective use of shared knowledge to pursue common interests is an important factor in buyer-supplier relationships (Tsai, 2002). Since knowledge can be a firm's competitive advantage, the sharing of knowledge can add value to the relationship, which is a desirable outcome in relationships (Chin et al., 2008). From a cooperative viewpoint, knowledge sharing can benefit both firms in a relationship, as the sharing of knowledge has synergistic effects (Tidström, 2014). On the other hand, from a competitive viewpoint, the sharing of knowledge is related to situations where firms use the shared knowledge in its own interest (Khanna et al., 1998).

As cooperative relationships are involved in exchange of resources, it may create an opportunistic situation where the more powerful firm exploits the weaker firm's interests (Osarenkhoe, 2010). Lacoste (2012) discusses the paradoxical situation where information and knowledge is derived from the cooperative buyer-supplier relationship, while the same information and knowledge is used by the buyer to appropriate more value and increase its share of the pie. In other words, the relational approach can be used by the more powerful firm to reinforce competitive elements in the transactional approach (Lacoste, 2012).

Luo (2006) differentiates between strong opportunism and weak opportunism. Strong opportunism refers to actions and behaviours that violate explicit contracts and its terms, clauses and conditions, whereas weak opportunism refers to actions and behaviours that violate relational and social norms which are not explicitly included in the contract but rather embedded in a relationship. In this context, Luo (2006) noted that strong opportunism is better observable than weak opportunism, because strong opportunism includes the explicit violation of clear contracts, while violation of implicit norms is much more subtle and thus more difficult to observe. Countering weak opportunism is difficult, because the contract does not provide explicit measures against the violation of relational norms. In the case of weak opportunistic behaviour, it is much more difficult to repair violations because they are implicit, more subtle and less clear and the right remedies are usually not directly available.

In this case study, interviewees at the supplying firm perceived that the buyer derived information and knowledge from the relationship, which was used in calls for tenders without rewarding the supplier for delivering the information and knowledge. Interviewees from this case study explained that they perceived the buyer's behaviour as opportunistic behaviour.

An increased number of misinterpretations and conflicts can result in a situation where partner firms may become dissatisfied and limit information and knowledge sharing, which can eventually have a

negative impact on performance (Inkpen & Tsang, 2005). Misinterpretations and conflicts are also expected to negatively impact the buyer-supplier relationship. Indeed, Zaheer et al. (1998) found that the level of buyer-supplier conflict and performance are negatively correlated. Furthermore, increased tension can cause mistrust and ineffective communication between firms, which can lead to poor inter-firm coordination. In addition, firms might miss opportunities to share knowledge and miss opportunities to create synergistic effects (Gnyawali, Madhavan, He, & Bengtsson, 2016). As the supplier in this case study perceived that the buying firm showed opportunistic behaviour, the supplier becoming more reluctant to share information and knowledge with the buyer.

In this case study, the supplier perceived weak opportunism from the buying firm. The perceived opportunistic behaviour buy the buyer is however difficult to prove, as this form of opportunism is more subtle and thus more difficult to observe. This resulted in frustration and increased distrust from the supplier, which increased tension in the buyer-supplier relationship. As the supplier started losing trust in the buyer, it caused a situation where on the one hand the supplier wanted to share information and knowledge, while on the other hand wanted to protect information and knowledge as a result of the buyer's opportunistic behaviour. As interviewees from the supplying firm stated, they increasingly started protecting their knowledge in order to counter opportunism of the buying firm.

Key observation: Interviewees at the supplying firm stated that they perceived opportunistic behaviour of the buying firm in the form of inappropriate use of information and knowledge that was provided by the supplier. Perceived buyer opportunism resulted in the supplier starting to lose trust in the buying firm. The perceived buyer opportunism and the presence of distrust resulted in the supplier becoming less willing to share information and knowledge with the buying firm. More specifically, the supplier used information and knowledge protection to counter opportunistic behaviour of the buying firm.

Proposition 4: Perceived buyer opportunism caused by inappropriate use of supplier knowledge is likely to result in knowledge protection by the supplier in order to counter buyer opportunism.

5. EXECUTION OF PUBLIC PROCUREMENT PROCEDURES

5.1 Public procurement legislation may limit cooperation between buyer and supplier

The aim of European public procurement legislation is to ensure fair competition, lower failure costs, more interaction with the market, innovation, sustainability and value for taxpayers' money, while at the same time recognizing public procurement principles of non-discrimination, transparency and proportionality. At the same time, close and early engagement with suppliers enables buyers to access industry knowledge that they otherwise would not have access to. Buyers can use this knowledge to draw better tender specifications (Uyarra, 2010). However, lack of skills, risk aversion or too rigid application of public procurement procedures and practices may limit interaction and communication between buyers and potential suppliers (Erridge & Greer, 2002).

Following this reasoning, buying firms want to exploit relational benefits, while at the same time achieving the best possible price in the market. Lacoste (2012) argued that addition of a transactional elements to a cooperative relationship is used as a 'control mechanism' in buyer-supplier relationships. In other words, calls for tenders enable the buying firm to 'control' the relationship with the supplier (Lacoste, 2012). However, the difficulty in applying this strategy is that the cooperative relationship and the competitive relationship with the supplier are paradoxical. This means that the buying firm has to keep switching from applying a strategy that focusses on long-term relationships and joint value creation to a transaction-oriented strategy that focusses on appropriating the largest value share (Lacoste, 2012).

Although many interviewees from the buying firm stated that they would like to cooperate with the supplier, the interviewees also stated that European public procurement legislation forces them to apply competitive elements in the relationship with their suppliers in order to get the best possible offer from their suppliers. Thus, despite the rhetoric from people within the buying firm on how they want to cooperate with the supplier, they also stated that European procurement legislation forces them to ensure competition, which at the same time limits cooperation between buyer and supplier.

Furthermore, a possible consequence of application of European public procurement legislation is that the continuity of the relationship may be disrupted when a supplier loses a tender. From the buyer's strategic perspective, it can be difficult to manage the relationship with its supplier, because the relationship with the supplier might be jeopardized when a buying firm moves from one supplier to another supplier. Moreover, if a buying firm switches from its initial supplier to another supplier, it can lead to a situation where the initial supplier becomes demotivated, thereby running the risk to lose the expected relational benefits (Lacoste, 2014). Indeed, interviewees from the buying firm stated that application of public procurement legislation does not guarantee continuity in buyer-supplier relationships. In fact, the interviewees state that the supplier's offer determines the continuity of the relationship.

Although separate tender procedures make it difficult for firms to build long-term relationships, the interviewees of the supplying firm explicitly stated that they prefer to build a long-term relationship with the buyer in order to improve product performance.

In order to manage the dynamic interchange of partners without jeopardizing the trustworthiness of the buying firm, which is needed to keep suppliers involved in the relationship, the buying firm needs to possess certain capabilities (Bengtsson & Kock, 2014). Bengtsson and Kock (2014, p. 184) referred to this dynamic interchange process of partners as *"a 'dancing' strategy involving cognitions, emotions, and social behavior"* and noted that *"particular strategies are needed to manage the dance."* If these capabilities to manage the buyer-supplier relationships are not present, this might result in decreased trust from the supplier, which will negatively influence commitment to the relationship.

Key observation: Interviewees of the buying firm on the one hand stated that they would like to cooperate with their suppliers, while at the same time they stated that they viewed public procurement legislation as constraint for cooperation with suppliers. They noted that they had to strictly follow public procurement legislation, which tells them to ensure fair competition among suppliers. Consequently, they argued that they had difficulty in maintaining a long-term strategic relationship with their supplier.

Proposition 5: When procurers of public organizations fail to find creative ways of applying public procurement legislation, they are likely to experience difficulty in managing cooperative or strategic relationships with their suppliers.

5.2 Rigid and narrow tender specifications lead to low perceived procedural justice

The extent to which public procurement supports the development of innovative solutions is to a large extent dependent on the nature of tender specifications (Uyarra et al., 2014). Indeed, Edler et al. (2005) showed that innovation through public procurement depends on the way in which functional specifications are formulated and the skills of procurers to evaluate tenders. Procurers do not often review or consider the negative consequences (e.g. less innovation or higher costs) of the formulation of tender specifications (Uyarra et al., 2014). When tender specifications are outcome based, they better allow suppliers to propose innovative solutions (Geroski, 1990; Rothwell & Zegveld, 1981). Conversely, innovations are less likely to occur when tender specifications are made too rigid and narrow (Uyarra et al., 2014). Although procurers are increasingly becoming aware of the importance of outcome specifications, they are not commonly used for several reasons (Byatt, 2001). For instance, organizational inertia and transaction costs of change may prevent procurers to use outcome based specifications. Other reasons for not using outcome based specifications are that it is difficult and costly to develop additional requirements for tender evaluations and difficult to develop defensible evaluation criteria. Not using outcome based specifications may eventually constraint possibilities to develop innovative solutions and achieve cost savings (Uyarra, 2010).

In this case study, interviewees from the supplying firm expressed their frustration as a result of the buying firm's price-focused policies. More specifically, interviewees at the buying firm expressed that they perceived low procedural justice when they reviewed different tenders. Interviewees from the buying firm acknowledged that a too narrow formulation of tender specifications negatively influenced the relationship with the supplier.

The results from the case study showed that the interviewees of the supplying firm perceive that the focus of the tender is too much on price-competition. Because the supplier mainly focusses on adding value to the buying firm by 'doing things in a smarter and more efficient way', a situation rises where the supplier becomes unable to compete with other suppliers on price, which directly affects the supplier's turnover. Interviewees from the supplying firm implied that they perceive low procedural justice as a result of the price-focus of tender procedures, while subjective factors (e.g. experience or innovation) play a smaller part in the award criteria of tender procedures. Data showed that the supplier's low perceived procedural justice resulted in increased frustration and less commitment of the supplier.

Interview data shows that the supplier's frustration leads to decreased commitment of the supplier. Commitment is perceived to have an important influence on tensions in cooperative buyer-supplier relationships (Tidström, 2014). Commitment is referred to as the desire to maintain a valued relationship (Moorman, Zaltman, & Deshpande, 1992) and involves a long-term orientation (Ndubisi, 2011). Commitment also relates to the perception of a firm's dedication to improve the market position of the relationship (Morris et al., 2007). Moreover, commitment relates to the perception that firms put

effort into activities that contribute to relationship outcomes. Morris et al. (2007) argued that under-commitment by one of the firms in a relationship negatively influences performance of both firms. In other words, the degree to which both firms commit to the relationship determines the viability of the relationship (Morris et al., 2007). In this case study, supplier's frustration and distrust from too much perceived price-competition leads to less commitment from the supplier, further decreasing cooperation and thereby further unbalancing the cooperative buyer-supplier relationship, which intensifies inter-firm tension.

Key observation: Interviewees from the supplying firm stated that they perceived tenders specifications to be too narrow, thereby leaving little space for the supplier to show its added value in procurement procedures. Therefore, the supplier perceived low procedural justice in procurement procedures, which resulted in frustration from the supplier. In addition, way in which tender specifications were defined put the relationship under pressure, which decreased supplier commitment and increased tensions in the buyer-supplier relationship.

Proposition 6: Suppliers that consider themselves capable of delivering innovative solutions are more likely to perceive procedural injustice from too rigid and narrow tender specifications, which negatively influences their commitment to the buyer.

5.3 The influence of buyer's different views on execution of procurement procedures

Apart from the tension between buyers and suppliers that rises from rigid application of public procurement legislation, there is also an internal tension when it comes to the application of public procurement legislation. This is a consequence from employees in the buying firm having different opinions on the application of public procurement legislation. As mentioned earlier, some interviewees of the buying firm rigidly applied public procurement legislation, while other interviewees expressed that there were possibility to better utilize possibilities within the limits of public procurement legislation. These different views on how to apply public procurement legislation led to frustrations and tensions between actors in the buying firm.

The interviewees also explained that too rigid application of public procurement legislation may cause that the buying firm engages in overkill and thereby failing to achieve its purpose. The interviewee also stated that the application of public procurement legislation differs among individuals within the buying firm and that this resulted to disagreements within the firm.

Bengtsson et al. (2016) argued that conflicting opinions that rise from disagreements with strategic decisions within a firm cause further frustration and tension within a firm. When internal actors have difficulty understanding certain decisions, this can result in conflicting views on different levels within an organization, which creates tension within the firm (Bengtsson et al., 2016). In this case study, different business units and different levels within the organization have different interests. This resulted in different business units making different decisions on different levels within the firm, resulting in different opinions on how to execute tender procedures and procurement strategies. Although strategic goals of business units of the buying firm are defined, data from the interviews in this case study showed that in practice different business units and different levels within the buying firm have different interest which influence their decisions. These different views cause conflicting opinions on how to execute tender procedures and how to interact with suppliers. Therefore, it can be argued that conflicting strategies negatively influence the buyer-supplier relationship. More specifically, competitive strategies of one business unit can negatively influence the relational benefits that other business units generated by engaging in cooperative strategies.

As different actors and different business units with different interests within the buying firm have different or conflicting opinions, they might make different decisions on how they interact with the supplier. In this case study, the buying firm is a large public organization with lots of business units with different interests, while the supplier is a much smaller firm that operates as a whole. The different interest of the different business units of the buying firm are reflected in the processes and procurement procedures. More specifically, some business units prefer a competitive approach, while other business units prefer a more cooperative approach.

Key observation: Different interviewees from the buying firm have different or conflicting opinions on how they should execute procurement procedures. These different opinions are caused by different actors having different interests. Engineers may for example prefer procurement procedures that enable cooperation between the buyer and the supplier in order to ensure high quality standards, while managers may prefer strong competition among suppliers in order to achieve cost savings. These conflicting opinions result different decisions in the execution of procurement procedures. Results from this case study show that particular decisions made by actors which focus on strong competition negatively influence relational benefits that have been generated by other actors which focus on cooperation.

Proposition 7: When different actors within the buying firm have different or conflicting opinions on how to execute procurement procedures, it negatively influences relational benefits generated by other actors in the buying firm.

5.4 Price-competition as a barrier to potential innovation and added value

Strong competition in order to capture a larger part of the value share can lead to a stalemate, which means that it causes a situation where progression (e.g. innovation) will be limited (Miller & Chen, 1994). Uyarra et al. (2014) argued that innovative firms are more sensitive to a perceived lack of procurement capabilities and procurement capacities. Innovative suppliers see the lack of expertise of the buyer as a strong barrier to deliver innovative solutions. It is argued that governments and public organizations can play a key role as an intelligent demander of innovation (Uyarra et al., 2014). Suppliers are likely to respond to signals of public demand by developing innovative solutions for the demanding public organizations (Uyarra & Flanagan, 2010). Indeed, Geroski (1990) stated that procurement policy successfully stimulates innovation when a clear and consistent set of needs which invites innovative solutions is signaled. Buyers need to make sure that they provide suppliers with sufficient incentives to invest in the innovative knowledge which can eventually be incorporated in the products that the buyer needs (Cabral, Cozzi, Denicolo, & Zanza, 2006).

In this case study, interviewees the buying firm had different ideas on how to specify a product and how to rely on their suppliers. In cases where there was a possibility to define technical specifications for a tender, the buying firm would do this in order to increase competition among suppliers and thereby appropriating a larger part of the value share, which left little room for the supplier to propose innovative solutions that add value to the buyer's projects.

In this case study, interviewees from the supplying firm argued that the buyer tends to technically specify products, thereby adding more competitive elements to the tender process, which puts the focus on price instead creating possibilities for innovative solutions and added value of the supplier. As stated earlier, this left little space for the supplier to add its value to the product, which led to frustration of the supplier and further increased tension between the buyer and the supplier. Interviewees from the supplying firm confirm this by stating that the buyers' price focus leaves little room for additional services (e.g. flexibility, efficiency, maintaining knowledge and providing smart solutions when problems

occur). Interviewees argued that additional services are difficult to calculate and difficult to quantify, because it is very difficult to predict the course of a project. Not taking into account these extra services, means that every bit of additional work that exceeds the budget of the project, will be considered as additional costs that will be charged on the buyer. In order to provide maximum added value to the buyer – which is the supplier's philosophy on how to approach its customers –, the supplier incorporate the costs of additional services – which again are difficult to quantify - in their bid. Interviewees of the supplying firm stated that they are aware that the higher prices can be perceived as opportunistic behaviour by the buyer, but they nonetheless intend to provide maximum added value to the buying firm and believe that the cooperative approach is the best way to contribute to the value creation process. Interviewees expressed that the application of competitive elements left little room for the supplier to provide additional services that have the potential to create value for the buying firm.

Lacoste (2012) stated that value creation in many cases is difficult to turn into numbers, or more specifically, she argued that it is often difficult to translate value creation into well-defined economic benefits. For example, it is difficult to quantify the value of supplier experience and supplier knowledge. These kinds of benefits seem to be subjective. When putting out a request for tenders, buyers prefer to incorporate objective measurements that are based objective figures and numbers (Lacoste, 2012). In addition, another driving force to apply transactional features to the relationship is the fact that purchasers are better able to show to assert their role and credibility within their own firm if they work with objective numbers and figures. Moreover, decision making in public organizations is subject to high expectations regarding transparency and accountability (Tsipouri, Edler, Rolfstam, & Uyarra, 2010). As relational benefits are subjective and difficult to translate to economic data, purchasers can more easily demonstrate their contribution to their firm in the form of objective numbers, like for example cost reductions (Lacoste, 2012). Furthermore, risk aversion of procurers in public organizations is seen as a barrier to public procurement of innovation (Nation, 2008; Treasury, 2005). Uyarra et al. (2014) suggested that procurers in public organization may be risk averse and unwilling to procure innovative solution, which may result in suppliers becoming unwilling to invest in innovative solutions because they might fear that they will not be rewarded for their investments. In this case study, the interview data shows that this does play a role. At the same time, an interviewees of the buying firm argued that supplier is not able to explicitly translate its potential added value to the buyers' objectives and goals.

Because of the fact that the added value of the supplier is not visible to the buyer, the buyer is not willing to pay for the value that the supplier believes to add. In other words, added value does not exist until the added value becomes visible. When value creation is difficult to quantify, buyers tend to focus on elements that are quantifiable and start focusing on appropriating the largest part of the value share. Lacoste (2012, p. 654) phrased it like this: *"when the limits of the value pie are blurred, key customers go back to basics, calculating the size of their slice if they are not sure they can optimise it."* In other words, if the buyer is not convinced of the suppliers' added value, the buyer is likely to add competitive elements to the buyer-supplier relationship, thereby focusing more on price competition and leaving less room for the supplier to show its potential added value. This leads to vicious circle in which the buyer is not willing to pay for potential added value of the supplier, while the supplier on its turn is not able to show its added value because of the price-focus of the buyer.

Key observation: This case study on the one hand showed that the buying firm is not able to properly value and assess the potential value of the supplier. Consequently, the buying firm is not able to translate the suppliers' potential added value to the award criteria in the tender procedure. On the other hand, the supplier is not able to explicitly translate its potential added value into specific performance improvements or other objective figures. This leaves the buyer and supplier stuck in a vicious circle.

Proposition 8: When the added value of supplier is not visible to managers and decision-makers at the buying firm, the buyer will likely focus on price-competition, which negatively influences the development of innovative solutions.

6. DIFFERENT ORIENTATIONS WITHIN THE BUYER-SUPPLIER RELATIONSHIP

6.1 Product as an explanatory factor for procurement strategy and relationship form

Purchasing portfolio models enable buyers to map heterogeneous products according to their strategic importance and supply risk, thereby helping buyers to identify and understand areas that need more supplier management activities (Uyarra, 2010). The purchasing portfolio model that has been developed by Kraljic (1983) maps products along two axes: profit impact and supply risks. These two axes enable buyers to classify products into four different categories, which all require a different procurement strategy. Products with high impact and that are of high strategic importance to public organizations, so called 'bottleneck' and 'strategic' products, require a 'diversify', 'balance' or 'exploit' strategy, dependent on the power balance between the buyer and supplier. Products that are not of strategic importance, so called 'non-critical' products, require efficiency, product standardization, order volume and inventory optimization strategies, while 'leverage' products enable buyers to exploit their full purchasing power, by for example using tenders and auctions (Kraljic, 1983).

Interviewees from the buying firm noted that the extent to which the supplier's products are perceived as strategic items depends on the buying situation and the buyer's perspective. The strategic importance of products that are procured is a key explanatory factor for determining how to buy products and how to interact with suppliers (Gelderman & Van Weele, 2005). In this spirit, different buying situations are associated with different types of buyer-supplier relationships (Uyarra, 2010). This implies that when different actors or business units within the buying firm have different opinions on the value and strategic importance of a product, they will engage in different types of relationships with the same supplier. If different or conflicting supplier relationship forms coexist simultaneously, it may result in tensions. Product and perceived value and importance of the supplier may have significant implications for which relationship form and procurement strategy is chosen. Indeed, scholars in the field of purchasing and marketing showed that product segmentation is directly linked to the form of relationship that is chosen (Kaufman, Wood, & Theyel, 2000; Kraljic, 1983). If a product is considered to be a commodity with a simple purchasing process, the focus will be on price and the relationship will be competitive. On the other hand, if a product or purchase process is more complex, the focus will be on the relational elements and the relationship will be more cooperative (Lacoste, 2012).

Bengtsson and Kock (1999, 2000) studied horizontal cooperative relationships and analysed the way in which firms combine advantaged of competition and cooperation in competitive relationships. They defined three cooperative relationship forms; the first is a relationship where cooperation is dominant, the second is a relationship where competition is dominant, and the third is a relationship when both cooperation and competition are equally dominant. The choice of the relationship form is strongly dependent on the availability of the specific resources. Lacoste (2012) applied Bengtsson and Kock's (1999, 2000) line of thinking to vertical cooperative relationships. In this context, Lacoste (2012) referred to Kraljic's (1983) work and argued that non-critical and leverage products can be related to relationships where competition is dominant, while bottleneck and strategic products can be related to relationships where cooperation is dominant. Moreover, the purchased product is an explanatory factor for the strategy chosen by the buying firm (Lacoste, 2012). In this case study however, there does not seem to be a clear picture of the potential benefits and added value of the supplier's products. In fact, it strongly depends on how procurers perceive value and how they perceive that the supplier's products and services affect their businesses. As such, different actors and different business units from this case study seem to have different dependencies from the same supplier.

This data from this case study showed that interviewees from the buying firm have different or conflicting perceptions of the potential added value of the supplier and their dependence on the

supplier. Perceptions about the potential added value of the supplier differ as the interviewees are active in different business units, have different interest and have different experiences with the supplier. Some interviewees have a project-focus, while other interviewees have a long-term strategic focus. In addition, some interviewees of the buying firm have good experiences with actors from the supplying firm, while other interviewees had bad experiences with the buying firm.

Furthermore, the data shows that interviewees had strongly varying perceptions of the supplier's potential added value and the buyer's dependence of the supplier. The different perceptions of different actors within the buying firm cause different actors within the buying firm to have different views on what the role of the supplier in the relationship should be. It also causes different actors to have different views on how to approach a supplier. For example, some interviewees preferred a cooperative approach, while others preferred a competitive approach.

Key observation: The varying perceptions of actors within the buying firm two different implications. First, the different perceptions on the supplier's added value resulted in tensions within the buying firm. Consequently, different actors within the buying firm had different and sometimes contradicting views on how to interact with the supplier. Second, the different perceptions of the supplier's added value resulted in the supplying firm to receive different and mixed signals from the buyer, which resulted in confusion and mixed expectations from the supplier. These confusion signals increased supplier frustration, which resulted in increased tension in the buyer-supplier relationship. It is important to note that in this case study, the same actor from the supplying firm simultaneously managed the cooperative and the competitive side of the relationship, which strengthened the felt tension at the supplier's side.

Proposition 9: Different perceptions within the buying firm on the added value of the supplier result in mixed signals toward the supplier and lead to confusion and mixed expectations by the supplier.

6.2 Unclear or contradictory supplier roles in the buyer-supplier relationship

In line with Bengtsson and Kock's (2000) work, Johansson (2012) argued that a firm's role in a relationship is dependent on the activities that are performed and the resources that are available. The activities that are performed are related to the interplay between cooperation and competition, as firms can take different roles when they perform different activities. Moreover, they can compete in one activity, while cooperating in another activity (Johansson, 2012). Instead of assuming roles are predetermined, this view suggest that actors can navigate between different roles and can create new roles (Baker & Faulkner, 1991). When firms have the ability to navigate between roles, they can use this ability to exploit their network's business opportunities (Johansson, 2012).

This case study showed that the buyer has different expectations on what the role of the supplier should be. In certain projects, the supplier's role was expected to be greater than in other projects. More specifically, dependent from the project, the buyer had different expectations of the supplier's role in the project. Furthermore, the buyer argued that the supplier should have different roles, dependent from whether they were the OEM.

Interaction with different roles is associated with different expectations and different demands, which can create confusion on how to interact and what to expect from the different roles (Johansson, 2012). If roles in a relationship are blurred, it can create ambiguity and un-clarity about actor's expectations of each other (Kahn, Wolfe, Quinn, Snoek, & Rosenthal, 1964; Sieber, 1974). Role ambiguity refers to the lack of clarity about expectations, which makes it difficult for actors to determine what is needed to fulfil the expectations and demands that come with a certain role (Kahn et al., 1964; Shenkar & Zeira,

1992). Some roles involve competitive interactions, while other roles involve more cooperative interactions. Bengtsson and Kock (2000) argued that different roles can have contradicting logics, which make it difficult for firms to combine and act according to the different role expectations, thereby creating tension. Moreover, tensions appear as relationships are characterized by simultaneous cooperative and competitive elements (Das & Teng, 2000). Tensions are likely to appear in cooperative relationships, where firms navigate between both competitive and cooperative roles, which can result in ambiguity about how to interact in the relationship (Bengtsson et al., 2010; Das & Teng, 2000).

Key observation: Results from this case study showed that the supplier's role is dependent on the situation. Indeed, the buying firm had different expectations from the supplier in different situations. These unclear or contradicting expectations resulted in the supplier having difficulty to meet the expectations of the buying firm. Consequently, the contradicting logics that are associated with different supplier roles created tensions at the supplier, which negatively influenced the buyer-supplier relationship.

Proposition 10: Unclear or contradicting expectations of the supplier caused by different supplier roles make it difficult for the supplier to determine what is needed to fulfil the needs of the buying firm.

6.3 Direct vertical competition in buyer-supplier relationships

Literature on cooptation suggest that cooperative relationships can come to existence when industrial, relational, and firm specific factors may force two competing firms to start cooperating with each other, or, industrial, relational, and firm specific factors may motivate two cooperate firms to start competing with each other (Raza-Ullah et al., 2014). Luo (2007a) argued that different diverging forces in cooperative relationships drive firms to compete with each other. First, there might be an increased overlap between the competitive goals of two firms. For example, if competitive strategies and competitive advantage, or the product and business portfolio start to overlap (Luo, 2007a). Furthermore, if maturity of the industry increases and markets shrink, competition among firms will increase (Baum & Korn, 1999; Bettis & Hitt, 1995). In addition, if market commonality and resource commonality results in increased symmetry between firms (Chen, 1996), that symmetry can increase competition between firms (Luo, 2007a). Conversely, if firms operate in different product markets, they will not likely compete with each other. Finally, if resource interdependence decreases, firms will be more likely to compete with each other (Henderson & Mitchell, 1997). Competition between cooperating firms negatively impacts the relationship, resulting in a decrease of mutual dependence and a more distant relationship (Raza-Ullah et al., 2014).

An important explanatory factor in vertical competition is the buyer's wish to produce in house or outsource production to the supplier. Interestingly, within the buying firm, some interviewees from the buying firm wanted to do everything in house, while others wanted to outsource activities to suppliers that they perceived to be better at doing the job. This meant that at the buyer's side, the opinions about whether to make or buy were divided. In this context, (Bengtsson & Kock, 1999) showed that firms may start competing if they feel threatened by each other or see an opportunity to expand their businesses into each other's fields. Tidström (2014) argued that this kind of behaviour will inevitably increase tension in cooperative relationships.

In addition, an interviewee from both the buying and supplying firm noted that they perceive the buying firm's internal assessment is less strict than the external assessment, which makes it difficult for the supplier to show that it can perform better in delivering projects. This further increased the frustration of the supplying firm.

If goals and values of firms in a network are incongruent, inconsistent or contradicting, it is likely that interactions between the firms lead to misinterpretations and conflicts. This case study showed that boundaries between the supplier's role and the buyer's role in the value creation process were not clearly defined. This resulted in a situation where the buyer and the supplier started poaching in each other's territory, thereby increasing vertical competition, which led to increased tensions between the buying firm and the supplier.

Key observation: Results from this case study show that boundaries between supplier and buyer roles are blurred. In addition, buyer and supplier activities increasingly started to overlap in recent years. This caused the buyer and the supplier to start competing over the same work, thereby increasing vertical competition. These developments resulted in frustration from the supplier, which further put the buyer-supplier relationship under pressure.

Proposition 11: Vertical competition caused by a lack of clear boundaries between buyer and supplier roles is likely to lead to increased tensions in the buyer-supplier relationship.

6.4 Reducing coopetitive tensions by developing a framework contract

Firms can manage tensions by carefully defining relationship expectations in a framework contract. When firms create a framework contract, it is important to implement certain critical elements. First, the nature of the relationship should be defined, together with the scope of the business and the scope of the products or services. By doing this, the buyer and the supplier can explicitly state what they expect from each other. Within the framework contract, the buyer and supplier can specify both short-term and long-term expectations (Lacoste, 2014). Short-term expectation should be defined in terms of quality standards and added value of the supplier, while long-term expectations should focus on the vision for the future and strategic alignment.

Defining expectations in a framework contract enables firms to reduce the impact of the contradictions between the transactional aspect and the relational aspect of the buyer-supplier relationship, thereby resolving the coopetitive paradox (Lacoste, 2014). Although a framework contract reduces the risk of opportunism, the risk of opportunism in long-term relationships increases as suppliers start realizing that the buying firm's dependence on the supplier increases (Lacoste, 2014). Consequently, Lacoste (2014) argued that by defining and integrating the transactional procedure into the framework contract, the buying firm can send a signal to its supplier that the transactional element is a necessity to control for possible opportunistic behaviour of the supplier, but that the transactional element is simply an episode of a long-term relationship. When firms explicitly specify contract conditions in writing, it allows them to accept the coopetitive paradox, which resolves implicit coopetitive tensions (Lacoste, 2014). Although framework contracts provide clear rules for coopetitive relationships, suppliers should also recognize and accept that a certain level of competition will remain an important component of the buyer-supplier relationship (Lacoste, 2014). At the other hand, the buying firm should recognize and accept the supplier's expectation, thereby ensuring that the buyer will behave properly and adequately in every situation (Misztal, 2013).

Framework contracts enable firms create a common vision, stabilize their relationship and ease coopetitive tensions in the coopetitive relationship (Lacoste, 2014). Lacoste (2014) explained how firms can use a framework contract to manage inherent tensions that result from on the one hand seeking cooperative relationships with key suppliers, while at the same time challenging suppliers with price competition in the form of a tender. In line with earlier work of Mouzas and Ford (2012) and Mouzas and Furmston (2008), she found several reasons why firms choose to formalize agreements with framework contracts. Framework contracts create a shared understanding within and between firms.

Framework contracts also secure commitments, even when actors within firms move to different positions. Furthermore, framework contract enable firms to optimize lead time, which is in the buyer's interest. The purpose of the contract framework is not to limit the relationship, but to define and maintain the relationship's key elements while at the same time ensuring flexibility to adapt to changing environments (Lacoste, 2014).

Key observation: Although interviewees acknowledged that buyer and supplier roles in the relationship are blurred and both firms feel strong tensions in the buyer-supplier relationship, they also both acknowledge that they see sufficient possibilities to complement each other. More specifically, interviewees stated that they would like to develop a framework contract in which clear buyer and supplier expectations are defined. They believed that the framework contract would improve buyer-supplier cooperation and performance outcomes by clearly defining roles and expectations.

Proposition 12: When roles and expectations in a coopetitive buyer-supplier relationship are unclear, a framework contract that focuses on defining clear roles and expectations is likely to reduce tensions and improve performance outcomes.

7. MANAGING TENSIONS IN THE BUYER-SUPPLIER RELATIONSHIP

7.1 Linking theory to practice

7.1.1 Illustrative recap: insights on drivers of tensions in buyer-supplier relationships in the public sector

This paper aims to contribute to the management of tensions in the buyer-supplier relationship. This chapter provides managers with insights based on existing literature and based on the knowledge derived from this case study, this chapter links theory to practice. The first part of this chapter will propose a model (see Figure 2) that shows drivers of tension in the buyer-supplier relationship. The remaining parts of this chapter focus on recommendations for the buying and supplying firm in this case study. These recommendations are based on both insights developed during this case study and based on a meeting that has been set up between representatives from both the buying and supplying firm.

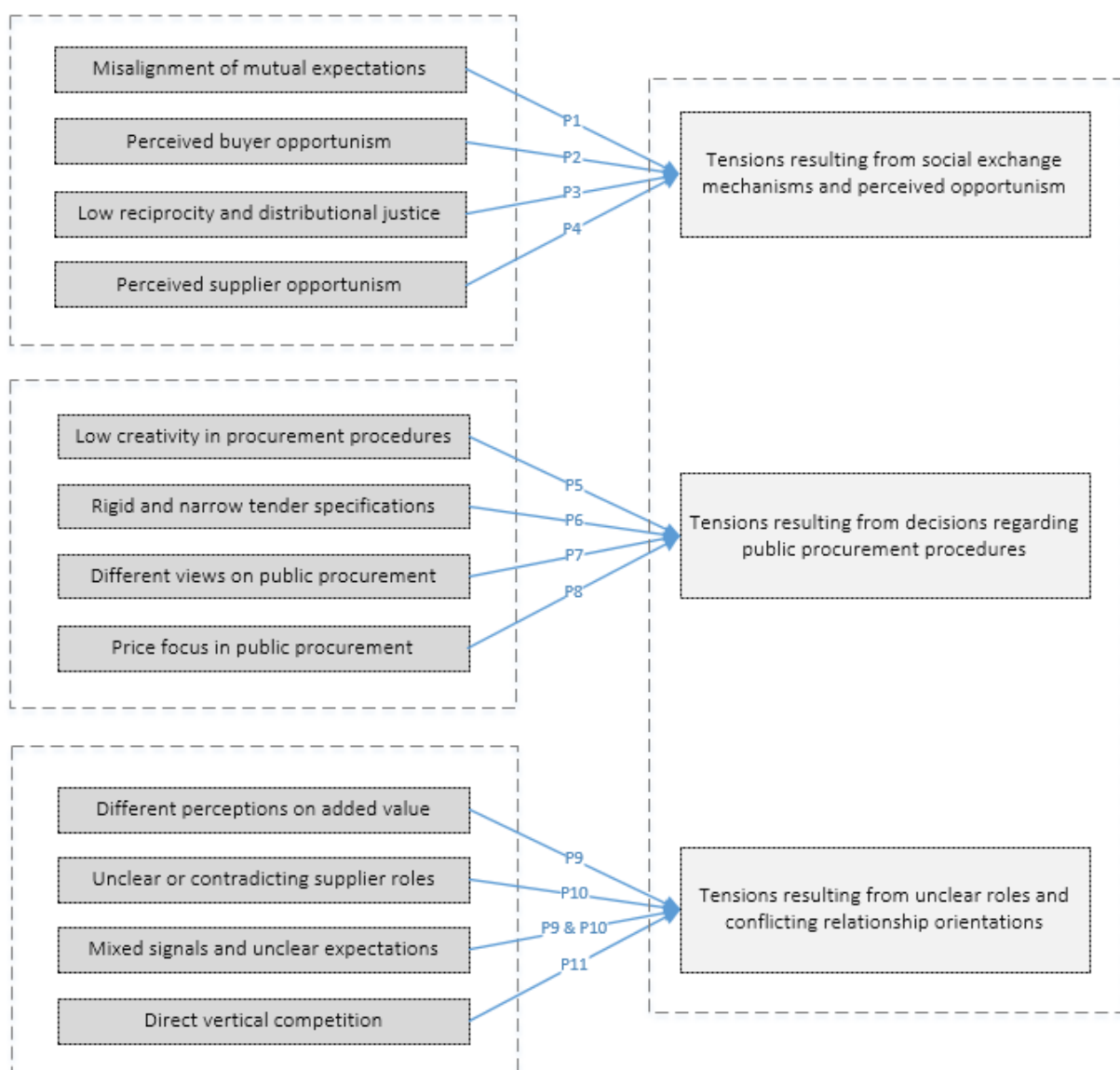


Figure 2: Drivers of tensions in buyer-supplier relationships in the public sector.

7.1.2 Recommendations based on theory and practice

This section proposes recommendation based on both theory and practice. Therefore, apart from the recommendations based on this case study, the researcher of this case study also organized a two-hour meeting with representatives from both the buying and the supplying firm. The purpose of the meeting was to discuss drivers of tensions in the buyer-supplier relationship and to agree on specific actions for the future to improve the buyer-supplier relationship. A total of eleven representatives (five representatives from the buying firm, and six representatives from the supplying firm) attended the meeting.

The research method was inspired by the world café method, as it provides researchers to explore and capture knowledge within a short period of time. In addition, it is a powerful conversational process that can lead to constructive dialogue and collaborative learning (Brown, 2010; Tan & Brown, 2005). However, because of time limitations, the decision was made to deviate from the world café method. The method will be explained in the next paragraph.

Two weeks before the meeting, the CPO of the buying firm and the director of the supplying firm were provided with three different subjects related the buyer-supplier relationship. The three subjects are based on data from the interviewees from the case study and were provided together with a situation sketch and two statements. The CPO of the buying firm and the director of the supplying firm were asked to assign two representatives to every subject. In total, there would be four representatives (two from the buying firm and two from the supplying firm) assigned to every subject. The following groups subjects were discussed:

- Subject 1: Mutual expectations and perceived opportunism in the buyer-supplier relationship
- Subject 2: Tender procedures in public procurement
- Subject 3: Determining buyer and supplier roles

One week before the meeting, all representatives were individually provided with the situation sketch and the two statements. They were asked to prepare for the scheduled meeting by reading the situation sketch and the two statements. They were informed that the statements would function as a starting point for the table discussions and that the purpose of the meeting was to facilitate a constructive dialogue.

The meeting started with a presentations of the researcher about tensions in the buyer-supplier relationship between the buyer and the supplier. After the presentation, attendants had the possibility to ask specific questions about the case study. After that, attendants were asked to form the pre-determined groups. They were given 30 minutes to discuss their subject in three parallel table discussions. After the discussions, they were asked to write their recommendations and specific action points on a flip-over and present their recommendations to the whole group. Thereby, all attendants had the possibility to comment on the specific recommendations and action points. During the two-hour session, representatives from the buying firm and the supplying firm agreed on certain actions that could improve to the buyer-supplier relationship in the future. These agreed on actions will be explained in the next paragraphs.

7.2 Managing mutual expectations and perceived opportunism

7.2.1 Subject 1: table discussion outcome

Participants of the first table discussion agreed on the fact that there is a mismatch of mutual expectations. During the table discussion, they distinguished between a technical relationship and a commercial relationship. They noted that the relationship between engineers of both firms (technical relationship) is different from the relationship between managers (commercial relationship) of both firms. They participants noted that engineers from both companies interact with each other and that engineers have implicit expectations from the relationship that are not backed up on a commercial level. More specifically, they noted that the technical relationship still builds implicit relational norms and relational embeddedness that have developed over time through a history of interactions. At the same time, the commercial relationship made a shift from a cooperative orientation to a more competitive orientation, which explains the misalignment of expectations at different levels. Furthermore, they noted that engineers from both firms were not able to properly translate the technical aspect to the commercial aspect. They noted that many interactions and knowledge sharing activities between engineers of both companies were of implicit nature, while the commercial context primarily values explicit interactions. This situation makes it difficult to align mutual expectations on a commercial level. In addition, the implicit nature of interactions between engineers makes it difficult to reward the supplier on a commercial level, which is a source of perceived buyer-opportunism. As such, managers from the supplying firm acknowledged that they perceived opportunism from their counterpart. This perceived opportunism was also explained by the fact that the technical relationship differs from the commercial relationship. Here again, interactions between engineers were of implicit nature, which was not visible or quantifiable on a management level. Consequently, the misalignment of mutual expectations on a commercial level had negative implications for the relationship on a technical level. The participants suggested to find ways to specifically translate the value of the technical relationship to their commercial relationship. This enables managers at a commercial level to understand and align mutual expectations in the buyer-supplier relationship.

7.2.2 Align mutual expectations

Although the firms from this case study have a long history of interactions which created strong relational embeddedness in the relationship, this study suggest that it is important to review their mutual expectations at different levels. It is of great importance that mutual expectations between buyer and supplier are aligned. In order to do so, it is important that there is open discussion between exchange partners on different levels. As mentioned in the previous paragraph, if for example mutual expectations on a technical level are aligned, but expectations on a commercial level are not aligned, it can result in tension in the buyer-supplier relationship. Furthermore it is important to clearly translate implicit interactions and knowledge transfer among engineers of both firms to a commercial context. By explicitly translating the added value of a supplier from a technical level to management level, it enable managers to align mutual expectations. This study therefore underlines the importance of aligning mutual expectations between buyers and suppliers on every level. Moreover, it is important to clearly state what one party can expect from another party, thereby minimizing space for assumptions of the counterpart. By doing so, clear mutual expectations avoid disappointment and frustration and provide firms to develop trust in their relationship.

7.2.3 Reduce perceived opportunistic behaviour and increase mutual trust

It is also important that firms reduce perceived opportunism by their counterparts. When firms have clear mutual expectations that are supported on different levels, it removes a barrier for the

development of the relationship. As such, it leaves more space for firms to build a relationship based on clearly defined mutual expectations and trust, thereby reducing the risk of opportunism. The perceived opportunism in the relationship can be considered as an interplay between factors. On the one hand, the buying firm should adequately reward the supplier for their commitment and the knowledge it shares with the buyer. By doing so, the buying supplier can avoid perceived buyer-opportunism of the supplier. On the other hand, the supplier should find ways explicitly translate its added value to the managers of the buying firm. By not explicitly showing their added value, the buying firm will keep questioning the supplier's price offers, which leaves space for perceived supplier-opportunism. In other words, when the added value of the supplier is not sufficiently visible, managers of the buying firm will feel the necessity to reward the supplier. Therefore, this study suggest that both the buyer and the supplier should take measures to reduce perceived opportunism in order to improve the buyer-supplier relationship.

7.3 Possibilities in public procurement procedures

7.3.1 Subject 2: table discussion outcome

Participants of the second table discussion argued that there should be a better link between the buyer's goals and the way in which procurement procedures are executed. They suggested that a possible way to do that is by explicitly giving information about the context, goals and priorities of a project. A possible way for doing this was by gathering suppliers and explaining the context of a project in a face-to-face meeting. Participants of the table discussion therefor argued that by disclosing the context and goals of a project, a potential supplier could better present their added value in order to contribute to the goals of the project. In this line of thinking, they also agreed on the fact that the supplier should explicitly specify their added value for a specific project. Furthermore, they talked about the fact that added value is dependent on the nature of the project. For example, in some projects speed is a very valuable factor, while in other projects, efficiency is more valuable. Here again, added value depends on the context of a project. In addition, the participant noted that it important to recognize that in many instances not solely a product was bought, but that the procurement was a combination of products, services, knowledge and consultancy. They added that it was important to integrate all aspects in the tender procedure and in the award criteria.

7.3.2 Use flexibility procurement procedures and make sure that suppliers perceive procedural justice

Based on the case study and the tensions that rise from the way in which tender procedures are executed, this study recommends to find more flexible ways to execute tender procedures. Until a few year ago, public agencies could only choose between the open, the restricted and the negotiated procedure. However, as the complexity of projects in recent years increased, the need for alternative and more flexible procurement procedures also increased (Hoezen & Dorée, 2008). The European Commission responded to the need for new flexibility for complex projects by introducing two new procedures: the competitive dialogue procedure and the innovation partnership procedure.

The competitive dialogue procedure was introduced in the 2004/18/EC Public Procurement Directive in order to offer more flexibility in when public organizations engage in particularly complex projects (EC, 2006). Public organizations can use the competitive dialogue procedure when they meet at least one of the following criteria. These criteria are met when "the needs of the contracting authority cannot be met without adaptation of readily available solutions" (2014/24/EU, art. 26(4)(a)(i)), or when "they include design or innovative solutions" (2014/24/EU, art. 26(4)(a)(ii)), or when "the contract cannot be awarded without prior negotiations because of specific circumstances related to the nature, the complexity or the legal and financial make-up or because of the risks attaching to them" (2014/24/EU,

art. 26(4)(a)(iii)), or when “the technical specifications cannot be established with sufficient precision by the contracting authority” (2014/24/EU, art. 26(4)(a)(iv)). As the solutions of potential suppliers are often highly complex and developed for the specific needs of the public organization in this case study, it is likely that at least one of the criteria are met, which allows the public organization to use the competitive dialogue procedure.

The public organization can start the competitive dialogue procedure by publishing a contract notice, after which potential suppliers can submit a request to participate. The public organization can select participants based on the information that has been submitted by the potential suppliers (2014/24/EU, art. 30(1)). The public organization has to make sure that it defines its needs, requirements and the award criteria (2014/24/EU, art. 30(2)). After the participants are selected, the public organization will open the dialogue with the participants by discussing every aspect of the project, thereby determining the solution that is best fitted to satisfy the needs of the public organization (2014/24/EU, art. 30(3)). The public organization will continue the dialogue until the point that it can determine the solution(s) that is/are best capable of fulfilling its needs. Once the public organizations determined the best solution, all participants will be informed and the remaining participants will be asked to submit their final solution, which have to be clarified, specified and optimized (2014/24/EU, art. 30(5)). Based on the participants' final solutions, the contract will be awarded on the basis of the pre-specified award criteria (2014/24/EU, art. 30(7)). As the competitive dialogue procedure enables the public organization to open a dialogue with all the participants, it also gives the public organization the possibility to assess potential solutions in detail. In addition, it gives potential suppliers the possibility to specifically meet the needs of the public organization. Therefore, this study suggest that the public organization in this case study should use the competitive dialogue procedure, as it is more flexible and more suitable for procurement of complex projects.

The innovation partnership procedure was introduced in the 2014/24/EU Public Procurement Directive and offered opportunities for the procurement of innovative solutions. The procedure was introduced to facilitate development of innovative solutions and allows public organizations to engage in long-term partnership with suppliers. Recital 49 of the 2014/24/EU Public Procurement Directive states that public organizations can use the innovation partnership procedure in situations where “a need for the development of an innovative product or service or innovative works and the subsequent purchase of the resulting supplier, service or works cannot be met by solutions already available on the market.” As the public organization of this case study in some cases requires very specific knowledge that can be only delivered by a few potential suppliers, the innovation partnership procedure may be used.

The execution of the innovation partnership procedure is explained in Article 31(1) of the 2014/24/EU Public Procurement Directive. The Directive states that public organizations can start an innovation partnership procedure by publishing a contract notice and the necessary procurement information. The procurement documents should contain sufficient information for potential suppliers to identify the scope and the nature of the required solution. Any potential supplier may submit a request to participate. After all submissions have been assessed, the public organization is allowed to limit the number of participants. After the participant have been selected, the participants can submit their initial tender that contains the solution which meets the needs of the public organization. It is important to note that the 2014/24/EU Directive also stated that the innovation partnership should not restrict or distort competition. Therefore, the public organization can set up innovative partnerships with several partners in order to ensure competition among suppliers. However, the public organization is allowed to negotiate the initial tender and subsequent tenders in successive stages (except for their final tender) in order to reduce the number of tenders. The contract will be awarded to one or more tenderers on the basis of the pre-defined award criteria. The innovation partnership procedure enables public

organizations to set up long-term innovative partnerships with suppliers, while simultaneously ensuring competition among suppliers. The benefit of the procedure is that it allows the public organization to use the knowledge of its supplier to develop innovative solutions for their specific needs. Therefore, this study suggests that the public organization in this case study should use the innovation partnership procedure in buying situations that require flexibility and specific innovative solutions.

As stated earlier, the competitive dialogue procedure and the innovation partnership procedure provide more flexibility in complex projects. In addition, they leave room for dialogue and negotiations, which enable potential suppliers to better clarify their added value in the procurement procedure. In addition, these procedures enable the public organization to better reward suppliers for their added value and innovative solutions, which will likely result in high supplier satisfaction. This study therefore suggests that the public organization in this case study should use more flexible procurement procedures for complex projects, as it may reduce the perceived procedural injustice of the supplier in this case study.

7.3.3 Other possibilities to optimize outcomes

One way to optimize outcomes can be achieved by critically looking at the philosophy behind the process of defining tender specifications. The purpose of defining specifications in tender procedures is primarily to describe the intended contract and to enable the public organizations to evaluate tenders that are submitted based on the pre-specified requirements (EC, 2005b). As the results of this study showed, the way in which public org specifications define specifications have a significant influence on procurement procedures and the extent to which the supplier perceives procedural justice. Moreover, the way in which the technical specifications are defined determine the variety and quality of the solutions of potential suppliers. As specifications have a significant impact on the nature of the offered solutions, changing the nature of the specifications also has a considerable effect on practice (EC, 2005b). Therefore, it is important that public organizations do not define tender specifications too narrow. Instead, this study suggests that the public organization in this case study should find a balance between technical specifications and performance-based or functional specifications. By doing this, the public organization leaves more space for suppliers to show their innovative solutions and added value in public procurement procedures. Indeed, the latest public procurement Directives allow public organizations to define the contract in terms of outcome specifications.

Another way to enable cooperation and to optimize outcomes is by extending the length and the scope of a contract. More specifically, by extending the length of a contract, public organizations will be better able to partner up with their suppliers to achieve their long-term goals. As mentioned in the previous paragraph, the latest public procurement Directive enables new procurement procedures as for example the innovation partnership procedure. This procedure allows the public organization to partner up with several potential suppliers in order to develop innovative solutions for complex problems. By engaging with multiple partners simultaneously, the public organization can ensure competition over a longer period, while at the same time benefitting from the knowledge of their supplier through the use of the innovation partnership procedure.

7.4 Determining buyer and supplier roles

7.4.1 Subject 3: table discussion outcome

The participants of the third table discussion agreed on the fact that they started competing over the same work in some parts of the supply chain. They also recognized that the role of the supplier was not clear and that it would be more effective to clearly define boundaries between their roles in the supply chain. However, they noted that such a construction was only possible under the condition that the

supplier would be completely open and transparent about its strategies and goals. In addition, they argued that such a construction would only be possible under the condition that both the buyer and the supplier would accept each other's interdependencies. Moreover, they emphasized that achieving this would require both firms to accept a vulnerable position in the relationship, which they said is difficult to accept from a strategic perspective. Finally, they agreed on the fact that effective coordination of buyer and supplier roles required them to comprehensively analyse the whole supply chain and determine which firm would be best capable to perform certain activities. They also argued that coordination of roles and activities required the supplier to explicitly show its added value with facts and figures or demonstrable historical achievements.

7.4.2 Objectify added value in the supply chain and determine the strength of the supplier

Results of this case study imply that different perceptions on value within the buying firm result in mixed signals towards the supplier, which are a source of frustration and tensions in the buyer-supplier relationship. In order to determine the strength of the supplier in the supply chain, it is important to objectify added value for different buying situations. In other words, it is important to specify where a supplier generated added value in the supply chain. When the strength of the supplier is identified, it enables the buying firm to better coordinate activities in the supply chain which contributes to the management of tensions in the buyer-supplier relationship. In addition, when it becomes clear where the supplier adds value in the supply chain, it enables the buying firm to manage contradictory relationship orientations, as objectifying added value provides clearness to both the buying firm and the supplier. For example, when speed is the most valuable factor in a project, the buying firm will probably choose for a cooperative relationship orientation, while the buying firm will probably choose for a competitive relationship orientation in a situation where cost savings are most important. When it becomes clear where the supplier adds value, decisions regarding relationship orientations are likely to be better understood by actors within the buying firm and by the supplier. By objectifying value for different buying situations, the buying firm can send a clear signal to the supplier, thereby creating understanding and avoiding tensions in the buyer-supplier relationship. Therefore, based on this case study, it is recommended that the buyer and the supplier objectify added value in the supply chain.

7.4.3 Define clear buyer and supplier roles and determine the win-win

By objectifying added value and determining the strength of the supplier, it enables the buying firm to determine clear buyer and supplier roles in the supply chain. As shown in the results of this case study, vertical cooptation has been identified as a source of tension between the buying and supplying firm in this case study. When clear roles for the buyer and supplier can be defined, it also enables the buying firm to set clear boundaries between the activities of the buying and supplying firm, thereby avoiding vertical competition and reducing tensions in the buyer-supplier relationship.

Coopetitive interactions have also been analysed from a coordination perspective (Mariani, 2016). Gulati, Wohlgezogen, and Zhelyazkov (2012, p. 560) argued that "more extensive coordination (deeper integration of partners' processes and systems) and/or good coordination outcomes (effectiveness and efficiency) encourage the subsequent increase in the extent of cooperation (i.e. more contributions or additional goals), possibly leading to a positive spiralling effect". By putting coordination mechanisms in place in the coopetitive relationship between the firms in this case study, it allows the buyer and the supplier to develop a common understanding. Inkpen and Tsang (2005) argued that members of a network have shared goals if they have a similar understanding and approach on how to achieve outcomes. In addition, actors in a buyer-supplier relationship that develop common understandings and collective ideologies, enables buyers and suppliers to share and align their thinking processes (De Carolis & Saporito, 2006). If buyer and supplier have common goals, they are likely to have a common

understanding of performance improvements and how to achieve those improvements (Krause, Handfield, & Tyler, 2007). This study suggests that when buyers and suppliers have good coordination mechanisms in place, they will be better able to define clear buyer and supplier roles.

Finally, this study supports Lacoste's (2014) work and argues that the framework contract should define different expectations for different supplier roles. For instance, when the buying firm buys strategic and bottleneck products (Kraljic, 1983) which require specific knowledge of the supplier, the role of the supplier will be different than in a situation where the buyer buys non-critical and leverage products (Kraljic, 1983). As stated by Lacoste (2012), the purchased product is an explanatory factor for whether the buying firm chooses a cooperative or a competitive strategy. Consequently, depending on the purchased product, the supplier will have a different role and should have different expectations from the buying firm. In order to clearly specify expectations, the framework contract should distinguish between different supplier roles. Defining clear buyer and supplier roles also creates clear expectations in the buyer-supplier relationship. Moreover, clear buyer and supplier roles enable both firms to complement each other instead of competing with each other. As such, the buyer and the supplier should use each other's strengths and shape their relationship by determining the win-win.

8. DISCUSSION, LIMITATIONS AND FUTURE RESEARCH

8.1 Discussion

The main focus of this study is to examine how tension in buyer-supplier relationships in the public sector develop and how these tensions influence the relationships between public organizations and their suppliers. This research is approached through a number of different perspective, which together provide useful insights on different mechanisms in the buyer-supplier relationship in the public sector.

Although relational exchange mechanism can be used to complement formal contracts (Rindfleisch & Heide, 1997), this research suggests that relational exchange mechanism may form a source of tensions in buyer-supplier relationships in a public procurement environment. Indeed, European public procurement legislation may limit the way in which public organization interaction with their suppliers. Therefore, this study's findings suggest that by relying too much on relational exchange mechanisms, there is a higher chance that tensions between public procurers and suppliers will develop. More specifically, public organizations and suppliers should base mutual expectations on the basis of their commercial relationship and formal governance mechanisms, rather than relying on relational norms and social exchange mechanisms that have developed over time. However, relying more on formal governance mechanisms may further increases transaction costs, which is not a desirable development. In addition, only relying on formal governance mechanisms can be an antecedent for the buyer or supplier to show opportunistic behaviour. Result from this study showed that perceived opportunistic behaviour of the exchange partners from this case study negatively influenced commitment, cooperation and knowledge sharing, which negatively influences performance outcomes. Therefore, thus study suggests that although the development of strong relational norms may be a source of tensions in buyer-supplier relationships in the public sector, it remains important to analyse and manage buyer-supplier relationships in the public sector from both a social exchange theory perspective and transaction cost analysis perspective.

Furthermore, this study focused on understanding tensions in buyer-supplier relationships from a public procurement on innovation perspective. Literature on public procurement identified lack of interaction with between procurers and suppliers, the use of too rigid tender specifications, low competences and risk aversion of procurers during procurement processes as barriers to innovation (Uyarra et al., 2014). This study's findings showed that these barriers also have significant impact on the relationship with suppliers that consider themselves to be innovative. As such, suppliers may perceive procedural injustice that result from decisions made by public organizations. The effect of these decisions on performance outcomes should be taken into consideration by public organizations. More specifically, public organizations should consider the use of alternative procedures that offer more flexibility for complex projects. For example, the use of the competitive dialogue procedure and the innovation partnership procedure enable public organizations to ensure competition among suppliers, while at the same using the knowledge of suppliers to develop solutions that meet the public organization's needs.

Finally, this study approached the buyer-supplier relationship from a vertical coopetition perspective as proposed by Lacoste (2012). By adopting the coopetition perspective, this study was able to identify tensions that rise from simultaneously engaging in cooperative and competitive strategies. The fact that buyers and suppliers continuous have to switch between relationship orientations and relationship roles, seems to be a driver of tensions in buyer-supplier relationships. Therefore, public organizations and suppliers should consider the impact of coopetitive tensions on their relationship and they should develop ways to manage the dynamic nature of their relationships. Furthermore, this study showed that a lack of clear boundaries between buyer and supplier roles can be a source for tensions in the buyer supplier relationship. Therefore, this study suggest that in order to avoid vertical competition, it is important to determine buyer and supplier roles with clear mutual expectations.

8.2 Limitations and future research

The market conditions of this case study provide an excellent environment to conduct a case study on drivers of tensions in buyer-supplier relationships in the public sector. However, this research focussed on one case study and is of exploratory nature, which limits generalizability of this study's results.

Furthermore, this research was conducted in a technology environment, with products that are of technological nature. These study's findings may not be consistent if this research is performed in other industries where buyers and suppliers exchange products that are of higher or lower technological nature. Therefore, conducting future research in other industries may provide valuable insights.

Additionally, the case study of this research focused on a relationship where the public organization was a large and dominant actor in the industry. Results may be different when power between buyer and supplier are more balanced. Therefore, it is interesting to conduct a comparable case study on a buyer-supplier relationship where power between actors is more balanced.

This research was conducted in a niche market, where the buying firm and the supplier have a long history of interactions. Result may be different in a situation where buyer and supplier are less interdependent and have a shorter history of interactions. Moreover, conducting a comparable study in another market with different conditions, may give other results.

In addition, this study was mainly based on perceptions of the buyer and the supplier. Therefore, this study does not give any insight on how these tensions impact performance outcomes. Studies that focus on the impact of tensions in buyer-supplier on performance outcomes may provide a valuable agenda for future research.

Finally, an interesting perspective is the coopetition perspective. This study contributed by literature on buyer-supplier relationships in the public sector by examining the relationship from a coopetition lens. This perspective has provided valuable insights on the development of tensions in buyer-supplier relationship. Therefore, this study promotes the analysis of relationships between public organizations and their suppliers from a vertical coopetition perspective. In addition, this study underlines the need for research on the potential benefits of framework contracts that manage cooperative relationships (Lacoste, 2014).

9. CONCLUSION

The finding of this study contributes to the understanding of the development of tensions in buyer-supplier relationships in the public sector by from a number of perspectives.

First, this case study sheds a light on buyer-supplier relationship in the public sector from an exchange theory perspective. Results show that a mismatch of mutual expectations and relational norms form a source of tensions in the buyer-supplier relationship. In addition, low perceived justice and low perceived reciprocity negatively influence trust and commitment in the buyer-supplier relationship. In order to counter perceived opportunism, buyers increase transactional elements in the relationship, while suppliers attempt to counter perceived opportunism by protecting knowledge.

Seconds, this study enriches literature on public procurement by focussing on the impact of decisions in public procurement on the buyer-supplier relationship. For instance, results show that too rigid and narrow application of public procurement procedures are a source of tensions in relationships between public organizations and their suppliers. Another consequences of too rigid application of public procurement and a price-focussed orientation is that it leaves little room for added value and potential innovative solutions. Understanding the influence of decisions in public procurement provides manager with new insight on how to manage buyer-supplier relationships in a public environment, which may positively influence performance outcomes on the long run.

Finally, this case study provides rich insights on the complex and paradoxical nature of cooperative relationships in a public procurement context. As public organizations and suppliers both cooperate and compete with each other, it causes a situation where tensions are likely to develop. In addition, this study's results show that unclear or contradictory expectations, lack of clear boundaries between buyer and supplier roles, and direct vertical competition are sources for tensions in buyer-supplier relationships in the public sector.

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