UNIVERSITY OF TWENTE.

Enabling the best possible match for Infrastructure and Construction Tenders – A case study for two semi-public organisations in the Netherlands

Analysing antecedents of a potential Preferred Customer Status for two case companies in a Public Procurement context

Prof. dr. Jan Telgen (1st supervisor)
Dr. ir. Petra Hoffmann (2nd supervisor)

Daniël W. Peuscher

Master thesis | MSc Business Administration
Purchasing & Supply Management
10-08-2018

COLOPHON

UNIVERISTY OF TWENTE
Technology Management & Supply
MASTER PURCHASING & SUPPLY MANAGEMENT

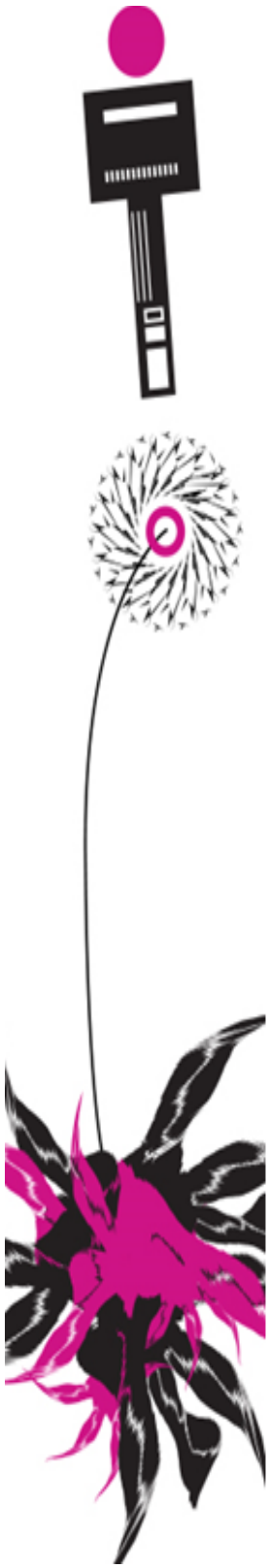
DATE
10-08-2018

VERSION
Final Version

PROJECT
Master thesis, Business Administration

GRADUATION COMMITTEE
Prof. dr. Jan Telgen (1st supervisor)
Dr. ir. Petra Hoffmann (2nd supervisor)

AUTHOR
Daniël W. Peuscher



UNIVERSITY OF TWENTE.
UTIPS Initiative for Purchasing Studies

ACKNOWLEDGEMENTS

After months of hard work, I am thrilled to present to you my graduation thesis for the programme MSc Business Administration - Purchasing & Supply Management which represented the final assessment of my University life. I have enjoyed the process of conducting such an extensive research and experienced the whole process as a valuable learning experience. I am satisfied with the end result of my thesis and hope it will add value to academic literature and will contribute to the case companies' procurement performance. I would like to express my gratitude to some people in particular. Frist of all, Professor Jan Telgen for supervising me throughout the graduation process and for inspiring me to study procurement related topics over the last years in general. Also, I would like to thank Dr. Petra Hoffmann for her flexibility and given feedback during my research. Then, representing the case companies, I would like to thank my two supervisors for their continuous critical feedback on my work and for their practical contributions throughout the thesis and my internship. Finally, I would like to thanks my family and friends as they have always supported me throughout my studies.

For now, I would like to wish you a pleasant read. Best regards.

Daniël W. Peuscher,

Rotterdam, August 2018

TABLE OF CONTENT

Management Summary		**8**
1	**Introduction**	**10**
1.1	Introducing the topic of the thesis	10
1.2	Introducing procurement within two special-sector-industry case companies	12
1.3	Problem statement and research questions of the study	13
1.4	Goal of the paper	15
1.5	Academic and practical relevance	15
1.6	Outlook on this thesis	17
2	**Methodology: translating the thesis' problem statement into a research strategy**	**18**
2.1	A Literature study to explore the field of public procurement and its buyer-supplier interactions	19
2.2	Conducting face-to-face interviews to shed light on what drives suppliers in their tendering behaviour	20
2.3	Outlook on what the research can possibly discover	24
3	**Theoretical framework**	**25**
3.1	Practical introduction to public procurement: See Appendix H	26
3.2	Private sector procurement weighed against public sector procurement	26
3.3	The Dutch infrastructure and construction industry	28
3.4	The public contracting-contractor collaboration analysed through the scope of three distinguished supply chain management theories	29
3.5	Assessing the functionality of partnerships in public procurement	33
3.6	The Preferred Customer Status phenomenon	39
3.7	Introducing a new variable within Preferred Customership in the public domain; Tender Attractiveness	46
3.8	Concluding remarks on the literature review	51
4	**Results of the study**	**53**
4.1	Classification of customers by suppliers	54
4.2	Customer Attractiveness	55
4.3	Tender Attractiveness	57
4.4	Supplier Satisfaction	63
4.5	Preferred Customership	65
4.6	Combining the findings until now: a new overview of factors influencing Preferred Customership in the public domain	66
5	**Discussion and thorough analysis of Preferred customership in public procurement**	**70**
5.1	Resolving the actual goals of the study and discussing an appropriate implementation	71
5.2	Shedding light on the first goal of the study: understand the functioning of the Preferred Customership cycle within a public procurement context	71

5.3 Shedding light on the second goal of the study: Knowing how to manage and further improve participation- and commitment behaviour of suppliers in public tenders 76
5.4 Discussing the implications of the outcomes and reflecting on the outlook 80

6 Conclusions, limitations and future research 81
6.1 Limitations and future research 84

7 Recommendations for the case companies: confidential 86

8 References 87

9 Appendixes 95
Appendix A: overview of company structures 96
Appendix B: Supply chain scope of the thesis 96
Appendix C: Cycler economic upstream Dutch construction industry 97
Appendix D: Inclusion- exclusion criteria matrix literature review 98
Appendix E: Deriving potential suppliers from TenderNed overviews 99
Appendix F: Overview of the top-50 contractors in the Netherlands (2016) source: cobouw, 2017 100
Appendix G: Interview Template 103
Appendix H: Practical literature review public procurement 104
Appendix I: Antecedents of Customer Attractiveness (Hüttinger et al., 2012) 109
Appendix J: Antecedents Supplier Satisfaction (Hüttinger et al., 2012) 110
Appendix K: Antecedents of Preferred Customer Status (Hüttinger et al., 2012) 111
Appendix L: Recommendations for the case companies: summarized version 112

List of figures

	Title	*Page*
Figure 1	**Schematic overview of the research strategy**	21
Figure 2	***Confidential***	26
Figure 3	**Overview of factors influencing the bid or not to bid decision**	42
Figure 4	**Traditional (a) and reverse (b) marketing relationships**	43
Figure 5	**The preferred customership cycle, Schiele et al. (2012)**	45
Figure 6	**The preferred customership: the tie of advantages (Schiele, 2018)**	46
Figure 7	**Antecedents of preferential treatment by suppliers, Hüttinger et al., 2012**	50
Figure 8	**A major difference impacting the functionality of Preferred customership in the public domain**	52
Figure 9	**Antecedents of the bid or not to bid decision mainly emphasize tender related variables**	54
Figure 10	**This study's focus regarding the preferred customership theory**	55
Figure 11	**The proposed may-effect of classifying customers in the (semi-) public sector**	56
Figure 12	**22,6% of the sample explicitly classifies customers and provides preferential treatment**	59
Figure 13	**Antecedents for customer attractiveness in the public domain**	61
Figure 14	**Emphasizing the importance of tender attractiveness**	62
Figure 15	**Antecedents for tender attractiveness in the public domain**	63
Figure 16	**Antecedents for supplier satisfaction in the public domain**	69
Figure 17	**Antecedents for preferred customership in the public domain**	71
Figure 18	**Antecedents of preferential treatment by suppliers in public procurement, results of this study**	74
Figure 19	**Main influencing variables of customer attractiveness**	77
Figure 20	**Main influencing variables of tender attractiveness**	78
Figure 21	**Main influencing variables of supplier satisfaction**	79
Figure 22	**Main influencing variables of preferred customer status**	80
Figure 23	**The Preferred Customership Cycle in the public domain**	81
Figure 24	**Preferred Project Status Toolbox**	84
Figure 25	**Main contextual differences between public and private procurement**	88

List of tables

	Title	*Page*
Table 1	***Confidential***	15
Table 2	**Subdividing the research question**	16
Table 3	**Answering sub element question 1**	61
Table 4	**Answering sub element question 2**	68
Table 5	**Answering sub element question 3**	70
Table 6	**Answering sub element question 4**	71
Table 7	**Analysing antecedents on time frame impact ability**	82

Abbreviations

PCS	Preferred Customer Status
CA	Customer Attractiveness
TA	Tender Attractiveness
SS	Supplier Satisfaction
PPS	Preferred Project Status
TCE	Transaction Costs Economics
SET	Social Exchange Theory
SCM	Supply Chain Management
ESI	Early Supplier Involvement
NvI	Nota van Inlichtingen
LP	Lowest Price (Laagste Prijs)
MEAT /EMAT	Most Economically Advantageous Tender
EMVI	Economisch Meest Voordelige Inschrijving
RAW	*"Rationalisatie en Automatisering Grond-, Water- en Wegenbouw"* Way of formulating tender specifications
UAV-gc	*"Uniforme administratieve voorwaarden voor de uitvoering van werken"* Way of formulating tender specifications

MANAGEMENT SUMMARY

Key words: *public procurement, customer attractiveness, tender attractiveness, supplier satisfaction, preferred customer status, to bid or not to bid, public tendering, bidding the tender*

Purpose – This thesis seeks to identify antecedents used by suppliers in their consideration to *participate in-* and *commit to* tenders set out by public procurement authorities. In the end, the aim for the two case companies who initiated this research, is increasing their sphere of influence in the infrastructure and construction tendering market and so better understand and control behaviour of suppliers. As a consequence, the case companies should benefit from this knowledge through gaining competitive advantage by becoming a "preferred customer" to tender and work for in the eyes of suppliers. Therefore, the *preferred customer status* theory is applied to the scope of the study. The functioning of this theory, originating from the private sector, will be tested in the (semi-) public sector, which has not been done before in academic literature.

Design & Theoretical Approach – The *preferred customership theory* reasons from a *reverse marketing perspective* emphasizing the scenario in which a purchaser seeks to persuade a supplier to supply the customer with its best products and thus is *proactive* instead of *reactive* as in *traditional marketing*. Customer Attractiveness (CA), Supplier Satisfaction (SS) and a Preferred Customer Status (PCS) are currently described as the building blocks of achieving a PCS and all have its associated antecedents identified by multiple private sector studies. In short, the theory suggests that buying entities can receive preferential treatment from their suppliers if they are an attractive customer to work for (suppliers expecting to create value by initiating a relationship: CA); next, when the relationship has been executed, the supplier will assess whether the expectations are met (SS); finally, if the supplier is more satisfied with customer (a) compared to customer (b), the former will be awarded the PCS. As this theory provides structure to this research' purpose, it will be used throughout the thesis and will be used to answer the main research question of this thesis: *"How can Case Company A and Case Company B manage and further improve the participation- and commitment behaviour of suppliers in the infrastructure and construction tendering market by applying the preferred customership phenomena?"*.

When the literature review analysed the problem statement through a public procurement perspective, a few main findings stood out. Firstly, public procurement focusses more on individual projects instead of leveraging long-term strategic partnerships. The foremost contextual reason for this observation can be found in the extensive set of rules public purchasers should adhere to which frustrates repeat business between a buyer and supplier. Also, scholars described public procurement as risk averse, highly resistant to change and low trust levels. The *'bid'* or *'not to bid'* decision was one of the few useful streams within public procurement which generated empirical findings emphasizing why suppliers participate in- and commit to public tenders. Most importantly, these findings underlined the importance of single tender projects within public procurement: a *tender.* For example, *project risk,* and *fulfilling to the tender conditions* were identified as important influencing factors considered by suppliers when choosing their business partners. In sum, the literature review suggested that the way how public purchasers can achieve a PCS and parallel achieve more control on participation and commitment behaviour of suppliers should be reconsidered. In the field study of this thesis, 31 suppliers were interviewed to shed light on the research question of this thesis and the exact functioning of preferred customership within the public domain.

Findings – The field study resulted in 28 conducted interviews with suppliers of *works* (i.e., contractors) and 3 interviews with suppliers of *services* (i.e., engineering services) in the public domain. The reason of studying two different case-companies (Case Company B and Case Company A), considering both purchased *works* and *services* and using qualitative methods for all 31 interviewees, is to seek a higher level of validity and usability regarding the end-results of the study. In line with the expectations formulated during the literature review, the functioning of the PCS-cycled indeed needed to be revised. Two elements were added to the scope of the theory in order to give voice to the additional challenges public procurers are confronted with. First of all, *Tender Attractiveness* (TA) was introduced as this new theoretical concept embodies the importance of formulating an appropriate tender when seeking competitive advantage as public buyer. Another important finding, was that suppliers provide tenders they acknowledge as highly attractive with preferential treatment such as dedicating additional resources to the tendering team responsible for the bid on a tender. Hence, a second addition was made to the model by introducing the *Preferred Project Status* (PPS). The PPS serves as a new goal public purchasers can accomplish by scoring high on CA and TA and so how triggering the supplier to participate in a tender and further driving their willingness to win the tender eventually. Furthermore, many new antecedents were identified for CA, TA, SS and PCS which enable a better understanding of what are key influencing variables to consider in a public buyer-supplier interaction.

Originality / Value – Most importantly, the introduction of the new PCS-cycle and the concepts of TA and PPS theorize the playing field of public purchasers as it provides them with tools to leverage their supplier interactions within the shorter time-horizons they act in and thus gives them the opportunity to receive preferential treatment resulting in suppliers participating in- and committing to public tenders. In order to further structure the process of obtaining a PPS, and thus ensuring highly competitive bids from suppliers, the PPS-toolbox was introduced by this paper in order to provide public procurement authorities with cornerstones for their tendering strategy. Mainly this toolbox suggests that purchasers should seek attractive tendering behaviour (CA) and highly attractive tendering procedures contractual- and operational wise. Combining this with a healthy financial margin will lead to a PPS. Going one step further, suppliers who seek a PCS, after they have obtained a PPS, must realise that repeat business was identified as important driver for a PCS. This is not an easy condition to meet from a legal perspective, however the usage of framework contracts could be considered as a tool for purchasers seeking a PCS. Another important step in order to become a preferred customer is realising professional contract management during the implementation of the tender project. This is the most significant antecedent of SS.

Conclusion – In the end, this study proves that public- and private purchasing should be interpreted differently when seeking preferential treatment from suppliers. This thesis has identified the importance of a tender and its implementation in order to achieve competitive edge in the public domain. Importantly, public purchasers should be aware of the fact that their business actions have substantial impact on perceived levels of PCS and associated elements. In line with the reverse marketing technique, purchasing organisations should take their responsibility to leverage supplier interactions with the extensive set of tools this thesis has provides them. In particular, obtaining a PPS by seeking that tendering behaviour is strategically advertised towards suppliers, tender contracts are formulated with great detail (e.g. allocation of risks) and operational excellence exists during the tender process (e.g. planning compliance), will enable public purchasers to better manage and control the participation and commitment behaviour of their suppliers.

1 INTRODUCTION

1.1 Introducing the topic of the thesis

Purchasing (or procurement) is increasingly recognized as major driver for strategically managing supply chains (Krause, Pagell, & Curkovic, 2001; Paulraj, Chen, & Flynn, 2006; Paulraj, Lado, & Chen, 2008; Yeung, Cheng, & Lee, 2015). Consequently, procurement has received a considerable amount of attention in academic literature over the last decades resulting in a shift of the procurement function from an administrative buying service towards becoming a strategic business partner (Knudsen, 2003; Paulraj et al., 2008; Tassabehji & Moorhouse, 2008, p. 55). Within this transformation, aiming to build relationships with suppliers and getting access to their resources and innovative solutions is a crucial challenge for purchasers (Ellis, Henke Jr, & Kull, 2012; Pulles, Schiele, Veldman, & Hüttinger, 2016). Firstly, this is a challenge because, the number of suppliers in supply markets are typically decreasing, resulting in less alternative suppliers to choose from, and secondly, because buyers regularly initiate open-innovation projects jointly with suppliers in order to create value resulting in a higher dependency on suppliers (Schiele, Veldman, & Hüttinger, 2012). In this line of reasoning, viewing suppliers as a source of competitive advantage should evolve in purchasers who actively manage their supply-base and pursue a so called preferred customer status which could potentially result in benefits such as enjoying customized products, early access to innovations and better prices (Schiele, Calvi, & Gibbert, 2012; Vos, Schiele, & Hüttinger, 2016). Although the functioning of preferred customership in the private sector has been studied by multiple scholars (R. Baxter, 2012; Hüttinger, Schiele, & Schröer, 2014; Hüttinger, Schiele, & Veldman, 2012; Nollet, Rebolledo, & Popel, 2012; Pulles, Schiele, et al., 2016; Schiele, Calvi, et al., 2012; Vos et al., 2016), no noteworthy studies have analysed the functioning of the theoretical concept in a public procurement context says (Schiele, 2018). Adding that the way in which public- and private institutions conduct their purchasing activities differs substantially (Tadelis, 2012; Wang & Bunn, 2004), this study will explore pathways for (semi-) public organisations who desire to gain competitive advantage through managing and leveraging their supplier interactions.

The purchasing environment this thesis will thus focuses on is *public procurement* which relates to all *goods*, *services* and *works* purchased by public entities. Examples of products purchased through public procurement are the acquiring of school books or electronic devices by public universities (i.e., *goods* or *supplies*), municipalities buying home-care for inhabitants or governmental institutions purchasing catering services for their employees (i.e., *services*) and finally public entities buying construction- or infrastructure projects such as real-estate, roads or bridges (i.e., *works*). When public procurers source such products they are expending public funds and therefore are restrained by what the law allows them to do, while private purchasers "may do anything that the law does not prohibit" (Callender & Matthews, 2018, p. 20). In Europe, public entities should therefore comply with an extensive set of rules known as the *EU Directives* ensuring their expenditure serves a purpose of public interest (European Commission, 2014). In the European Union, public procurement represents 16% of GDP and thus has a substantial effect on trade volume (European Commission, 2017). Hence, public procurement is acknowledged as a policy tool which can be leveraged by public entities in order to reach societal outcomes (Grandia & Meehan, 2017) such as encouraging environmental responsibility through sustainable public procurement (Amann, K. Roehrich, Eßig, & Harland, 2014) and governments stimulating innovation by using their own procurement activities to "lead by example" (Nijboer, Senden, & Telgen, 2017, p. 450).

In 2013 the volume for specifically purchased *works* in The Netherlands accounted for €14.995.200.000 which represented 11% of total public procurement volume (European Commission, 2014)[1]. *Works* are defined as all civil-technical and construction *works* including the construction of a bridge, an office building or a road and also involves the maintenance of these assets (i.e., asset management)[2]. In this thesis, public procured *works* in the Netherlands will be further analysed through two case-companies who are public procurement practitioners: *Case Company A* and *Case Company B*. *Case Company A* and *Case Company B* are two semi-public organisations who have comparable business models and are active in the same *special sector industry* (in Dutch; '*nutssector*'). In this thesis, the term semi-public organisation implies the same as special sector industry actors. The special sector industry includes water-, energy-, transport-, and post services (Richtlijnen nutssectoren, 2014)[3]. Moreover, these special-sector-industry-organisations not only have to comply with the general EU Directives, but also need to adhere to an additional set of rules ('*Gids proportonaliteit'*), which further bounds their freedom when exercising public tenders. This additional set of rules is introduced in order to ensure proportionality in tenders (Gids Proportionaliteit, 2016). As Case Company A and Case Company B are active in the same industry and have to comply with the same set of external rules and regulations, they are exposed to similar challenges in their procurement activities as well. In order to professionalise the procurement business learning curve Case Company A and Case Company B share insights regarding their procurement experiences like during this thesis project.

A significant challenge for Case Company A and Case Company B relates to establishing a highly competitive supply market and hence ensuring that suitable suppliers want to *participate in*- and *commit to* tenders set out for infrastructure and construction projects. Participating in- and committing to tenders implies that suppliers request the project guidelines, enrol in the tender and hand in a competitive bid with the intention to win the tender eventually. The challenge formulation does not imply that Case Company A and Case Company B do not have suitable suppliers bidding on their tenders at all, but emphasizes that Case Company A and Case Company B experience a challenging environment to ensure that firstly, suitable suppliers continuously participate in their tenders, secondly, preventing that suppliers withdraw from tenders without clear reasoning, and finally, that suppliers hand in highly-competitive bids in the end. In other words, the observation of potentially suitable suppliers being absent in specific tenders, suppliers pulling back during tenders, and suppliers handing in insufficient bids are not always understood by the case-companies. Hence, the goal of this thesis is to examine how suppliers acknowledge Case Company A and Case Company B as public procurement authorities in general and to understand their *participation* and *commitment* behaviour in tenders. As these problems have to do with suppliers who do not optimally perform in favour of their clients (i.e., Case Company A and Case Company B), adapting elements of the preferred customership literature stream aiming to strengthen the competitive position of the buyer is suggested. Therefore, during this research study, the thesis will focus on the theoretical backgrounds and interlinkage of illustrated challenges with academic literature on 'customer attractiveness', 'supplier satisfaction' and 'preferred customership' from private sector literature.

This master thesis will be structured as follows: First this chapter will continue by discussing the problem statement and formulating study-goals. Then, in the methodology section, the methods used in order to

---

[1] http://ec.europa.eu/regional_policy/sources/policy/how/improving-investment/public-procurement/study/country_profile/nl.pdf

[2] http://eur-lex.europa.eu/legal-content/NL/TXT/PDF/?uri=CELEX:32014L0025

[3] http://eur-lex.europa.eu/legal-content/NL/TXT/PDF/?uri=CELEX:32014L0025

structure and solve the problem statement will be emphasized. Next, an extensive literature study will be presented in the field of public procurement focussing on tendering behaviour and value creation through public buyer-supplier relationships. Also, this chapter will make some first suggestions on how the preferred customership phenomena can be linked to the field of public procurement. In the fourth chapter, a qualitative field study will be presented identifying key antecedents for preferred customership and sub elements of the theory in the (semi-) public sector. Then, in the fifth section the results will discussed in more detail and the research question will be answered. Finally, in the sixth chapter, practical recommendations for the two case-companies will be presented

1.2 Introducing procurement within two special-sector-industry case companies

Case Company A and Case Company B both are Dutch semi-public special-sector-industry-companies. How these companies are organised and why they adhere to public procurement regulations in the first place will be discussed in this paragraph before the actual problem will be discussed through explaining multiple examples of the problem statement in practice. In general, the financial resources public organisations use to conduct procurement activities primarily originate from tax-payers' money whereas private sector firms are financed by private equity, debt contracts or via Initial Public Offerings (Berger & Udell, 1998). As a consequence, the financial resources public organisations use have different interests associated to it in comparison to private organisations and therefore governments and other public procurement authorities are expected to safeguard the public interest with their expenditures and, moreover, are assumed to do this in an efficient and professional way (OECD, 2015). Due to this expectation, the rules regarding public procurement are more formalized in order to "achieve a procurement market that is competitive, open and well regulated"[4]. Public procurement practitioners generally are governments and legal entities whom fulfil multiple requirements such as serving a purpose of public interest, being financed by public entities for 50% or more and being supervised by public organisations[5]. Examples of public procurement authorities are governmental bodies, public schools or hospitals.

Although Case Company A and Case Company B both meet these requirements, the conditions for the special-sector-industry (*nutssector*) deviate from the aforementioned requirements since this industry concerns an exceptional one. The law pleads that all organisations active the *special sector industry* (i.e., water-, energy-, transport- or post services sector) immediately need to adhere to the EU directives when procuring goods, services and works[6]. The main explanation for this argument is that these organisations generally have substantial impact on the economic- and social development of a country[7] and hence, their existence is strategically relevant for governments.

4 See: https://ec.europa.eu/growth/single-market/public-procurement_nl

5 Telgen, 2017 (lecture slides Purchasing Management)

6 http://eur-lex.europa.eu/legal-content/NL/TXT/PDF/?uri=CELEX:32004L0017&from=NL

7 https://ec.europa.eu/growth/content/public-procurement-utilities-sector-water-energy-transport-and-postal-services-0_en

1.2.1 Explaining why the focus on procured *works* is relevant
Confidential appendix

1.2.2 Case company one: Case Company A
Confidential appendix

1.2.3 Case company two: Case Company B
Confidential appendix

1.3 Problem statement and research questions of the study

The case companies have shown same fundamentals in terms of leveraging comparable business models, investing in *works,* dealing with the same kind of stakeholders and adhering to the same set of (external) procurement rules. As a consequence of these similarities, both organisations are exposed to similar challenges in their procurement business. In this paragraph, these challenges will be discussed and the problem statement will be presented. The volume of purchased *works* represents a significant cost category for both case-companies which results in two organisations which seek to strategically manage these costs through its procurement organisation. In doing so, a major challenge both firms experience, relates to ensuring that the *most suitable* suppliers structurally *participate in* and *commit to* infrastructural and construction tenders they set out. Ensuring this continuity in supply and safeguarding that bids are of high-competitive value represent the essence of the problem statement. Eventually, being able to understand and influence considerations made by the supply-market regarding participation and commitment behaviour is the goal in the long-run which should be supported by the theoretical argumentation based on the preferred customer status phenomena. It is with this in mind that this thesis aims to answer the following research question:

Research Question

"How can Case Company A and Case Company B manage and further improve the participation- and commitment behaviour of suppliers in the infrastructure and construction tendering market by applying the preferred customership phenomena?"

The first important aspect to clarify is how the regulations as emphasized in the EU-directives relate to the research question. Obviously, the research question focuses on a potential business relationship between a buying- and supplying party in the special sector industry. Since the thesis has already underlined that the EU directives are compulsory, the study should reason from the four EU-Directive principles central to public procurement: *transparency*, *equal treatment*, *open competition*, and *sound procedural management* (European directives, 2014). From here, the aforementioned 'buyer-supplier relationship' might have a suggestive undertone implying that a certain potential supplier should *win* a bid (in Dutch: "*leverancier die gegund wordt"*). Importantly, this thesis will explicitly not focus on defining which suppliers should potentially win a tender but emphasizes which suitable suppliers should *participate in* general tenders, what drives them in considering to do so and what drives them in *committing* to a tender eventually. This is undoubtedly one of the most important differences with the private sector where mentioning a preference and acting accordingly to ensure the preferred supplier wins the bid, is part of the game. Building upon this, the concept of *suitable suppliers* refers to likely candidates for a job who qualify to the selection criteria and thus are capable of executing the projects with a certain standard. *Managing* and *further*

improving this process is mentioned in the research question as the case companies should be provided usable business tools enabling control on the participation- and commitment behaviour of suppliers.

Thus, this problem statement discusses a situation in which two purchasing authorities seek to create understanding of what drives the supply-base in their considerations to participate in- and commit to tenders and secondly, knowing what impact their own business actions have on suppliers' handling. In other words, the case companies are actively focussing on the question how to gain and keep access to key resources of most strategic suppliers. By linking this goal to theory, the relevancy of introducing the preferred customership phenomena to this thesis' scope is underlined because obtaining a preferred customer status can evolve in a buying party gaining (earlier) access to a supplier's resources, receiving better prices, and getting access to innovation (Hüttinger et al., 2012; Schiele, Veldman, et al., 2012). As such, by obtaining a preferred customer status in the public procurement environment, the case companies could ensure participation and commitment to tenders as preferred customers receive better services in general compare to other customers (Schiele, 2018). Here, this paper assumes that obtaining such a status in the public procurement environment evolves in comparable advantages for buying entities. Importantly, preferential treatment such as access to resources and innovations is interpreted as a potential way in which suppliers can also express participation and commitment behaviour in public tenders. Therefore, this theory will be used throughout the paper and its existing sub elements will be dedicated a sub-question to identify whether they exist at first, and if so, what antecedents drive these sub-elements. The functionalities of the preferred customer status theory and its sub elements will be discussed in the theory chapter, for now, it is important to know that preferred customership is segmented by customer- and tender attractiveness and by supplier satisfaction. The sub-research questions are presented in table 2 below.

TABLE 1: SUBDIVIDING THE RESEARCH QUESTION

Main Research Question: *"How can Case Company A and Case Company B manage and further improve the participation- and commitment behaviour of suppliers in the infrastructure and construction tendering market by applying the preferred customership phenomena?"*	
Sub-question 1: Customer Attractiveness (CA)	*What are antecedents for Customer Attractiveness in the infrastructure and construction tendering market?*
Sub-question 2: Tender Attractiveness (TA)	*What are antecedents for Tender Attractiveness in the infrastructure and construction tendering market?*
Sub-question 3: Supplier Satisfaction (SS)	*What are antecedents for Supplier Satisfaction in the infrastructure and construction tendering market?*
Sub-question 4: Preferred Customership (PCS)	*What are antecedents for obtaining a Preferred Customer Status in the infrastructure and construction tendering market?*

1.3.1 What does the problem statement entail in practice?

Building upon the presented main research question and its sub-questions, this paragraph briefly emphasizes the supply chain of the case companies in order to visualise the scope of the research in practice. Also, it will give explicit real-life examples of the problem statement in its daily business context. The business relationship this thesis focusses on is the relationship between the case companies and their tier-1 suppliers for works. In this relationship the demand side, or the buying party of the relationship obviously are Case Company A and Case Company B, while the supply side is represented by contractors who can supply the demanded works. Since this relationship has a buying- and supplying party, this is called a buyer-supplier relationship. Buyer-supplier relationships can be initiated in order to enhance competitive advantage (Harrigan, 1985), and often contain out of partnership practices that support the

process of exchanging assets between a buying and supply firm (Kotabe, Martin, & Domoto, 2003). Case Company A and Case Company B are the central element in this thesis (the "us perspective") and thus are also concentrated on as focal firms when elaborating on the supply chains. In figure B from appendix B (page. 103) the structure and flow of supplies is illustrated for the *works* procured by Case Company A and Case Company B.

……
Examples are to be found in the ***Confidential appendix***
……

1.4 Goal of the paper

As discussed with Case Company A and Case Company B's procurement representatives; the main goal of this study is to better understand and control certain behaviour of the supply-market regarding *participation in-* and *commitment to* tenders the case companies set out. The academic goal of this master thesis is to add value to the existing body of literature on public procurement and value creation through buyer-supplier interactions in particular. This paper seeks to identify what purchasing authorities can do to enlarge their chances of attracting the best suppliers and ensuring that these suppliers hand in a top-notch bid. To successfully fulfil these goals, it is important to further explain the goal setting and understand "how you will know when you have achieved a solution" (Minto & Minto, 2002, p. 113).

After formulating the research question *"How can Case Company A and Case Company B manage and further improve the participation- and commitment behaviour of suppliers in the infrastructure and construction tendering market by applying the preferred customership phenomena?",* it becomes clear that there are more elements that need to be given a certain achievement goal. First of all, the case companies should receive insights in how the supply-market acknowledges them as public procurement authorities in terms of *customer attractiveness* and how they can further improve this attractiveness and moreover, where such improvements will lead to concretely (sub-question 1). Next, an identical analysis should be conducted on *tender attractiveness* to identify critical topics within tenders which influence supplier's participation and commitment in tender (sub-question 2). Then, the paper should emphasize how *satisfied suppliers* are with previous business relationships in the form of executing contracts with the case companies (sub-question 3). Evolving from these elements, it should become clear what the competitive position is of the case companies and how they can obtain a *preferred customer status* from their suppliers if they desire to do so (sub question 4). In the end, the gained value resulting from implementing such findings should become clear for the case companies. The underlying purpose of this study is to strengthen the position of Case Company A and Case Company B towards its competitors as public procurement authority and consequently seek opportunities to become a preferred customer in the eyes of their suppliers. A solution should touch both the practical as the academic side of the spectrum by firstly giving applicable business solutions for the case-companies to enhance the competitive edge and, secondly, by assessing the usability of the preferred customer status theory.

1.5 Academic and practical relevance

Scholars have devoted substantial effort to study antecedents in buyer-supplier relationships and subsequently on topics as *customer attractiveness* (Ellegaard & Ritter, 2007; La Rocca, Caruana, & Snehota, 2012; Schiele & Vos, 2015), *supplier satisfaction* (Hüttinger et al., 2014; Schiele, Ellis, Eßig,

Henke, & Kull, 2015; Vos et al., 2016) and *preferred customership* (R. Baxter, 2012; Nollet et al., 2012; Pulles, Schiele, et al., 2016; Schiele, Calvi, et al., 2012; Steinle & Schiele, 2008). However, the majority of these studies have focused on private sector industrial buyer-supplier relationships and, for example, analysed datasets retrieved from the automotive industry (Ellis et al., 2012; Hüttinger et al., 2014). These results cannot be generalized with other business contexts such as the public sector. Comparable studies analysing antecedents of preferred customership have not been conducted in the (semi-) public procurement domain (Schiele, 2018). Therefore, this master thesis is unique in analysing the functionality of the *preferred customer status* between a public buying parties and private supplying parties. By adding *tender attractiveness* to the scope of the theory, this paper seeks to improve the usability of the theory to public procurement standards. The relatively large sample size of this study (n=31), the qualitative way of interviewing and the fact that two case companies are studied, will contribute to the validity of the results and thus to the academic impact of this thesis.

The relevance of the thesis in practice has already been emphasized in previous paragraphs. The most important take-away relates to Case Company A and Case Company B and their ambition to better understand and manage their supply-base and so how leverage a potential preferred customer status in the field of infrastructural and construction tenders. To put it differently, this thesis seeks to create awareness and give purchasers insights on the impact of their business actions have on the supply side's actions. Furthermore, the paper should identify the most critical areas of improvement within for the case companies' purchasing departments sphere of influence. These improvements should contribute to the competitiveness of the case companies. Why aiming for such improvements is relevant in this specific buyer-supplier relationship, is because buying parties face decreasing amounts of suppliers in supply markets in general and thus are confronted with suppliers who have more freedom in choice to select their preferred customer to supply to (Hüttinger et al., 2014; Lavie, 2007). Moreover, in The Netherlands, the overall construction market has been growing for several years (+7,7% in 2017)[8] and the infrastructure market especially increased with 1,56% over 2017 which accounted for a total worth of €14.475.000.000 on investments in the infrastructural market[9]. In appendix C, a table can be found which illustrates that the order books of major suppliers in construction industry have grown with 8,5% over 2017 and thus construction industry is extensively expanding[10]. Consequently, due to this cycler economic upstream, supplying parties can be even more selective in choosing projects or customers they want to supply. This underlines the relevance of this study as Case Company A and Case Company B are thus exposed to suppliers who have the liberty to be more selective in choosing their partners and thus Case Company A and Case Company B benefit from knowing what they can do in order to perceived as attractive partner. This phenomena of actively managing your own capabilities in order to persuade suppliers to interact with your company is called *upstream marketing* or *reverse marketing* (Blenkhorn & Banting, 1991).

During this thesis project, a report was published by the Dutch ministry of economic affairs: *beter aanbesteden: 23 acties.* This report has as goal to professionalise the public procurement function by initiating a dialogue between purchasers and suppliers. This study has comparable elements in comparison to this thesis, however, the report focusses more on purchasing municipalities and governments (i.e.,

[8] https://longreads.cbs.nl/trends17/

[9] http://www.bouwendnederland.nl/feiten-en-cijfers/kerncijfers-inframarkt

[10] https://www.cobouw.nl/bouwbreed/nieuws/2018/08/grootste-bouwers-van-nederland-zien-orderboeken-uitpuilen-101263410

traditional public sector) whereas this thesis focusses on two special sector industry companies. Moreover, the report of *beter aanbesteden* has a more macro-level reasoning approach where this thesis focusses on specific examples from two case company's active in the infrastructure and construction industry and specifically analyses these buyer-supplier relationship based on a distinguished theory; the preferred customer theory. In sum, the fact that this report has been published highlights the relevancy of this topic in practice.

1.6 Outlook on this thesis

As this chapter has introduced the relevancy of the problem statement and has explained the playing field this thesis acts in, the second chapter will formulate the strategy of the research study and will discuss the methods used throughout the study. It will further explain why certain decisions are made in terms of methods like a literature review and the field study conducted at 31 suppliers. Then, in chapter three, the theoretical body around preferred customership and public procurement will be presented before chapter four introduces the findings of this studies field research. It is in that chapter were new antecedents will be drawn upon that should help the thesis to answer the research questions. Next, in chapter five, the results will be discussed and a more thorough understanding of the impact of the results will be elaborated on by presenting a new preferred customership model. Eventually some practical business solutions will be presented to Case Company A and Case Company B and a conclusion will be presented in chapter six and seven. A more extensive outlook on the expected outcomes of the study in presented at the end of the next chapter.

2 METHODOLOGY: TRANSLATING THE THESIS' PROBLEM STATEMENT INTO A RESEARCH STRATEGY

In the second chapter of this study, a more sophisticated level of understanding regarding the research strategy should be obtained. The latter will be done by firstly presenting a schematic illustration of the research strategy: Starting with the previous chapter which has discussed the main topics of this thesis and formulated a problem statements. Then, after this chapter has discussed the research strategy, the third chapter will explicitly focus on studying existing academic literature to build capability on the thesis' topic and problem statement. This will be divided into two streams: seeking clarity in public procurement topics related to the problem statement and secondly filling up the knowledge-gaps with literature from the private sector. The chapter will also shed light on what antecedents relating to the problem statement already exist in the current body of literature. Then, during the field-research of this thesis project, existing antecedents will be tested in the specific public procurement context and new antecedents will possibly be identified. The main areas of analysis in this chapter will be customer attractiveness, tender attractiveness, supplier satisfaction and preferred customership. For all these elements individually, antecedents will be sought for. Next, in chapter five, these antecedents will be interpreted and a new functioning of the aforementioned elements will be discussed in order to be able to answer the main research question. Finally, chapter six and seven will provide some recommendations for the case companies and give concluding remarks for the study as a whole. The overview of the research strategy is illustrated in the figure below.

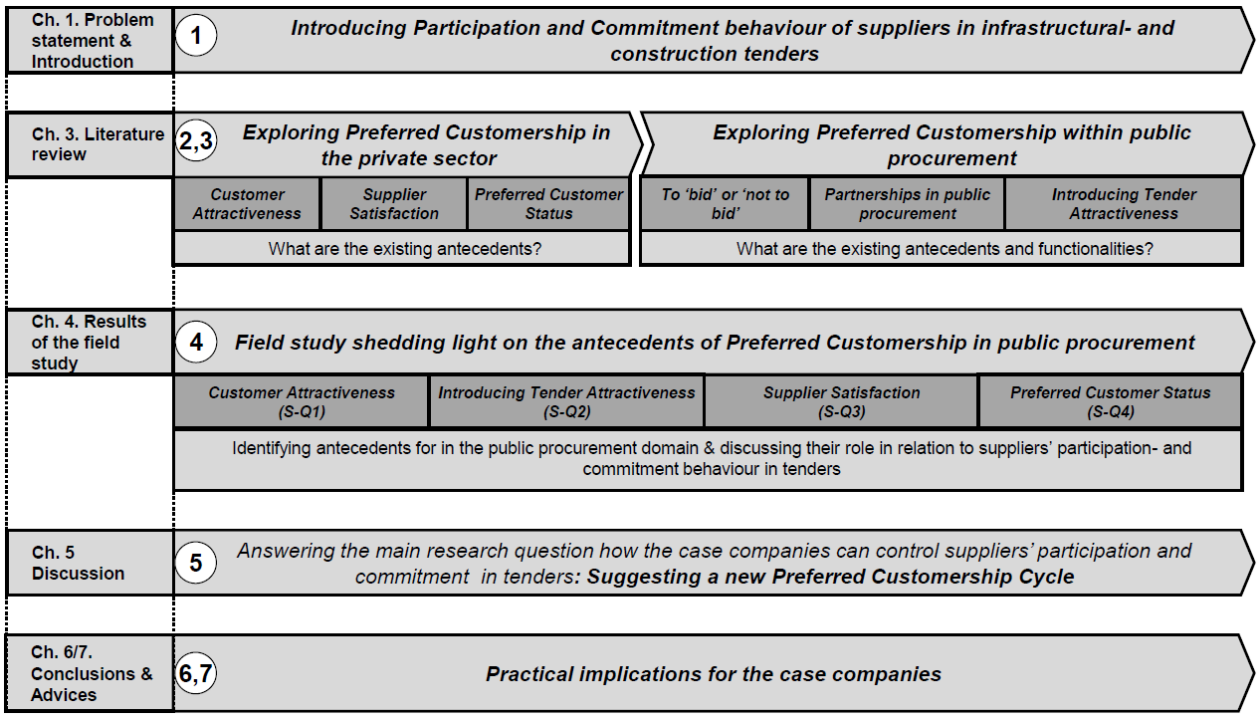


FIGURE 1: SCHEMATIC OVERVIEW OF THE RESEARCH STRATEGY

2.1 A Literature study to explore the field of public procurement and its buyer-supplier interactions

The first step of this thesis' research strategy is to present a state of the art literature study on the theoretical concepts which contribute to clarification of the problem statement. Doing this for a specific topic is called conducting a literature review (Rowley & Slack, 2004). This paper will mainly seek literature based on *public procurement* and the *preferred customership theory* to structure the theoretical body of this thesis. In chapter three these concepts and theories will be thoroughly explained and examined on its usability within the scope of this thesis. This paragraph will explain which research strategy was used for collecting sources of information on these topics.

2.1.1 Seeking public procurement academic literature emphasizing preferred customership

The literature study of this paper primarily aims to find literature and influencing factors explaining the business challenge of this paper: understanding suppliers' participation- and commitment behaviour in public tenders. As emphasized in the first chapter of this paper, theory on preferred customership will be used as the main theoretical foundation to structure the problem and eventually seek to resolve the challenge. Obviously, the literature review would be mostly interested in scientific articles addressing the functioning of preferred customership in public procurement infrastructural and construction tendering environments specifically. However, scholarly already identified that this type of literature still lacks in the current body of literature (Schiele, 2018). This was confirmed by this paper after consulting regular academic search engines such as Scopus, JSTOR, Google Scholar, Science Direct, Web of Science, Taylor & Francis with search terms as: "public AND procurement AND preferred AND customer" or "public AND tender AND Preferred AND Customer" or "public AND procurement AND customer AND attractiveness" or "public AND sector AND preferred AND customership" generating no relevant search results. If the same search terms are adjusted to private sector procurement with search terms as 'purchasing' or 'private sector procurement' more than 100 papers are found in Scopus alone. Therefore, from a scientific point of view, the problem statement and the literature review makes sense in adding value to the public-sector perspective on this topic. However, other ways of seeking useful literature should be discovered

2.1.2 Considering private sector literature in order to structure the theoretical body

Due to the lack of existing public procurement related articles emphasizing preferred customership, the literature review continued its research strategy by focussing on literature that was available: private sector literature studying preferred customership. Hence, the paper will build the main theoretical foundations around private sector literature. Meaning that, for example, the questions in the interviews will be built around theory from private sector literature. This is a logic step as the preferred customership theory has its main influence sphere in the private sector industry finding it origins in 1970's when Hottenstein pleaded that suppliers should consider to make shortlists of preferred customers in order to better identify strategic partnerships (Hottenstein, 1970, p. 46). Ever since, the theory has received significant attention from scholars in the private sector, mostly from industrial motivated research. Building upon the private sector literature, this paper will embody its literature review by primarily discussing antecedents for customer attractiveness (hereafter CA), tender attractiveness (hereafter TA), supplier satisfaction (hereafter SS) and preferred customership (hereafter PCS) in the context of private sector literature. These antecedents were found by searching in Google scholar, Sciencedirect, Jstor, Scopus, the Utwente Library literature database, and Wiley online library (for specific journals). Then, search terms were filled in such as;

'purchasing relationships', 'preferred customership', 'attractiveness in purchasing/procurement relationships', 'preferred customer status', 'customer attractiveness in procurement', 'strategic purchasing relationships', 'purchasing supplier strategies', 'supplier satisfaction' and so on. Resulting from this search, an extensive number of articles were found emphasizing the preferred customership phenomena. Especially the paper of Hüttinger et al. (2012) gave major insights regarding antecedents of the theory.

2.1.3 Searching beyond the obvious: seeking insights in public buyer-supplier interactions

Despite the fact that the mentioned findings are useful, this research paper still desires to formulate a more sophisticated public procurement oriented review as well, regardless of the neglected amount of public procurement literature found on preferred customership specifically. Consequently, the same search engines were used in order to identify insights on several main topics as public buyer-supplier relationships, public procurement partnerships and the tendering behaviour of suppliers within public procurement. These themes embody the main research goal of this study to find out what influences suppliers in their considerations to participate in- and commit to tenders. With this in mind, the following search terms were used: 'infrastructure purchasing projects', 'purchasing tendering', 'purchasing public sector', 'public procurement partnerships', 'public procurement sourcing strategies', 'public procurement innovation', 'supplier satisfaction in procurement' 'competitive tendering', 'tender attractiveness', 'strategic tendering', 'competitive advantage through tendering', 'tendering decision suppliers', 'tender participation', 'tender behaviour supplier', 'project procurement', 'bidding public procurement', 'public tendering procedures', and 'public procurement tendering strategies'. From here, some useful academic papers were found, however, they still failed to provide clear antecedents for participation and commitment behaviour. Through using the snowballing technique on the most relevant found paper of Wibowo, Astana, and Rusdi (2017), a new and highly useful stream of literature was found within the scope of public procurement: The *'bid'* or *'not to bid'* decision literature stream. This theme within the literature did provide antecedents of what suppliers acknowledge as important when deciding to participate in- and commit to a tender. Thus, after all a public procurement related topic was also found which generated antecedents and theoretical foundation for the thesis as well.

In the end, results of the literature reviews on private preferred customership and public *'bid'* or *'not to bid'* decision were used to build a strong theoretical foundation in this study. An *exclusion- and inclusion criteria matrix* which was used throughout this literature study can be found in the appendix (D) of this thesis. Such a matrix describes which search-term combinations resulted in the inclusion of scientific papers, and which search-term combinations resulted in the exclusion of scientific papers (Randolph, 2009). Moreover, this systematic literature review used papers originating from different journals and databases and furthermore used several techniques to find desired literature (e.g., snowballing technique finding a new stream in public literature). Thus, here several journals and multiple techniques were used what adds quality to a literature review say Webster and Watson (2002).

2.2 Conducting face-to-face interviews to shed light on what drives suppliers in their tendering behaviour

Building upon the literature review, interview questions were formulated for the field study of this thesis. The main theoretical concepts (i.e., PCS, CA, TA and SS) are incorporated into these interviews and by critically analysing the questions together with employees of the case companies, additional questions were added or question were rephrased according to public procurement standards. After carefully formulating the specific questions, the actual field research was conducted through interviewing pre-

defined (potential-) suppliers of Case Company A and Case Company B. The study will generate qualitative data through conducting 28 face-to-face interviews with supplier of infrastructural and construction *works* and three interviews with suppliers of *services* in the special sector industry. As argued by multiple scholars, a qualitative case study approach should be considered when answering 'how' and 'why' questions, which is the case in this thesis (P. Baxter & Jack, 2008; Yin, 2003, 2015) Nota bene, the main research question of this thesis answers the question *how* the case companies can better manage and impact the participation- and commitment behaviour of their suppliers in public tenders. Moreover, exploring a relatively unknown landscape of behaviour or processes is also seen as a characteristic for case studies (Meyer, 2001). Since little is known about preferred customership in the public sector, studying its existence and functioning can be appropriately researched through a case study method. Moreover, because the investigated topic is expected to be relatively unknown to interviewees, and because the depth of information this thesis seeks to collect, face-to-face interviews are beneficial to (Blumberg, Cooper, & Schindler, 2014). In such interviews, an actual dialogue can be held with the supplier and beyond the obvious answers can be found. In this thesis' sample, interviewed infrastructure and construction suppliers vary from large stock-listed companies to small family businesses. Therefore, conducting the interviews face-to-face and being able to explain certain questions can contribute to the usability and validity of the data. In the next paragraphs, multiple elements of the interview methods will be discussed in more detail.

2.2.1 Sample of the study

From the 45 suppliers which were approached, 31 suppliers eventually agreed to participate in the research study by being interviewed (see table two). These suppliers are contractors who are capable of realising the projects demanded by Case Company A and Case Company B. Out of the 31 suppliers, 28 interviewees are suppliers of *works* (i.e., contractors who build the tendered work) and 3 interviewees are suppliers of *services* (i.e., engineering services companies). The addition of three services suppliers was chosen because of two reasons: firstly, because one of the case companies desired to gain additional insights in this market segment due to the extensive amount of engineering services they purchase and secondly as it functions as an appropriate method to resolve limitations in generalizability compared to when only a single case is studied (Meyer, 2001). By not only studying suppliers or works but also collecting data on suppliers of services, not one typical supply-base segment is studied, but two are considered. If the outcomes for both works- and services suppliers appears to be the same, the generalizability and validity of the studies' outcomes improves. Certainly, because preferred customership has not been tested before in a public procurement context, interpreting data from two different supply-markets adds depth to the final findings.

……
The list of suppliers interviewed and more information of the method of selecting the sample firms are to be found in the ***Confidential appendix***
……

2.2.2 Data collection and measurement

The different types of suppliers will be approached with the same objective; to find out how they acknowledge Case Company A and Case Company B as public procurement authorities and what drives them in relationship to infrastructure and construction tenders. The approach will be made by interviewing these suppliers face-to-face with a predefined semi-structured set of questions which they received in

advance. These questions need to address several elements in order to seek clarification of the problem statement and secondly ensure academic understanding of certain observations.

As previously mentioned this thesis and the interviews will be based on principles of available literature on the preferred customer status. These elements will form the redline of the interview. Briefly this theory argues that *CA* (customer attractiveness) is a first necessary stepping stone to initiate or intensify an exchange relationship between a buying and supplying party (Hüttinger et al., 2012). CA can be seen as the expected value a certain customer has. Thus, for example a supplier of utility construction works who expects Case Company B will enable them to innovate in the area of concrete design for roads. Next, if the expectations are subsequently met, the outcome is *SS* (supplier satisfaction) since the suppliers' expectation is fulfilled (Hüttinger et al., 2012). Finally, "when the supplier is more satisfied with a particular customer than with others, the former will be awarded preferred customer and enjoy the associated benefits" (Hüttinger et al., 2012, pp. 1194-1995). To stick to the same example, when the specific supplier is more satisfied with Case Company B compared to another customer in terms of innovative possibilities, they will acknowledge Case Company B as a preferred customer. These already existing elements will be used as stepping stones in the interviews and are extended with a new element; Tender Attractiveness (TA). TA is added to the scope of the interview as it explicitly represents tendering related issues typically important in public procurement buyer-supplier interactions. Chapter 3 will introduce TA in more detail.

The building blocks of the interviews and its associated core tasks are discussed in below and illustrate the same sequence as the interviews were conducted in practice:

A. Classification of customers
- Examines *if* and *how* suppliers actually use a preferred customer classification process / customer acknowledgment strategy
- Examines whether they do this implicitly or explicitly
- Identifies which advantages are related to different classification possibilities
- Examines how Case Company A and Case Company B are classified within this scope
- Describes the current relationship between the interviewee and the case companies

B. Customer Attractiveness, CA
- Identify how attractive the case companies are on a 5 point Likert scale where 1= very attractive and 5= very unattractive
- Examines where this choice is based on and thus what elements play a key role in formulating the degree of attractiveness (antecedents)
- Identifies the role of CA in determining whether to participate in- and commit to specific tenders

C. Tender Attractiveness, TA
- Identify how attractive the case companies' tenders are on a 5 point Likert scale where 1= very attractive and 5= very unattractive
- Examines where this choice is based on and thus what elements play a key role in formulating the degree of attractiveness (antecedents)
- Identifies the role of TA in determining whether to participate in- and commit to specific tenders

D. Supplier Satisfaction, SS
- Identify how satisfied the suppliers are with their customers contract execution on a 5 point Likert scale where 1= very attractive and 5= very unattractive
- Examines where this choice is based on and thus what elements play a key role in formulating the degree of satisfaction (antecedents)
- Identifies the role of SS in determining whether to participate in- and commit to specific tenders

E. Improving a (fictive) classification (PCS, preferred customer status)
- Identify what the customers can do in order to improve their classification of (A) i.e., how can the case company become a preferred customer
- Examine what the case companies benefit will be if they implement such improvements
- Identifies the role of PCS in determining whether to participate in- and commit to specific tenders

All underlying theoretical concepts of the multiple building blocks will be explained in chapter three more thoroughly. Where the structure of the interview is thus based on theoretical concepts mainly retrieved from scholars as Hüttinger et al. (2012), the actual content and composition of questions was generated by the representatives of the case companies and by the researcher. During several panel discussions, together with Case Company B and Case Company A representatives, several important topics and questions were formulated. From all this collected information, this paper subsequently composed a set the most important questions which became the official interview format (see appendixes G). Moreover, suppliers which were visited had the possibility to make their answers confidential by anonymising their interview with as goal to enable honest answers. Sometimes, due to the complex relationships the suppliers have with their customers and the diversity of people interviewed, the interviews will be tested before actual usage by making a pilot version and testing it with colleagues from the case companies who have experience with the suppliers and its people. In the end, the outcomes of the interviews for Case Company A and Case Company B will be independently analysed and weighed.

2.2.3 Analysis of responses through transcribing the interviews in a database

All interviews were recorded by the interviewer and after the interviews were conducted they were transcribed which was done for Case Company A and Case Company B interviews individually. As the results of the interviews primarily contained qualitative data, the documentation of the outcomes had to report an extensive amount of text quoted by suppliers which was done in excel. Every interview with a supplier was dedicated a row in excel (i.e., 31 rows) and every question a column cell, then in the corresponding cell of the question for a specific supplier, a supplier's answer was documented. This was formulated in such a way that the core message became clear in order to subsequently conclude a main emphasized answer per question. These results were primarily used for recommendations for the case companies or on specific projects etc. Furthermore, in some cases not all sub-topics of questions are relevant and are therefore left unanswered. For example, potential suppliers who have not yet worked with the case companies before cannot say anything about supplier satisfaction since they have not experienced any contract execution. For the questions and answers which were easily generalizable cells were given colours to further structure the database. For the questions in which a yes (=1) or no (=0) answer could be given the database could produce pivot tables in order to quantify themes. Roughly, the answers were thus segmented within the core stepping stones of the literature study and if possible answers were interpreted in order to generalize answers if possible. Furthermore, a comparative study was also conducted to ensure that the case companies learn from one another and to see whether both companies maybe show the same types of behaviour or act differently.

From the same extensive database, antecedents were drawn upon for al main elements of the interview: CA, TA, SS and PCS. Through coding the interviews, the count of mentioned antecedents was established in excel resulting in an overview of antecedents for each of these mentioned elements. This are important findings of the thesis as it is the part of the research what could potentially add new academic know-how on how preferred customership functioning in the public procurement environment. These antecedents

were found in several ways: first of all, some antecedents such as *planning compliance of the customer* were explicitly asked during the interviews. The answer of the supplier either resulted in an additional count for the antecedent if the supplier acknowledges its importance while a supplier who did not acknowledge its importance was not considered as a count. Secondly, suppliers also mentioned antecedents without the interviewer explicitly asking a question about this topic. Through analysing the interview recordings, such antecedents were also counted. For example, *controllability of risks* was not a separate question during the interviews but was mentioned a substantial number of times during the interviews and thus was identified as one of the major antecedents. From here, some conclusion need to made. Regarding the antecedents, the study should present which influencing factors are of significant importance for purchasing authorities seeking to improve CA, TA, SS or aim at obtaining a PCS. By analysing these results, the thesis should also be able to argue how preferred customership works in the public domain. Furthermore, a most importantly for the practical side of this study, the results should shed light on which tools can be used in order to better manage and impact the supply-market in terms of their participation and commitment behaviour in public tenders.

2.2.4 The may-effect: a possible effect which could be discovered by this research study

An important may-effect this thesis seeks to investigate is the possible new cycle of the preferred customer status analysed in the (semi-) public sector of the Netherlands. As this is a suggestion made during this phase of the study, it is an effect that *may* occur: hence a may-effect. In the interviews, multiple questions contribute to this investigation as the suppliers are asked how they assess customer performance and antecedents in this process are sought for. In the next chapter of this thesis, the may effect and its associated theory will be elaborated on more thoroughly. Eventually, the results of the study should prove whether the suggested effect indeed occurs or whether it does not exist in this case study.

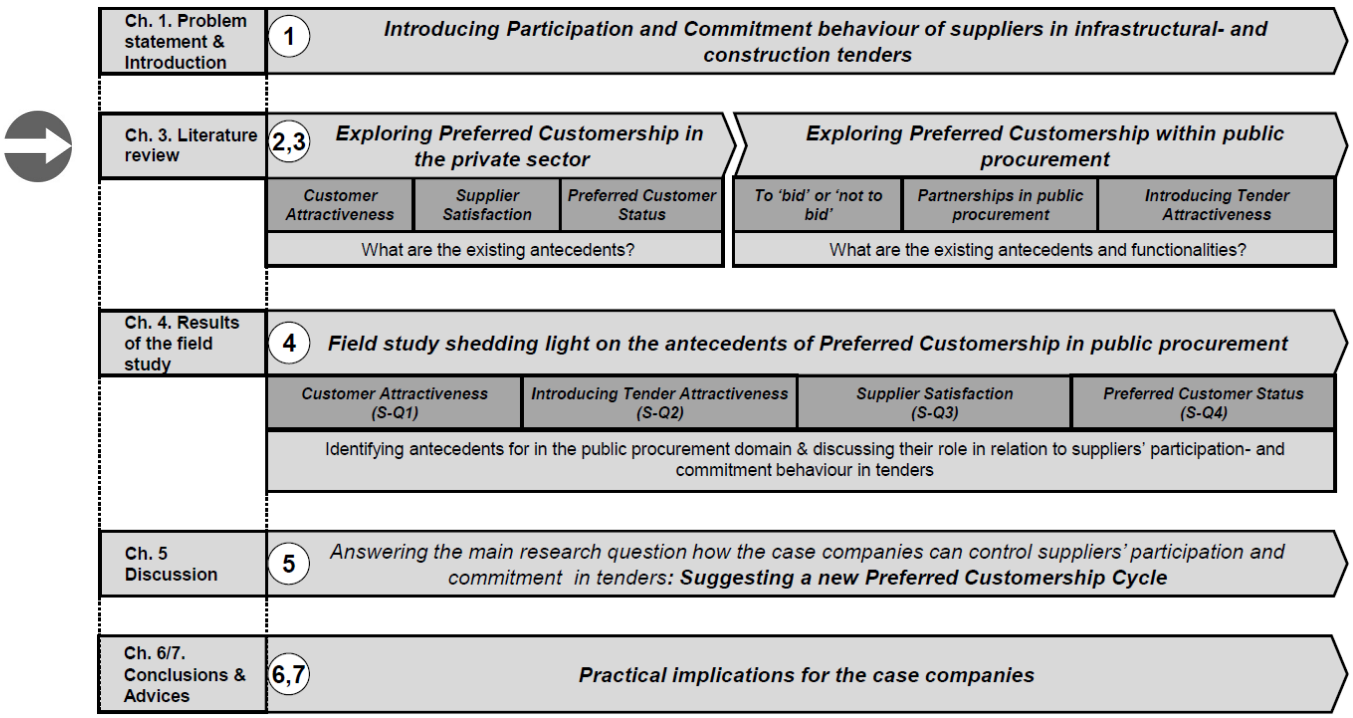
2.3 Outlook on what the research can possibly discover

Summarizing, the thesis has introduced a business problem and has introduced its strategies to successfully resolve this problem statement. Results of the study should aim to clarify how the case companies can further manage and improve the participation- and commitment behaviour of suppliers in tenders, as well as focus on possible new interactions between theoretical concepts by studying the may-effect. It is expected that the study will succeed in generating these specific insights for the case companies because firstly, an extensive literature study has been conducted and multiple searching techniques have been used which resulted in a strong theoretical foundation and relevant antecedents. Secondly, regarding the field-study, the thesis considers two different buying organisations (i.e., the case companies), studies two types of suppliers who supply works and services respectively (i.e., 31 interviewed suppliers) and assesses two types of buyer-supplier interactions (current business relationships and potential ones) which is expected to contribute to the reliability and validity of the thesis´ results.

……
Competitive specific outlooks are to be found in the ***Confidential appendix***
……

3 THEORETICAL FRAMEWORK

This theoretical chapter will build upon the introduced problem statement and its research methodology by extensively reviewing academic literature to create a strong theoretical foundation for this study. Several topics in literature will be reviewed in this chapter; first *public procurement* will be introduced in more detail and important contingencies will be explained. Next, a literature on *public procurement* in the *infrastructural* and *construction sector industry* will be specifically assessed to create better understanding. Then, a more sophisticated view on *buyer-supplier interactions* will be given within the public procurement domain. In subsequent, this buyer-supplier interaction will be translated into a specific theory describing how such interactions can be leveraged: the *preferred customer status.* This theory will be extensively reviewed in existing literature and its antecedents will be presented before the theory will be connected to the public procurement background of this thesis. In the end, a suggestion will be made for a possible may-effect this thesis seeks to investigate during this field-study.



3.1 Practical introduction to public procurement: See Appendix H

As this thesis is initiated from a purchasing educational motivation, the paper obviously seeks to present an advanced levelled theoretical foundation on the purchasing-oriented underlying topic of this paper: public procurement. However, since this is basic knowledge for the most readers of this thesis, and the core of the literature review is the academic review on more specific topics, the practical assessment of public procurement can be read in appendix H on page 112.

3.2 Private sector procurement weighed against public sector procurement

Building upon the general purchasing process and the specific public procurement process, this sub-chapter will discuss some similarities and dissimilarities between the public- and private procurement environments and will argue what these differences entail. As some scholars argue, public and private organisations both have the same values and moral criteria which they use during procurement activities (Caiden, 1999; Kaptein, 1998). *Expertise*, *reliability* and *efficiency* were such values that indeed overlapped between public and private sector organisations as studied by Van der Wal, De Graaf, and Lasthuizen (2008). Kolchin (1990) argues that procurement similarities manifest in comparable *systems*, *procurement processes* and *objectives*. In the end, public and private organisations both acquire *goods*, *services* and *works* and seek to do this in an efficient way. Thus, it is reasonable to conclude that indeed public- and private procurement activities overlap in terms of processes, objectives and values. However, there also are fundamental differences between the two as chapter one also briefly emphasized.

Explaining the dissimilarities between public- and private sector purchasing will be done by citing Harland, Telgen, Knight, Callender, and Thai (2007); (Knight, Harland, & TELGEN, 2012). In her book, Knight et al. (2012) plead that differences can segmented by distinguishing between *external*- and *internal demands*. The *external demands* have to do with particular considerations which have to be thought-through differently or in more detail by public organisations. First of all, *transparency* relates to the equal opportunities all bidders should have during a clearly defined process (Knight et al., 2012). Public procurement organisations have to be more transparent in their tendering processes compared to private organisations and cannot show any preference in their behaviour. *Accountability* and *integrity* relates to the fact that buying authorities should be able to explain their actions and need to avoid improper or fraudulent business practices at all times. Safeguarding the public interest is thus more relevant for public procurement organisations. This conclusion of Knight et al. (2012) is backed up by Wang & Bunn (2004) who say that public procurement activities are audited periodically by administrative agencies and in general thus have less flexibility and freedom to use their discretion than industrial businesses. Finally, *exemplary behaviour* is expected from public procurement authorities because governments and other public authorities have to set an example in terms of ethical behaviour towards stakeholders and thus their activities are more scrutinized and criticised by the public compared to private organisations (Knight et al. 2012, p.17; Wang & Bunn 2004).

Next, *internal demands* further explain differences between the two sectors by elaborating on elements within the organisations internal scope. First, public oriented organisations have to "serve *many goals at the same time*" which implies that the aforementioned safeguarding of public interest needs to be managed mutually with internal financial goals and expansion strategies (Knight et al., 2012). In other words, public procurement organisations need to manage a more extensive, and maybe more complex, set of objectives simultaneously in favour of many different stakeholders at the same time. Moreover, national *political*

goals are applicable to public procurement organisations as well since these organisations often are within the governing scope and responsibility of political institutions. Hence, governance of public procurement entities is often done by supervisors appointed by governmental bodies (Knight et al., 2012, pp. 17-18). This also is a major difference with many private organisations where political influence has a less prominent role in steering companies' strategy. Thirdly, *contextual demands* explain differentiation between the two procurement environments as public procurement is *budget driven*, what entails that public procurement authorities procure what the budget lets them buy as it is not easy to enlarge a budget. Also, the *budgets are open* and hence the general public, and thus suppliers, can get insights in spending's and budgets of buyers (Knight et al., 2012). In retrospect, private organisations have more freedom in their financial strategy and budgets are more flexible. Finally, differences can be found in terms of *demands on processes* as public procurement authorities cope with *strict legal rules* and hence have difficulty to *build long term relationships* whereas private organisations have less barriers in setting out their own preferred road maps (Knight et al., 2012). In sum, public organisations cope with a more extensive set of rules and often have to consider more stakeholder at the same time. Hence, some additional challenges arise in the public procurement business, especially in relation to initiating long-term partnerships.

3.2.1 Public Procurements' legislation and associated procedures

As public procurement accounts 13% to 20% of the global GDP (OECD, 2013), it has an extensive impact on countries spend and thus on the internal market of economies. Therefore, governments and other authorities like the European Union and the World Trade Organisation regulate in order to ensure a level playing field in the spending's public entities do. The applied rules can differ per region, continent or country, however, in the European Union public procurement is regulated through a unified set of rules; the European Union Directives. The EU-directives apply when a tender exceeds a certain monetary threshold value if the tender is lower than the threshold, national directives apply. However, at all times, the basic principles of the EU-directives; *equal treatment*, *transparency, open competition* and *non-discrimination* should be respected. The goal of the EU directives in general is to ensure that the public sector gets best value for money (enabling competition) and to realise and stimulate the internal market in a sustainable way by ensuring transparency, social inclusion and a level playing field in the market[11]. In other words, the EU-directives oblige purchasing authorities to set out a tender in such a way that all kind of relevant suppliers have an equal chance to be selected and awarded a contract objectively.

Performance of the public procurement markets in EU countries is monitored by nine indicators of the European Commission and actually shows compliance to the EU-directives by member-states. The performance of The Netherlands is acknowledged as *average* with 80% to 90% compliance in the period of 2015 to 2016 and hence scores worse compared to other west European countries like Belgium, France and the UK who score *satisfactory* (above 90% compliance)[12]. *Publication rate* is one of these indicators where the Dutch public procurement market scores insufficient which implies that in the Netherlands few national public procurement tenders are officially advertised online. Also, the Netherlands scores low on *cooperative procurement* and thus often does not jointly purchases in bulk which would contributes to the exchange of knowledge and better prices. Finally, they also score bad on sufficiently providing information about their procurement activities as *informing about values of tenders*, *way of selecting* and

[11] http://ec.europa.eu/internal_market/scoreboard/_docs/2017/public-procurement/2017-scoreboard-public-procurement_en.pdf

[12] http://ec.europa.eu/internal_market/scoreboard/_docs/2017/public-procurement/2017-scoreboard-public-procurement_en.pdf

missing registration numbers. In essence, this tells us the Dutch public procurement market is not extensively compliant, especially in terms of transparency and consistency of procedures. This is an important contextual aspect to understand when analysing results in a later stage of the thesis.

3.3 The Dutch infrastructure and construction industry

The previous chapter has described the playing field of public procurement and the environment the two studied case companies operate in. Building upon this environment, this chapter will discuss some important characteristics of the infrastructure and construction market the case companies are active in and will introduce the relationship in this industry which is central in this thesis: the buyer – supplier relationship between the contracting authority and the contractor. Preferably, the literature review will focus on the Dutch environment or comparable other regions. Moreover, this section will also elaborate on some basic procedures, terminology and other practical aspects form the industry which are important to understand when continuing to read this thesis.

3.3.1 The historical context of the Dutch infrastructure and construction industry

In the Netherlands, the construction sector generates a total turnover of €63.325.000.000 of which €14.475.000.000 is related to the so called GWW sector: Ground-, roads- and water construction[13]. This is the main market Case Company A and Case Company B business relates to however the utility sector is also considered for real-estate projects (€19.575.000.000). The Dutch economic data institute (CBS) emphasizes the market is a growing market with investments in the GWW sector steadily increasing[14]. An important remark should be made regarding an historic event in the Dutch construction industry which has heavily impacted its functioning until today. In 2002, the Dutch media came forward with facts about construction companies having mislead Dutch tax payers by misusing their public money and were guilty of other corrupt behaviours (Van de Rijt, Hompes, & Santema, 2010). Contractors made predefined arrangements with each other about which contractor would go for which tender project and what the used bidding prices would be. Subsequently they would arrange financial compensation among the participating contractors (Staten-Generaal, 2002)[15]. Of course, these practices jeopardized competition in bidding phases of tenders as bids were secretly adjusted to each other prior to the official bidding moment. Moreover, corrupt civil servants as public procurement representatives were a part of the entire fraud as well and were incentivised by financial compensation by contractors (Staten-Generaal, 2002). As a consequence, tax payers were yearly robbed for more than €500 million euro's due cartel forming by contractors and bid-rigging (Van de Rijt et al., 2010). Moreover, the report concluded that the Dutch government had neglected to structurally fulfil its responsibilities in realising a well-functioning and consistent policy for the construction market (Staten-Generaal, 2002). Thus, in the Dutch construction industry, supply-side contractors pre-defined bidding prices and so how knew which supplier had the lowest bid and thus would win a tender. Subsequently, a financial supplement would be added to all bid prices and the gained financial profit would be divided amongst the participants at the expense of the purchasing authority. These actions eliminated the competitiveness of the market and thus resulted in structural higher prices for public procured *works*. Obviously, the fraud had substantial impact on the entire market as Dorée (2004) pleads that the relationship between public sector clients and construction

[13] http://www.bouwendnederland.nl/feitenencijfers

[14] file:///Users/DanielPeuscher/Downloads/kwartaalmonitor-bouw-2017Q4.pdf

[15] https://zoek.officielebekendmakingen.nl/dossier/28244/kst-28244-6?resultIndex=111&sorttype=1&sortorder=4

companies became very vulnerable and the parties did not trust each other anymore. In sum, these events could still have an impact on the current Dutch construction industry as trust levels might not be entirely restored. This statement is confirmed by this thesis' research as many interviewees emphasized distrust in the industry and, moreover, Van de Rijt et al. (2010) plead that heavy lowest-price-competition (which was identified as a major driver for the construction fraud) is still substantially experienced as a bottleneck on performance in the construction industry. Building upon these market contingencies, the Dutch construction market does have a handicap contributing to more challenging contractor – contracting interaction.

3.3.2 The construction industries demand-side is typified by project-oriented organisations

Buying parties in the construction industry, like Case Company A and Case Company B, often are organisations who are driven by project-based business models. Cox and Thompson (1997, p. 128) describe construction as "inherently a site-specific project-based activity". So, in the construction industry, buying and supplying parties have a strong focus on a particular project and its economic impact and thus their main perspective is driven by the project scope instead of more long-term partnership perspective (Dubois & Gadde, 2000). Dubois & Gadde (2000) also plead that in the construction industry most exchanges between buyers and suppliers are transactional instead of relational and thus, yet again, have a short-term orientation and hence restrict network possibilities. Consequently, suppliers mainly focus on individual projects instead of recognizing joint network opportunities (Dubois & Gadde, 2000). This is an important finding as it emphasizes that buyers and suppliers in the construction industry tend to focus more on a project itself instead of a long-term perspective when conducting exchange relationships.

3.4 The public contracting-contractor collaboration analysed through the scope of three distinguished supply chain management theories

Business relationships between contracting authorities and contractors can also be referred to as a *buyer* (contracting authority like Case Company A or Case Company B) – *supplier* (contractors of *works* such as Heijmans) *relationship.* The initiation and execution of these buyer-supplier relationships in the semi-public sector is where this thesis is interested in. Literature emphasizes that buyer-supplier relationships in the private sector are not the same as in the public sector and scholars plead that due to the enforced rules and procedures in the public sector, a more complex relationship exists compared to private-private relationships (Wang & Bunn, 2004). Thus, buyer-supplier relationships are more complex and characterized by little trust as emphasized in the previous paragraph. Kraljic (1983) says that the greater uncertainty of supplier relationships, the more important supply management becomes. Implying that correctly governing these kind of relationships is essential for organisations as Case Company A and Case Company B. This thesis should further analyse the functioning of the existing relationship. This will be done by discussing underlying theoretical foundations of buyer-supplier relationships in order to clarify certain observations. Scholars mainly contribute to the field of buyer-supplier relationship by identifying the typology of these relationships ranging from *transactional* to *relational* exchanges (Heide & Stump, 1995; Vesalainen & Kohtamäki, 2015). As such Transaction Costs Economics- and Social Exchange theory play an important role in explaining the functionalities of a buyer-supplier relationship (Hawkins, Wittmann, & Beyerlein, 2008). Both theoretical concepts will be explained in the next sub-paragraphs.

3.4.1 Social Exchange Theory explaining the buyer-supplier relationship

Social Exchange Theory (SET) emphasizes that exchanges between business partners occur when it is beneficial for both parties, thus argues from out an interdependency between actors (Emerson, 1962). In other words, transactions with resources between a buyer and supplier will occur if both parties expect to be rewarded through the exchange. Thus, in the case of this thesis, buyers as Case Company A and Case Company B expect to receive a good product from its suppliers upon realisation whereas suppliers expect to be financially compensated for their investment and may both expect other gains as learning experiences, relationship building and so on. However, in public procurement SET is more restrained since buyers and suppliers cannot decide themselves how and if they will reward their counterparty a contract due to EU directives and therefore long-term relationships cannot be taken for granted. For example, in a public buyer-supplier relationship a buyer cannot prefer the bid of a supplier with good past-performance compared to a supplier which the buyer doesn´t know. Thus, *when, how* and *whether* to reciprocate suppliers is not decided by buyers nor suppliers. In sum, durable relationships cannot be taken for granted due to the tender obligation in public procurement and therefore the development of SET differs in the public context compared to the private environment context. When linking the SET to this thesis' function to better understand supplier's behaviour in tendering projects regarding participation and commitment, this theory does have an additional take away which should be discussed. SET reasons upon the buyer-supplier relationship by underlining interdependency if buyers and suppliers are both sufficiently rewarded for a transaction. In this line of reasoning, the concept of *attraction* is added by scholars as it can describe how buyer-supplier relationships are initiated and developed (Ellegaard & Ritter, 2007). The higher the *attractiveness* of a customer (i.e., buying party), the more capable it will be to attract suitable suppliers and their resources plead Ellegaard & Ritter (2007). This concept is interesting for this thesis as it could explain why suppliers (contractors) would participate in- and commit to tenders of certain buyers since the customer or its tender is attractive. In later stages of this thesis, the concept of attraction will be elaborated on in more detail.

3.4.2 Transaction Cost Economics Theory explaining the buyer-supplier relationship

Transaction cost economics (TCE) emphasizes the governance of contractual relationships by efficient mechanisms in order to reduce contractual hazards (Heide & Stump, 1995) and these contracting issues can only be observed when bounded rationality and opportunism are present (Foss & Weber, 2016). Bounded rationality emphasizes that all individuals or organisations are not capable to maximize anything and in contrast opportunism pleads that individuals or organisations tend to take advantage of incomplete contracts (Foss & Weber, 2016). In more detail, business transactions are associated with certain costs like *negotiation costs* or *contract initiation costs* which are important to oversee, especially in the presence of uncertainty and transaction specific actions (O. E. Williamson, 1989; P. J. Williamson, 1991). TCE pleads that in such business interactions, certain exchange mechanisms should be selected that can economize these costs. From out the TCE perspective, public procurement buyer-supplier relationships logically are highly governed by modes of exchange since first of all the monetary values of tenders are relatively high (e.g. purchasing the construction of an infrastructural work does not come cheap). Consequently, the transaction needs to be governed through a contract to ensure interests of both sides of the relationship are safeguarded and the risk of opportunistic behaviour is reduced (De Schepper, Haezendonck, & Dooms, 2015). An example of opportunistic behaviour results from imperfect information between buyers and supplier enabling the parties to leverage this asymmetry, for example, suppliers use changes in specifications to motivate raised prices or mislead buyers regarding true costs (De Schepper et al., 2015).

Thus, TCE's perspective seems to be well represented in public procurement buyer-supplier relationships as public procurement contracts are typically characterised by extensive legal and financial binding terms and procedures (Wang & Bunn, 2004) and the execution of contracts goes parallel with strict contract management. The process of building up such a contract therefore seems a crucial process just like building up trust and mutual vision.

TCE is furthermore relevant to discuss in the public procurement context because public procurement tender procedures itself typically have high costs related to them and some can be explained as transaction costs. Costantino, Dotoli, Falagario, and Sciancalepore (2012) plead that total production costs of a product are equal to transaction costs and direct production costs. From here, suppliers make so called *tenders costs* in order to be able to participate in tenders and submit a bid by calculating a price and possibly writing a quality plan in case of tenders which are awarded on quality instead of on price (e.g. MEAT awarding procedures instead of lowest price). Purchasers also make costs in the form of setting up a project team, determining requirements, designing a plan and estimating costs (Costantino et al., 2012). The necessity of investing high costs in order to participate in tendering procedures could burden suppliers to participate in tenders (De Schepper et al., 2015), certainly because investing the costs does not give any guarantee for a job eventually. For losing bidders, tendering costs are seen as a waste since the investments are asset specific and cannot be used for another tender in general (Thomassen, Vassbø, Solheim-Kile, & Lohne, 2016).

In sum, applying TCE to the public procurement context has underlined that the usage of appropriate contracts and professional contract management are of substantial importance: Firstly because, monetary values of procured goods are relatively high, secondly because, legal aspects in contracts are prominently governed and, thirdly, since high costs are made by suppliers without any guarantee for a job. Consequently, buyer-supplier interactions within the public domain require additional focus on how tenders are initiated and how contracts management is executed. Importantly, these high costs and tensions associated to tenders can possibly impact suppliers´ participation and commitment behaviour and thus, the importance of appropriately formulating a tender should not be underestimated.

3.4.3 The Principal Agent Theory discussing challenges in public procurement related buyer-supplier relationships

In order to further comment on the specific public-sector buyer-supplier relationship and to extend our understanding of potential hazards within this relationship, the principal-agent theory will be discussed. This theory builds upon comparable principals as the previous discussed theory, TCE. Moreover, this paragraph will also seek to clarify why the contracting-contractor relationship has a negative undertone in practice as emphasized in paragraph 3.3.1. The principal-agent theory has been a major contributor to understanding the design of incentive contracts (Chang, 2013). Essentially, the theory pleads that in business relationships between *principals* (i.e., anyone who hires someone to do a job at their expense like Case Company A and Case Company B) and *agents* (i.e., a party hired to do the job in exchange for a compensation; like contractors), have different interests. Hence, the risk appears that different parties handle in their own interest at the expense of the counterparty. They do so because of two principles central to the theory: *bounded rationality* and *opportunistic behaviour* applicable to both agents as principals, which also belong to TCE (De Schepper et al., 2015). The principal-agent theory therefore argues that a principal should to decide how he or she will compensate the agent in order to ensure sufficient performance (Kellner, 2017). Within the scope of the theory, potential challenges arising

between the principal and agent are emphasized as agency problems. *Adverse selection* is one of these problems and pleads that a *principal,* in this case a public procurement authority, cannot observe an *agent's* true abilities and intentions in relation to a job (Chang, 2013). *Adverse selection* thus is a form of hidden knowledge and could evolve in the wrong agents (i.e., contractor/ supplier) being chosen by companies as Case Company A and Case Company B. For example, information asymmetry applies if the supplier who executes the construction of a *work,* sees certain flaws in the FIDIC red-book *work* specifications (RAW-bestek) and chooses not to share these insights with the buyer and so leverages this situation during the execution in terms of invoicing additional work and thus generating higher revenue. In the construction buyer-supplier relationship this kind of practices can drive a low trust-level in the relationships. In retrospect, the purchasing authority can also know certain specifics on a job prior to awarding the tender and not share this with its potential contractors. In the end, the same consequences apply. Creating a higher level of mutual trust and eliminating information-asymmetry is not an easy issue to resolve just like that, however, it does underline the importance of sophisticated contracts and contract management.

This kind of "hidden knowledge" can become problematic in the buyer-supplier relationship and could be tackled by appropriately formulating expectations and ability checks in contracts and by extensively screening agents (Chang, 2013). Another problem type within the agency theory is a *moral hazard* which emphasizes "hidden actions" conducted by agents which cannot be seen by principals who therefore design optimal incentive schemes which could align a principle and agent's interests (Keser & Willinger, 2007). Chang (2013) says the best way to overcome moral hazards is by making the agent accountable for the potential financial consequences of his actions. In public procurement context, the risk sharing ratio often is a major discussion point between the principal and the agent as it is not always experienced as proportional as experienced in this thesis' study. The study of Chang (2013) focusses on identifying how to motivate contractors through the choice of risk sharing ratio's and concludes that incentives should be more thoroughly used to ensure contract success and thus enable efficiency and cost savings. In other words, the scholar pleads that risk sharing decisions should be driven by high-powered incentives helping a party as Case Company A or Case Company B align with contractors and better being able to influence behaviour. The latter is an important conclusion from this literature review as well as the emphasize of the importance of sophisticated contracts and contract management yet again.

3.4.4 Concluding remarks on the theoretical assessment of public buyer-supplier interactions

First of all, SET has shed light on concept of *attraction* related to a customer or its projects which could explain why suppliers decide to participate in- and commit to tenders of certain buyers. TCE has underlined that the environment of public procurement and the construction industry especially asks for high quality governance in order to supress opportunistic behaviour. Hence, in order to optimally leverage supplier interactions, public purchasers should focus on how to formulate and process optimal tenders and should realise the importance of contract management after a tender has been awarded. Finally, the principal-agency theory builds upon the same line of reasoning as TCE emphasizing that buyers and suppliers might be exposed to information asymmetry, hidden actions and other non-optimal interactions enabling opportunistic behaviour. The first conclusion of the agency theory is in line with TCE and pleads that sophisticated contracts could resolve information asymmetry and build mutual trust between a principal and its agent. Moreover, the theory suggests that incentives in contracts should be more thoroughly used to stimulate successful contract execution and resolve the risk sharing issue. An important

role for the purchaser is to formulate these incentives and risk-sharing strategies in a tender and its contract.

3.5 Assessing the functionality of partnerships in public procurement

Until now, this chapter has presented the context of public procurement and underlined the most important differences with private sector procurement. Also, the construction industry was introduced and the current known buyer-supplier relationship applicable to the case companies of this thesis have been analysed through applying several theories to the relationship. Subsequently, this paragraph will focus on the actual emphasize of this thesis, namely seeking why suppliers participate in and commit to tenders in public procurement partnerships between buying and supplying parties. An academic literature review will be presented on public procurement, public procurement partnerships and on literature discussing everything related to explaining influencing variables for suppliers in their considerations towards participation and commitment. As the methodology chapter already discussed, no useful literature was found specifying antecedents of preferred customership in the public domain, therefor this paragraph builds upon the conclusion of paragraph 3.4.4. and seeks to further explore how buyer supplier interactions within public procurement are theoretically grounded.

3.5.1 Partnerships within public procurement: a literature review

Public procurement is an evolving topic addressed by academia over the last decades say Lange, Telgen, and Schotanus (2014). Over the years more and more specific topics within the public procurement scope have been studied. For example, many scholars have used econometric methods to analyse *public procurement data* for scientific purposes says Dufek (2015). Also, topics as *green public procurement* have received a lot of attention by scholars in recent times (Preuss, 2009; Tarantini, Loprieno, & Porta, 2011; Testa, Annunziata, Iraldo, & Frey, 2016; Testa, Iraldo, Frey, & Daddi, 2012). Nonetheless, scholars recognize that distinguished topics like *public procurement strategy* and *selection* remain the major research stream and hence certain topics stay unremarked what frustrates the level of maturity within public procurement literature (Lange et al., 2014; Thai, 2001). As this thesis specifically investigates the interaction between buying- and supplying parties and, moreover, seeks to identify how purchasers can distinguish themselves from other public purchasers in terms of competitiveness, this literature review will obviously concentrate on related topics. Examples of associated themes are public procurement- *strategies, contracting methods*, *partnership and supplier relationships*. According to Lange et al. (2014), the latter is neglected by scholars in the period of 1997 to 2012. Despite the fact that a literature review with search terms as “Public” AND “Procurement” AND “partnership” or “Public” AND “Procurement” AND “relationship” gave many results within *Scopus* (767), the amount of useful literature was small mainly because most papers mainly emphasize “public-private-partnerships” (PPP) which does not overlap with thesis’ outlook. Because, PPPs mainly concern partnerships between central governments and large contractors who jointly realise long-term mega infrastructural *works* for the public usage (De Clerck & Demeulemeester, 2016) and this thesis reasons from out the semi-public perspective. Despite both PPP and this thesis focus on a relationship between a private and public organisation, it concerns a totally different buyer-supplier relationship and therefor PPP will not be focussed on initially. When searching for a more general relationship between the buying- and supplying party within public procurement, “Public Procurement” AND “buyer-supplier relationship”, Scopus provides some useful papers.

Lane (2001) distinguishes between different types of contracting methods between public sector actors and contractors: short-term- and long-term contracting. He argues that due to this deviation, trade-offs have to

be made between costs objectives when initiating relationships i.e., transaction cost versus production costs (Lane, 2001, p.42). Several scholars focussed on identifying opportunities and obstacles for establishing partnerships between public administrations and private contractors First, *obstacles* to realise partnerships are the public procurement environment itself as it is characterised as *rule intensive* due to the EU-directives and national laws*, risk averse* as purchasers are afraid of consequences of possible non-compliance*,* and *resistant to change* because of the two aforementioned observations and the imbedded culture (Erridge & Greer, 2002, p. 509). Lawther & Martin acknowledged some same burdensome characteristics as they underlined that a higher degree of *risk* and *uncertainty* is present in these inter-sector relationships in the US (Lawther & Martin, 2005). Eventually, due to these obstacles a strict bureaucratic playing field is observed and partnerships that do exist are characterised by *limited interaction*, *few innovative initiatives* and *low trust* (Erridge & Greer, 2002, p. 513). Thus, partnerships between buyers and suppliers are challenging in public procurement since regulations and culture frustrate interactions by jeopardizing trust, innovative initiative and a risk-taking. Secondly and retrospectively, several opportunities for partnerships are identified as enhanced information sharing, better access to resources, reducing duplication, aggregation of demand and of course cost savings (Erridge & Greer, 2002). These drivers for establishing partnerships are comparable to advantages for partnerships in general, thus alike the private sector. Regarding what actions managerial teams could take to ensure solid cross-sector partnerships, Grudinschi, Sintonen, and Hallikas (2014) identified that good communication, governance and administration strongly influence partnerships fluency. Davis (2007) adds that relational contracting (i.e., finding mutual values, identifying perceptual gaps and incentivising loyalty) enables efficient and flexible partnerships. Thus, the opportunities seek to resolve the burdensome elements These studies do add understanding to this papers' scope on partnerships in public procurement and explains why they do- and do not function. This is an interesting take away for this thesis as it confirms that organisations as Case Company A and Case Company B have some additional challenges to overcome when partnering with a supplier compared to private business-to-business partnerships. However, literature does not yet give clear insights in what drives suppliers in conducting partnerships and just that is desired by this literature review.

3.5.2 Public procurement partnership and its relation to tendering behaviour

Ochrana and Pavel (2013) analysed the impact of *transparency*, *corruption*, *openness in competition* and *tender procedures* on the functioning of public procurement in Czech Republic. They found that the usage of *open procedures* by public procurement authorities have a positive effect on the level of competition on the supply-side for tenders and the same applies for usage of price-criteria only (Ochrana & Pavel, 2013). They explain the latter finding by the fact that suppliers might not always have high skilled workers to handle other criteria. However, this is not a generalizable finding as the skill level in the Netherlands might be higher compared to Czech Republic this could be a helpful tool to use when increased supply-market competition is desired. In the same stream of literature, multiple scholars have particularly focussed on analysing the competitiveness of the *public transport* procurement market (Filippini, Koller, & Masiero, 2015; Iossa & Waterson, 2017; Mathisen, 2016). This widespread stream of research is themed as *competitive tendering* which is used to increases efficiency in tender procedures cost wise. *Competitive tendering* mainly focusses on the public procurement *services* market and reasons on specific case studies explaining strategies to ensure best competition when purchasing bus transport services for example (Wallis, Bray, & Webster, 2010). So, in the end, these topics are not that useful for this thesis' direction. Regarding tender evaluations and supplier selection, price-to-quality MEAT awarding methods are used most commonly but this method is inappropriate and should be replaced by usage of quality-to-price

methods as these emphasize quality levels associated with money says Bergman and Lundberg (2013). Moreover, they argue that the situation in which the cost of quality is relatively well-known and multiple suppliers can offer this quality a lowest-price selection method is appropriate to use (Bergman & Lundberg, 2013, p. 73). Yet again this stream of literature is interesting for the sake of completeness in this thesis but does not emphasize on the core interest of this literature review and hence thesis: understanding why suppliers participate and commit to tender's purchasers set out.

With the absence of such literature in mind, this literature review once more conducted an extensive scan of literature databases by searching for *bid tendering forecasting* and *bidding strategies*. Starting with literature on the supply-side perspective, academia describe what suppliers can do to enlarge their chances of winning a tender like usage of *scoring probability graphs* (Ballesteros-Pérez, González-Cruz, Cañavate-Grimal, & Pellicer, 2013) or using *bidding strategies* to positively impact tender performance; i.e., using physical and financial resources to offer a competitive bid (Wibowo et al., 2017). However, the demand side perspective, thus what purchasers can do to trigger supplier's participation and commitment instead of what suppliers can do to enlarge their chances of winning a tender, is under-stated in these papers and literature in general while this thesis investigates just that. But, because these papers did show the most overlap with this thesis' topic until now, the snowballing technique was used on the Wibowo et al. (2017) paper which generated some new relevant literature emphasizing actual drivers and barriers. The *'bid' or 'not-to-bid'* literature stream was found and is a relevant topic focussing on one of the most important decisions a supplying contractor has to make: considering whether to 'bid' or 'not-to-bid' on tender project demanded by procurement authorities (Bagies & Fortune, 2006; Wanous, Boussabaine, & Lewis, 1999). By investigating this topic, this literature reviews identifies important considerations for suppliers and thus sheds light on what the demand side can do in order to trigger the supply side.

3.5.3 A newly found stream in public procurement literature explaining participation and commitment behaviour of suppliers: The 'Bid' or 'Not to Bid' decision

The 'bid' or 'not to bid' decision is a crucial decision point as deciding 'not-to-bid' for an appropriate tender can result in losing potential profit, a contractor not improving its competitive position in the industry and not building up a relationship with a buying party (Bagies & Fortune, 2006). Retrospectively, deciding to 'bid' on inappropriate tender can results in large losses and usage of resources that could have been invested in more appropriate projects (e.g. dedicating a tender team to a project without result). Ultimately, if these decisions are not managed accurately, it can jeopardize a contractor' financial health and existence (Bagies & Fortune, 2006). This argument is emphasized by examples in the Netherlands as well as contractors were very vulnerable during the economic crisis due to adoption of risky projects. Now, contractors have learned from their mistakes and introduced clear decision models whether *'to bid' or 'not to bid'* on tenders[16]. Multiple scholars have tried to provide suitable explanations for the *bid/ no bid* decision through mathematical models and other explanatory theories (Liu & Ling, 2005; Lowe & Parvar, 2004; Wanous et al., 1999). These models often emphasize certain factors which either *positively* or *negatively* influence a contractor's perception of a tender and thus influences their decision to bid or not to bid. Many case studies have been conducted over the years in different regions around the world identifying such factors. Next, the most interesting and relevant findings from those papers in relation to this thesis' scope will be discussed.

[16] https://www.cobouw.nl/infra/nieuws/2017/02/is-de-gifbeker-van-heijmans-eindelijk-leeg-2-101175825

In 1998 Wanous, Boussabaine, and Lewis (1998) were one of the first contributors on this topic by investigating the Syrian contractor market. They argued that bid or not to bid decision was complex to make for contractors as it involves "quantifying the combined impact of many factors and then producing a quick cost estimation of the project" (Wanous et al., 1998, p.535). So, estimating the potential of projects in a short time frame can be challenging and should therefore be structured through a *decision-support system* say Wanous et al. (1998). This *decision system* first reasons upon the standard information of a project as the *location*, *size*, *duration* and *project type* given in the invitation or tender bulletin. Then, the supplier decides whether to bid or not to bid on the project, or in restricted procedures it decides whether to enrol in the selection phase of the tender procedure. The most important factors identified by a Syrian case study were: *fulfilling to the tender conditions, financial capabilities of the client, the relationship with/ reputation of the client* and the *size of the project.* Thus, these factors weigh most heavily in the supplier's examination whether to participate in a tender (Wanous et al., 1998). In 2014, El-Mashaleh, Al-Jundi, Mattar, Ali, and Al-Hammad (2014) conducted a comparable study in Jordania. They found that *financial capability of the client, reputation of the client, project size* and *the amount of current work a contractor has* play the most significant role in the contractor's decision to bid or not to bid on a tender project.

In 1993 a comparable case study was conducted in the UK and which identified some additional factors. 85 top UK contractors filled in a questionnaire and raked factors in terms of importance of affecting the bid/ nod bid decision. The *need for work, number of competitors tendering, gained experience on such projects* and *current work load* were identified as the most important factors affecting the decision to bid or not to bid on a project in the UK contracting market (Shash, 1993). Moreover, the study emphasizes that if a contractor decides to bid, a second decision has to be made*: the mark up decision*, which accentuates the determination of the bid *price*. In general, this phase represents calculating *costs of labour*, *equipment*, *materials* etc. and estimates by which percentage it should *mark up* its price to cover *overheads and profit* (Shash, 1998). This is done after the decision is made whether to bid in the first place because it does not make sense to invest time into calculating *mark-up* percentages if one is not going to bid at all. For this thesis context, both the decision points are significantly relevant since the paper is interested in both the reason why suppliers would bid in general but is also interested in knowing what drives suppliers to bid competitively after deciding to bid. In the same case study *degree of difficulty, risk involved, need for work* and *current work load* were identified as the most important factors influencing a contractor's decision to set up the mark-up size for pricing a job and thus play a key role in their consideration to participate and commit to a tender project. The study of Leśniak (2015), studying the Polish construction market, emphasized that *tender conditions, type of work* and *past experiences* play the most important role in the considerations to participate in tenders.

Lowe & Pavar (2004) analysed 21 prior identified factors influencing the decision whether to bid or not. By statistically analysing existing data they concluded that only eight out of 21 factors significantly affected the bidding decision which were, in order of importance: *strategic contribution of the project, competitive analysis of the tender environment, competencies in relation to the project type, competitive advantage (lowest costs), resources to tender for the project, feasibility of alternative design to reduce costs, external resources supporting implementation* and *tendering procedures.* Thus, again factors as strategic fit cost-wise and competitiveness-wise are underlined whereas also new factors were identified as required external resources needed. Toor and Ogunlana (2008) extended to the body of literature by identifying critical success factors for successfully completing large-scale construction projects after awarding. Thus, actually identifies factors influencing suppliers perceived degree of satisfaction when

completing a project. Despite these factors may not explicitly influence the bid/ no bid decision, it is relevant to mention these in this literature review as it contributes to understanding suppliers' behaviour and motivation this thesis investigates. They revealed that factors related to *project planning & control, project personnel* and the *involvement of the client* were critical in determining a supplier's degree of satisfaction regarding the project. Thus, safeguarding planning and involvement with the right people contributes to successful construction projects relationships.

In sum, several case studies identified multiple factors that influence a contractor decision to bid or not to bid on a tender project and these factors can be grouped into several categories. Firstly, studies emphasize certain customer related antecedents such as reputation, secondly, they mention project or tender related antecedents such as project type and project earnings and finally characteristics related to the contractor itself such as capacity and need for work are mentioned. In figure 3 these antecedents are illustrated. What can be seen is that tender related factors are most prominently represented in the findings implying that tender related antecedent are important. These factors give a first useful insight in what influences suppliers in participating in tenders and what triggers them to commit to handing in a bid. These antecedents will be tested in this thesis' study as well. This is thus an important finding of the literature study as it provides empirical findings on factors influencing suppliers in in their considerations of participating and committing to tenders, what is asked by the main research question of this study as well. However, the thesis still seeks to enlarge its knowledge on antecedents for leveraging buyer supplier interactions in the public domain as. By adding the preferred customer status' the overview of antecedents is extended.

Factors influencing the 'bid or not to bid' decision	Scope of factor	Scholars						Count
		Wanous et al. (1998)	*Shash, 1998*	Lowe & Pavar, 2004	*Toor & Ogunlana, 2008*	El-Mashaleh et al. 2014	Lésniak (2015)	
Fulfilling to the tender conditions/ competencies for project type	Tender	■		■			■	3
Current work load	Supplier		■			■		2
Project planning & control	Tender				■			1
Type of work	Tender				■		■	2
Strategic contribution of the project	Tender			■				1
Size of the project	Tender	■				■		2
Relationships with client	Customer / relational	■						1
Number of competitors tendering/ assessing competition	Tender		■	■				2
Reputation of the client	Customer / relational					■		1
Financial capabilities of the client	Customer / relational	■				■		2
Need of work	Supplier		■					1
Competitive advantage (lowest costs)	Supplier / Tender			■				1
Gained experiences on such projects	Supplier		■				■	2
Risk involved in the work	Tender		■					1
Degree of difficulty of work	Tender		■					1
Resources to tender	Supplier / Tender			■				1
External resources supporting implementation and tendering	Supplier			■				1
Project personnel client	Customer / Tender				■			1
Involvement of client	Customer / Tender				■			1

FIGURE 3 OVERVIEW OF FACTORS INFLUENCING THE BID OR NOT TO BID DECISION

3.5.4 Reverse Marketing Approach increasing the demand-side's impact on supplier´s participation and commitment behaviour in public tenders

The previous chapter identified which influencing factors impact suppliers in their consideration to participate and commit to tenders. This sub-paragraph will introduce the concept of *reverse marketing* what lies at the fundament of why this thesis has been initiated in the first place and why the aforementioned preferred customer status theory is relevant to apply to this thesis. The concept of *reverse marketing* partly conceptualizes the phenomena of improving the *attractiveness of a customer* (i.e., buying party) as Blenkhorn and Banting (1991) suggested a different interaction approach between buyers and suppliers. They counter the traditional buyer-supplier marketing antecedents, where the supplier seeks to influence a purchasing party to buy their *goods*, *services* or *works* by emphasizing a situation wherein a *buyer actively seeks to influence its supplier to sell to this buyer* (Blenkhorn & Banting, 1991). *Reverse marketing* is therefore also called *upstream marketing*. In terms of public procurement, *reverse marketing* elaborates on a public purchaser who actively seeks to drive suppliers to participate in their tenders and submit a high-level bid. This is an extraordinary approach since traditionally, purchasers play a *responsive* role whereas in the reverse marketing approach purchasers plays a *proactive* role by taking the initiative (See figure 4: Blenkhorn & Banting, 1991, p. 189). From here, one could argue that by adapting *reverse marketing* practices, a purchasing authority is more aware of its own development and thus is enabled to enhance its supply-market exposure and gain competitive advantage compared to their rival buying parties. Thus, a buyer must make his or her organisation attractive to do business with suppliers (Galt & Dale, 1991). Subsequently, Ellegaard and Ritter (2006)Ellegaard & Ritter (2006), add that the higher a customer's *attractiveness*, the more capable it will be to attract suitable suppliers. The term of *customer attractiveness* is identified as an important explaining variable which helps this thesis understand and control supply-market behaviour. In addition, when reverse marketing tactics have been applied, the *commitment* of a supplier can be enlarged by creating *operational excellence* (e.g. standardization and simplification), *relational value* (e.g. joint activities and motivational investments) say Nollet et al. (2012). Thus, these insights force this paper to focus on what demand side variables are controlled by Case Company A and Case Company B and what their potential is in terms of gaining competitive advantage.

Mainly, the reverse marketing approach underlines that purchasers should be actively seeking to persuade suppliers to desire to supply them with the best supplies. In other words, purchasers should advertise their company towards the supplier. This way of reasoning should result in public purchasers becoming more aware of what the supply-market acknowledges as important and which tools trigger suppliers most significantly regarding participation in- and commitment to tenders. According to this theory, exploring and leveraging these influencing factors is thus the role of the purchaser. The next chapter will continue to reason on this vision by introducing another theory which could potentially expand the sphere of influence.

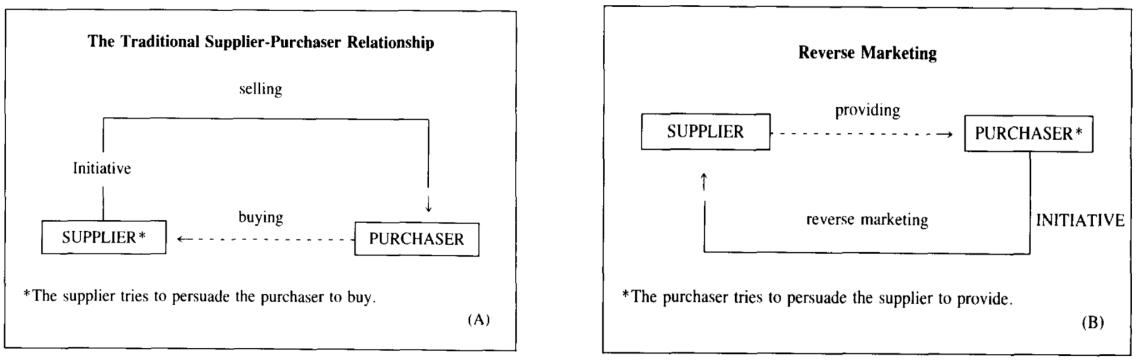


FIGURE 4: TRADITIONAL (A) AND REVERSE (B) MARKETING RELATIONSHIPS RETRIEVED FROM BLENKHORN & BANTING, 1991

3.6 The Preferred Customer Status phenomenon

This paper now introduces the *preferred customership theory* which will extend the previously discussed view on *reverse marketing* and will further structure how antecedents can be found on *participation* and *commitment* behaviour of suppliers. Also, the preferred customership theory will function as the core theoretical foundation throughout this paper and the interviews. Mainly this theory will be tested during a field study and in subsequent will be extensively discussed on its applicability. Importantly, this theory will serve the purpose of identifying *how* suppliers interact with their buyers and what drivers them in possibly adapting preferential treatment to certain buyers. Knowing this will enable this paper to make grounded recommendations towards the case companies regarding what drives supplier to participated and commit to tenders within their sphere of influence. In the end, it is interesting to see whether the distinguished preferred customership theory from the private sector is applicable in the special sector industry as a whole, and if so what its contingencies are.

3.6.1 Introducing the Preferred Customership Theory and its historical academic contributors

PCS finds its main origins from the private sector industry when a scholar first mentioned that suppliers should consider to make shortlists of preferred customers in order to better identify strategic partnerships (Hottenstein, 1970, p. 46). Later on, scholars discovered that the rank buyers receive from their supplier directly influences the quality of beneficial treatment buyers receive from their suppliers (Brokaw & Davisson, 1978). From here, scholars argued that buyers could gain competitive advantage by actively seeking a preferred customer status form its suppliers through becoming more attractive (Blenkhorn & Banting, 1991; Spekman, 1988). As argued in paragraph 3.3.4 the reverse marketing approach underlines that purchasers or reverse marketers should be *proactive, long-term oriented*, non-adversarial (not "them" vs. "us"), and *creative* (Blenkhorn & Banting, 1991, p. 189). In 1992 the first large quantitative analysis was conducted identifying key characteristics which supplier use to identify their best customers. This study found that *early involvement, mutual trust, profitability, communication, involvement* and *commitment* were key areas used by suppliers to identify their best customers (Moody, 1992). Benefits of becoming are preferred customer are easier access to supplier's knowledge, information exchange, improvements of processes, higher predictability, possibility to save money (Christiansen & Maltz, 2002), suppliers dedicating their best resources to joint activity, sharing innovations and finally cost reductions (Steinle & Schiele, 2008). Then, in 2014 Hüttinger et al. (2014) conducted a mixed methods approach investigating the antecedents of *customer attractiveness* (CA), *supplier satisfaction* (SS) and of a *preferred customer status* (PCS) and its interaction. They identified multiple drivers for each quadrant which will also be discussed in this chapter. Building upon this paper, Pulles, Schiele, et al. (2016); Pulles, Veldman, and Schiele (2016); Vos et al. (2016) pleaded that *buyer attractiveness* in combination with *supplier satisfaction* only leads to a *preferred customer status* and cannot achieve this individually.

3.6.2 The Preferred Customership cycle

Literature has focussed on the interaction of 3 sequential steps in the process of becoming a preferred customer: *customer attractiveness* (CA), *supplier satisfaction* (SS) and *preferred customer status* (PCS). Over the years several scholars have contributed to the field of explaining how these stepping stones interact with each other (Hüttinger et al., 2014; Schiele et al., 2012) in which Social Exchange Theory (SET) is often used as theoretical foundation. From the SET's perspective, Schiele et al. (2012, p. 1180) plead that (1) a business-to-business relationship is *initiated* by certain *expectations* regarding an exchange. These expectations can be translated into a supplier being *attracted* by a customer: **CA**. Then,

(2) expectations are either met or they are not and thus a supplier is either *satisfied* with an exchange or not: **SS**. Here *comparison level* is the relevant term retrieved from the SET which is the standard for judging the exchange output. In other words, the *comparison level* emphasizes the supplier assessing whether its expectations have been fulfilled thus, decides whether the outcome of the relationship identifies with the earlier formulated expectations of the relationship (Schiele et al., 2012). Finally, (3) **PCS** emphasizes an assessment of the *comparison level of alternatives* implying that a supplier will assess alternative opportunities when considering which buyer to label as preferred customer. Thus, here suppliers decide to label a customer the preferred customer status, regular status or discontinue the relationship by comparing different relationships in its portfolio with each other (Schiele et al., 2012). As this might be a difficult concept to understand and therefore the following definition on SS is stated here: "supplier satisfaction is a condition that is achieved if the quality of outcomes from a buyer-supplier relationship meets or exceeds the supplier's expectations" (Schiele et al., 2012, p. 1181). Thus, SS concern experiences evolving from the expectations formulated in CA. Concluding, CA is thus seen as a first necessary stepping stone to initiate or intensify an exchange relationship, SS determines whether expectations regarding an exchange are subsequently met, and finally, "when the supplier is more satisfied with particular customers than with others, the former will be awarded preferred customer and enjoy the associated benefits" (Hüttinger et al., 2012, p. 1194-1195). This sequence of elements illustrates the cycle for preferred customership in industrial business contexts (see figure five).

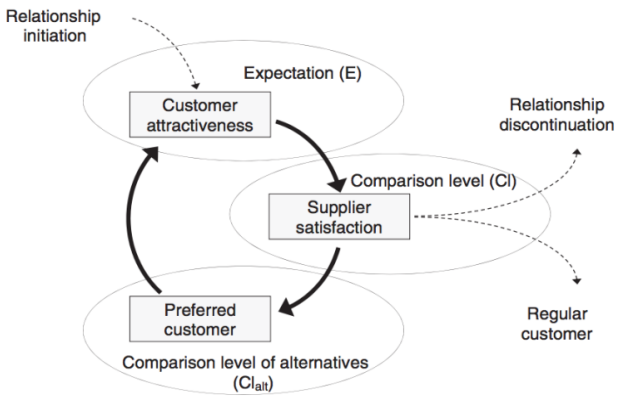


FIGURE 5: THE PREFERRED CUSTOMERSHIP CYCLE, SCHIELE ET AL. (2012)

3.6.3 Relevancy of the Preferred Customership Theory

Now the functioning of the PCS cycle has been discussed, the question may arise why this PCS theory in general is actually relevant to apply in business? And why this theory will help resolve the public procurement related problem statement. As argued by Schiele et al. (2012), nowadays firms often focus on their core tasks more and more and thus increasingly make suppliers responsible for other tasks, also known as outsourcing activities. Secondly, supply-markets become more mature evolving in a decreasing number of suppliers and thus less suppliers to choose from for buying parties (Schiele et al., 2012). Moreover, innovation is not only done in-house anymore but also realised through open innovation with suppliers or other stakeholder which enlarges the dependency firms have on such suppliers (Roberts, 2001; Schiele, 2012). From here one could argue that supply markets transform towards more oligopolistic markets which and consequently suppliers become more selective with respect to choosing which customer they want to supply. In retrospect, demand-side rivalry is intensified in order to ensure capable supply and access to innovations (Ellis et al., 2012). In this line of reasoning, it would be beneficial for buyers if their suppliers consider them to be more appealing compared to competing buyers. This situation illustrates the

relevancy of a theory which enables buying parties to become a more appealing customer compared to their competitors: the preferred customer status phenomena.

These characteristics are recognized in the problem formulation sketched by the case companies. For example, suppliers withdrawing from tenders is an indication that they are becoming more selective in which projects are accepted and which tender projects are no-go projects. Buyers who seek excellence and thus a preferred customer status should therefor try to prevent suppliers from withdrawing by becoming more appealing as customer. Another exemplification of the urge of adopting preferred customership in the process of resolving the problem statement is because the case companies experience situations in which only few interest is shown in tender by suppliers. Contracting suppliers currently act in a cycler economic upstream as underlined by the fact that order books of suppliers are increasing dramatically; 8,5% over 2017 (see appendix C). Hence, it would make sense for public purchasers to actively consider the impact of their own purchasing behaviour and adopt the principles of the PCS theory in order to improve their competitive edge and ensure high-quality supplies. These, purchasers seeking to get better services and / or products from their suppliers can consults the "tie of advantages" which represents four levels in which buyers can receive products and services from their suppliers (Schiele, 2018). This thesis assumes that buyers who are recognized as level 2 clients by suppliers, are expected to enjoy additional services from their supplier resulting in more stable participation in public tenders, less drop-outs during public tenders and qualitative commitment to tenders in terms of handing in a competitive bid stimulating competition in general.

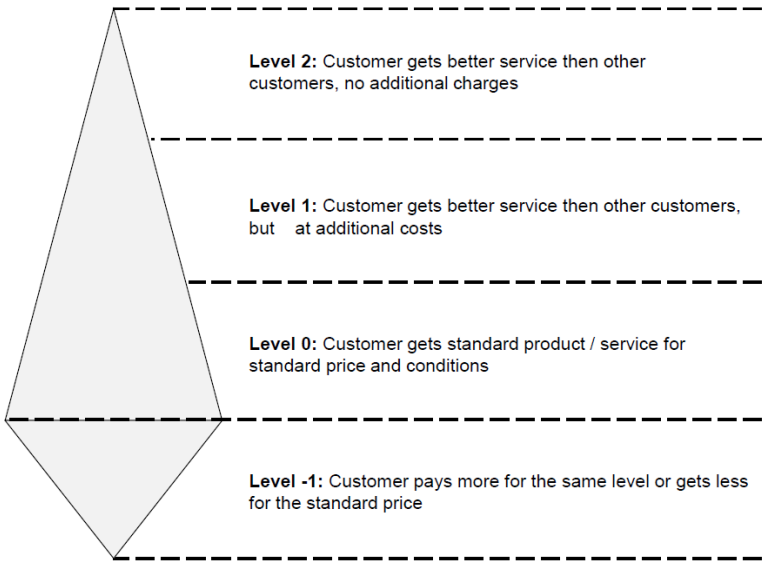


FIGURE 6: THE PREFERRED CUSTOMERSHIP: THE TIE OF ADVANTAGES (SCHIELE, 2018)

3.6.4 Customer Attractiveness and its antecedents

The importance of the element of *customer attractiveness* in potentially becoming a preferred customer is already emphasized, now the specific definition will be discussed. In practice CA considers the attractiveness of the customer and thus of a buying party in a buyer-supplier relationship. So, CA emphasizes the attractiveness of the customer as perceived by the supplier (Ellegaard & Ritter, 2007). This statement is in agreement with Hüttinger et al. (2012) and Cordón and Vollmann (2008), who say that customer attractiveness concerns the positive characteristics possessed by the buying firm which attract the supplying firm and should lead to joint benefits. An important question that arises now, relates to these

characteristics a customer can possess in order to be acknowledged as an attractive customer. Since this topic received a considerable amount of attention from the private sector industry already, several antecedents are identified in literature. In the paper of Hüttinger et al. (2012), all antecedents identified by scholars are gathered and positioned into a clear overview. They distinguish between these antecedents by grouping them into several factors. In the appendix (I) an overview of the factors and the associated antecedents can be seen. The first factor mentioned by Hüttinger et al. (2012) are *market growth factors* since expansion and increasing revenue is often at the bottom line of a supplier. Sub-variables such as *market share*, *firm size*, *access to new customers/ markets* and *growth opportunities* are seen as drivers regarding market growth factors (Ramsay & Wagner, 2009). In general, this paper assumes that suppliers will normally seek a situation in which market growth is enabled and this also applies to the thesis' case companies. The second factor explaining CA is *risk* which emphasize suppliers' assessment of certain risk elements as *political risk*, *market stability* and *demand stability* related to a customer (Fiocca, 1982; Hüttinger et al., 2012) (Hüttinger et al. 2012; Fiocca, 1982). Moreover, *technological factors* also influence the level of CA as suppliers consider buyers *commitment to innovate* (Ellegaard & Ritter, 2007) and *skills* of customers (Fiocca, 1982) when assessing potential customers. Moreover, *economic factors* as *margins*, *prices* and *value creation* play a driving role for CA. Finally, *social factors* also influenced the perceived attractiveness of a customer as *the level face-to-face contact, familiarity* and *communications* are identified as important antecedents of CA by multiple scholars (Christianen & Maltz, 2002; Ramsay & Wagner, 2009; Hüttinger et al., 2012).

Research outlook on customer attractiveness related to public procurement

From the discussed antecedents and its grouping factors, risk factors are expected to be an important element within the public procurement domain. Baldi, Bottasso, Conti, and Piccardo (2016) argue that *contract incompleteness* and *high job risks* force suppliers to require higher risk premiums in order to be able to accept contracts. In other words, suppliers thoroughly consider potential risk factors when evaluating a customer or its bid and hence risk factors play a major role for Case Company A and Case Company B. Especially regarding the fact that suppliers often are asked to conduct highly specialised jobs by Case Company A and Case Company B. Thus, risk-related antecedents could become more important due to the complexity of works. Furthermore, technological factors are expected be a less significant driver for CA since the construction industry is characterised by a low trust level (Dorée, 2004), risk-averse and short-term orientation (Knight et al., 2012; Erridge & Greer, 2002), which could make technological investments less profitable. Furthermore, the short term economic antecedents like *margins* evolving from project tenders could become more important because of the same reasons. In order to investigate whether these elements are indeed more or less important and to seek insight in CA for the public domain, this thesis will test the following research question:

What are antecedents for Customer Attractiveness in the infrastructure and construction tendering market?

3.6.5 Supplier Satisfaction and its antecedents

The second step in the PCS following the CA step is SS. SS describes to what extent a supplier is actually satisfied with its customer and therefor emphasizes a situation wherein an expectation (CA) is either met or not (Hüttinger et al. 2012). In other words, SS "is related to the suppliers' perceived value of a relationship in terms of meeting or exceeding expectations" (Caniëls, Vos, Schiele, & Pulles, 2017; Pulles, Schiele, et al., 2016). So, during considering the level of supplier satisfaction, a supplier reviews a more practical side

of the business relationship once the two relational partners have already begun to interact. The associated antecedents characterized by the way business is performed and thus has a more operational undertone such as *billing processes* or *information exchanges* say Hüttinger et al. (2014). Antecedents of SS can be segmented in four different groups according to Hüttinger et al. (2012). The first antecedent group is *technological excellence* which explains research and development related topics such as *early supplier involvement (ESI), technical competence* of a buying party, and *supplier development* (Hüttinger et al., 2012). Thus, this element of SS determines whether a supplier is satisfied with the technical research and development oriented initiatives made by the buying party. The second segment is *supply value* and is also referred to as *purchasing* related antecedents (Hüttinger et al., 2012). In this segment, the assessment of outcomes focusses on topics as *profitability,* the *bargaining position, long-time horizons, substantial volumes,* and *adherence to agreements* (Hüttinger et al., 2012). The third antecedent group which supplier consider in their quest formulate SS is the *mode of interaction* and is more relational oriented (Hüttinger et al., 2012). These are antecedents as *communication, structure* within the relationship through *roles*, *responsibilities* and *availabitly, reaction* such as *feedback* and *politeness*, and lastly *information-exchange, quality,* and accuracy (Hüttinger et al., 2012). The last segment within the SS antecedents is called *operational excellence* and focusses topics related to the *production* processes such as *forecasting, ordering process*, *time scheduling, billing, payment habit's* etc. (Essig & Amann, 2009; Hüttinger et al., 2012). In sum SS discusses a more practical part of the relationship as it focusses on the operational and technical excellence. An overview of all antecedents can be found in appendix (J)

Research outlook on supplier satisfaction related to public procurement

Firstly, it is expected that technical excellence antecedents play a less intensive role in the public domain for SS since such topics are often related to long-term business scope (e.g., early supplier involvement, R&D, supplier development etc.) whereas public procurement focusses more thoroughly on the short-term relationship (Knight et al., 2012). Then, *supply value* within SS, could be an interesting antecedent for the public domain as it underlines the direct responsibilities of purchasing departments within organisations. In the public procurement context, these formalities are highly relevant as this paper has previously emphasized the extensive amount of such administrative procedures. Moreover, the purchasing volume, its long-term orientation and its economic outcome are logically also applicable to the purchasing scope. In a recent study of Schiele (2018), focussing on the applicability of PCS and SS in the public sector, the scholar found that *relational elements* and *operative excellence* within the scope of SS are more important in the public sector compared to the private sector observations. The study emphasized that suppliers in public procurement weigh heavily on the relational aspects as flexibility of buyers and operational excellence such as correctly planning which increases supplier's satisfaction and hence gives buyers the opportunity to distinguish themselves and become a preferred customer. This might sound contrasting to what one would expect since this thesis emphasized that public procurement focusses on transactional instead of relational exchanges (Dubois & Gadde, p. 2000). However, this finding of Schiele (2018) suggests that interactions that exist (e.g., tender procedure) should score high on *relational elements* and *operative excellence.* In order to assess whether the aforementioned antecedents on SS are indeed present, the following sub-question is studied:

What are antecedents for Supplier Satisfaction in the infrastructure and construction tendering market?

3.6.6 Preferred Customer Status and its antecedents

When a buying party successfully meets the suppliers, requirements regarding CA and SS, the preferred customer status does not yet apply to the buying party. As reasoned in literature the next sequential step emphasizes the consideration whether one customer is more preferred then another customer and hence is awarded a preferred customer status (Hüttinger et al., 2012, Schiele et al., 2012). In this final step of the PCS nomination several antecedents are yet again segmented in several categories: first of all, *economic value* is an important antecedent as suppliers consider *business opportunities, profitability* and *costs* related to a client when choosing their preferred customer (Hüttinger et al., 2012). *Relational quality* is considered as another important antecedent focussing on drivers as *loyalty, trust, respect* and *commitment* (Hüttinger et al., 2012). Next, *instruments of interaction* form the third antecedent topic which discusses the different modes and methods buyers can use in a buyer-supplier relationship (Hüttinger et al., 2012). Examples are *ESI, communication and feedback, supplier development* and *quality initiates.* The last antecedent topic for PCS is *strategic compatibility* which pleads that *strategic fit, a shared future, geographical proximity* and *cluster membership* drive PCS (Hüttinger et al., 2012; Steinle & Schiele, 2008). Thus, this are all elements which drive a supplier in awarding a customer a PCS, a total overview can be found in appendix (k).

Research outlook on preferred customership related to public procurement

Economic value is expected to remain an important antecedent for preferred customership since establishing a profitable organisation is at the core of public organisations as well. Thus, seeking business opportunities and a healthy profit will still remain at the core of a suppliers' consideration when choosing which customer is labelled preferred customer. Relational quality is expected to play a substantial role in terms on relational quality during the tender (i.e., answering questions on the tender guidelines appropriately) and during contract management (i.e., manging conflicts). Nonetheless, in this same stream, antecedents such as loyalty are expected to be less important as a new tender represents the initiation of a new business relationship in which all suppliers should be acknowledged as equals and loyalty is not allowed to play a role (EU Directives, 2014). The antecedents referring to strategic compatibility are expected to play a fairly important role however, different to the way private organisations consider it. Antecedents as strategic fit are expected to focus more on tender related aspects such as suppliers and buyers' joint opinion on awarding techniques during a tender (e.g., usage of MEAT instead of lowest price). Antecedents such as sharing a future perspective are expected to have a less prominent role in terms of impact PCS. In order to seek further clarity on antecedents on PCS in the public domain, the following sub-research question will be answered in this thesis:

What are antecedents for obtaining a Preferred Customer Status in the infrastructure and construction tendering market?

3.6.7 Outlook on the Preferred Customer cycle and its antecedents

The antecedents have been extensively discussed it this chapter and a total overview of all antecedents identified by Hüttinger et al. (2012) can be viewed in appendices (I, J & K). In the figure 7 below, a summarizing figure of all the antecedents related to the PCS can be found. This figure summarizes the findings of the study of Hüttinger et al. (2012). In her study, Hüttinger et al. (2012) aimed to integrate the identified antecedents based on their eventual impact on obtaining a preferred customer status. From here, she concluded that two value creating topics mainly impact the supplier's decision to name some customers as preferred ones: *economic*- and *relational* value (Hüttinger et al., 2012). These recurrent

categories represented antecedents related to creating economic- and relational value in all three stages of the PCS cycle: CA, SS and PCS and are essential in the quest to eventually be awarded a preferred customer status (Hüttinger et al., 2012). Of course, also other antecedents are essential in the process of becoming a preferred customer, however these are not grouped by a recurring categorical family as they are often exclusive to one stage of the PCS-cycle only. These antecedents are marked with a star (*) by Hüttinger et al., (2012). In sum, figure 7 summarizes all antecedents identified until now and stresses the recurring recognition of economic- and relational value creation throughout the PCS-cycle. By building upon this empirical study, this thesis will seek to identify if the same structure holds in the public domain. It is expected that economic value creation will remain important throughout the public PCS-cycle and Schiele (2018) has suggested that relational value becomes even more important in the public procurement environment. This thesis will study the latter explicitly as the short-term and transactional orientation between buyers and suppliers in the public domain would possibly suggest otherwise (Dubois & Gadde, p. 2000). In the end, this chapter has now identified important antecedent's purchasers can consider when they aim to be awarded a PCS from their suppliers and seek preferential treatment resulting in competitive advantage. After analysing the antecedents through a public procurement perspective, the expectation arises that main elements will continue to prevail. However, a stronger emphasize is expected on tender-activity related antecedents as public procurement is more project oriented instead of long-term relationship seeking (Dubois & Gadde, 2000; Knight et al., 2012). Building upon this, theories such as TCE and agency theory have suggested public procurement is driven by appropriately initiating and governing contracts while empirical studies on bid or not to bid decision underline the importance of tender-related antecedents such as fulfilling to the tender conditions when considering to interact in a tender and thus a business relationship with buyers (Wanous et al., 1998; Lowe & Pavar, 2004; Lésinak, 2015). Hence, this study suggests to introduce a new step in the PCS-cycle.

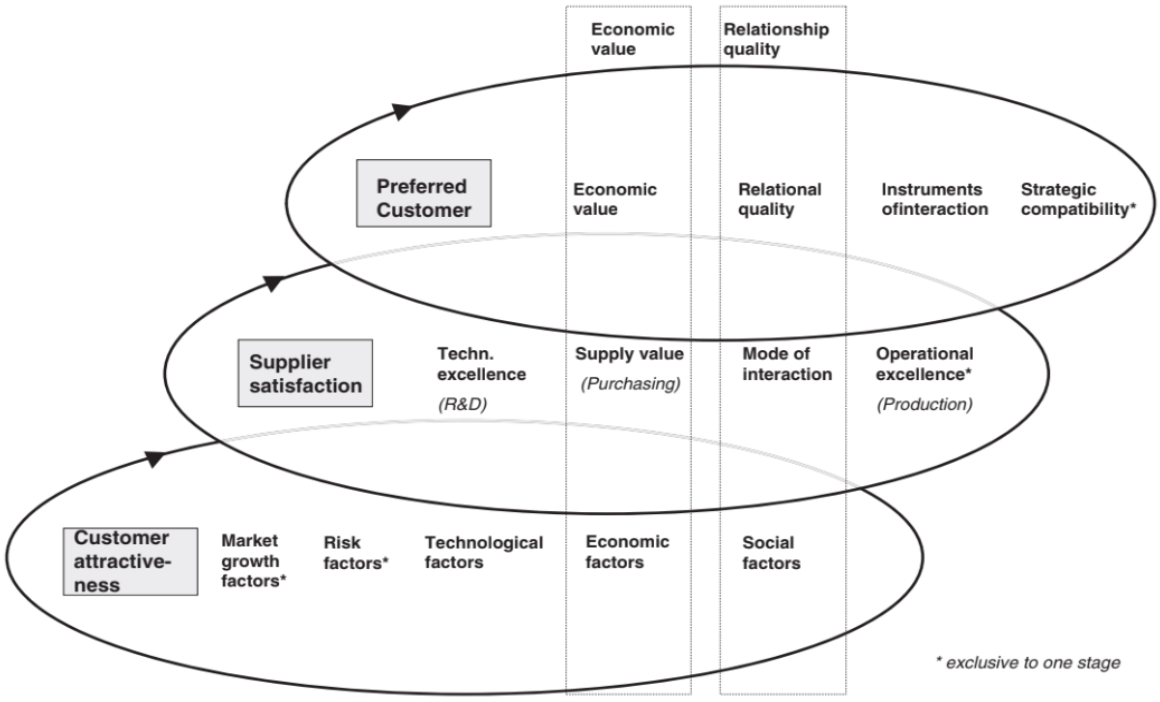


FIGURE 7: ANTECEDENTS OF PREFERENTIAL TREATMENT BY SUPPLIERS SOURCE: HÜTTINGER ET AL., 2012

3.7 Introducing a new variable within Preferred Customership in the public domain; Tender Attractiveness

Building upon the PCS, and the previous paragraphs conclusion, this paper extends the existing building blocks of the theory by adding a new element in the theories scope: *Tender Attractiveness*. This element will be introduced in this sub-chapter and will cover the additional challenges public procurement brings along with regards to PCS. First the functioning of the PCS in the public domain will be discussed in order to better understand what gap Tender Attractiveness has to fulfil and then a suggestion will be made on hoe the PCS cycle should look like when public entities conduct purchasing activities: the may-effect of this thesis.

3.7.1 Applicability of Preferred Customership in the public domain

When consulting academic literature on the preferred customership in the public sector and construction industry in particular the following results are found. Searching for "public procurement" AND "preferred customer status" or "public sector" AND "preferred customer status" no results were generated in *scopus*. Adjusting the search results to "construction sector" AND "preferred customer status" generated one paper: "Antecedents and benefits of obtaining preferred customer status. Experiences from the Dutch construction industry" (Bemelmans, Voordijk, Vos, & Dewulf, 2012). Interestingly, this paper emphasizes the PCS in the Dutch construction industry, however, in detail the research focuses on a totally different buyer-supplier relationship compared to this study as it investigates how a prime contractor can obtain a preferred customer status from its suppliers (Bemelmans et al., 2012). Essentially, this is a relationship between two private companies and thus no public procurement practices are used. Basically, the Bemelmans et al. paper focusses on the buyer–supplier relationship between Case Company A's and Case Company B's tier-1 and tier-2 suppliers whereas this study focusses on the relationship between a public buying party (Case Company A or Case Company B) and a private tier-1 supplier like Heijmans (see appendix (B)). The main finding of the Bemelmans et al. (2012) paper emphasizes that buying parties who seek to become a preferred customer need to be perceived as a mature customer in the way they manage their supplier relationships (Bemelmans et al., 2012). Moreover, they found that buying parties who have obtained a preferred customer status benefit from it by enjoying more satisfied collaborations (Bemelmans et al., 2012). These results do not generate major findings or leads for this paper directly however it does encourage this paper to focus on the other buyer-supplier relationship within the construction industry. The fact that no other relevant public procurement studies on PCS were found is confirmed by Schiele (2018).

Reasoning one step back and arguing on the already discussed context of public procurement identified that public buyer-supplier relationships differs from private interactions which may implicate that the normal PCS cycle of figure 5 is not applicable in the same sequence or context in public procurement. The PCS theory assumes that a preferred customer will receive preferential treatments from their suppliers, for example; suppliers dedicating his or her best engineers to projects or giving customers earlier access to innovations (Hüttinger et al., 2012; Baxter, 2012). In the context of the theory, it is expected that suppliers and buyers do recurrent business and, if the supplier perceives the customer as preferred after an initial business interaction, the buyer will enjoy preferential treatment in the subsequent interaction. This is underlined by P. J. Williamson (1991) who argues that buyers should focus on long-term relationships with one supplier because this incentivizes suppliers to dedicate its best resources to buyers instead of favouring clients which could be gone tomorrow. In retrospect, public sector actors simply cannot ensure repeat business since they are obliged to set out new public tenders compliant tot the rules and regulations for

every new purchase they make. Consequently, two important lessons can be concluded: first, because of the public procurement's obligation to objectively set out tenders for every new purchase, repeat business is complex to ensure by buying parties because they do not have the freedom to choose their preferred supplier in general and thus preferential supplier selection and business continuation is more complex. Secondly, as a result, supplying parties are hindered in giving preferential treatment towards their customers since they are not guaranteed an opportunity to do so. The red line in these findings is that the *initiation* of business relationships (i.e., tender publication and subsequent selecting and awarding process) and *functioning* of preferential treatment (i.e., reciprocation of clients) is indeed different in public sector and therefor the private sector PCS theory cannot be generalized (see figure 8).

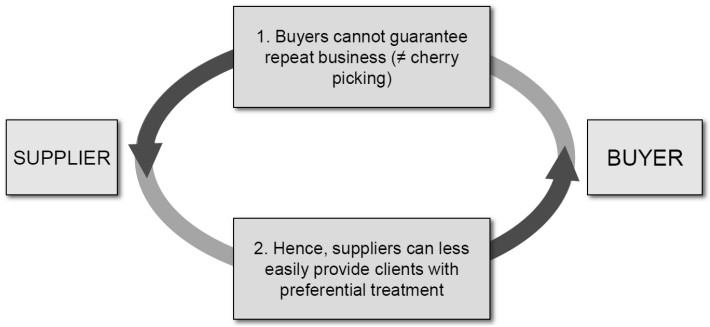


FIGURE 8: A MAJOR DIFFERENCE IMPACTING THE FUNCTIONALITY OF PREFERRED CUSTOMERSHIP IN THE PUBLIC DOMAIN

3.7.2 Theoretical argumentation of why Tender Attractiveness is an appropriate tool enhancing the Preferred Customer cycle´s functioning within public procurement

Building upon the previous findings, this paragraph will argue why tender attractiveness is an appropriate tool which can potentially fill-up a gap currently present in the functioning of preferred customership in the public domain. Firstly, in public procurement and the construction industry specifically, a project tender itself and the moment when a contract of a tender is awarded to a certain supplier, seems to be an important momentum in public procurement. Multiple scholars already acknowledged the importance of projects in the environment of buyer-supplier relationships in the construction industry as Cox & Thompson (1997) said construction mainly focussed on project-based activities. Dubois & Gadde (2000) added that exchanges between buyers and suppliers are transactional instead of relational and consequently suppliers more significantly focus on individual projects instead of possible long-term relationships with clients. This is also acknowledged by Knight et al. (2012) who say that due to strict legal rules public buyers can less easily build up long relationships. Also, public procurers are obliged to set out new tenders via a standard legal protocol enabling transparency and equal opportunities for suppliers to win (Knight et al., 2012). From here, repeat business can less easily be guaranteed towards suppliers resulting in a recurrent focus on individual projects and its tenders. Therefore, the following argument supports the introduction of tender attractiveness to PCS's scope.

> ***Argument 1:*** *Buyers and suppliers in the public procurement environment more thoroughly focus on project related business because they are obliged to continuously set out new public tenders frustrating long-term business orientation; hence the tender of an individual project and its short-term impact way more heavily in a business interaction*

Next, due to often extensive contracts purchased in the construction industry and the impact these projects can have on a supplier's business, appropriately analysing a tendered project as a supplier is of great importance (Bagies & Fortune, 2006). Paragraph 3.5.3 also underlined the relevancy of the tender by identifying that the most important factors which influence a supplier's consideration to *bid* or *not to bid* are tender related factors (figure 9). To put it differently, the empirical findings of the literature review discussing the bid or not to bid decision identify tender-related factors as most significantly impacting the supplier's decision, what results in a confirmation of tender importance. *Tender*-related factors were found thirteen times whereas *supplier*- and *customer* related topics were notified eight and six times respectively (see figure 9).

> ***Argument 2:*** *The available empirical literature emphasizing what factors influence suppliers in their consideration to interact with public procurers underline that tender-related factors are most predominant; hence tender related factors should also be given a platform in PCS*

Furthermore, SET has emphasized that the concept of attraction related to a customer influences a supplier's decision to interact with a certain customer as the higher the level of customer attractiveness, the more attention the party will receive from suppliers (Ellegaard & Ritter, 2006; Hüttinger et al., 2012). From here, this paper argues that the same could apply for a customer's projects and its associated tender. Thus, in line with SET, the higher the attractiveness of a tender project, the more capable the public purchasers will be to attract participants for tenders and ensure their commitment:

> ***Argument 3:*** *In line with SET, the level of tender attractiveness can potentially stimulate suppliers to participate in tenders and commit to them*

Two other theoretical concepts, TCE and the agency theory, have argued that the public procurement environment asks for additional caution regarding opportunistic behaviour and bounded rationality. In the construction industry specifically, these two principles can result in potential contractual hazards like suppliers overpricing supplies for their clients or buyers deliberately specifying construction projects inappropriately (Schepper et al., 2015). Hence, governing these interactions should economize costs. TCE pleads that high investment costs related to a public tender and the uncertainty of competing for a job with multiple suppliers, asks for additional governance. While, the agency theory argues that public procurement tenders potentially trigger agency problems as many stakes are at place and buyers and suppliers have different interests. For example, the principal (public purchaser) and agent (supplier) arguing about the controllability of risks in a project and both trying to leverage it in their own favour. Because such agreements between principals and agents are formulated and discussed in a tender, this obviously is an important element in public buyer-supplier interactions. Resulting from these observations, the theories suggest that information asymmetry, conflicting interests and other potential hazards can be resolved by the usage of incentive tools and by governance through contracts in buyer-supplier interactions. Just that is done in tenders and one could conclude that the entire tender (process) should also be attractive in order to improve the competitive edge of the buyer.

> ***Argument 4:*** *According to TCE and the Agency theory, public procurement, and the construction industry specifically, ask for sophisticated contract formulation and contract management which can be generated through detailed tendering practices*

Referring to PCS specifically, the public procurement context has argued that buyers have limited possibilities in guaranteeing repeat business for suppliers. Schiele (2018) pleads that due to the lack of offering supplier recurrent business or long-term contracts, which is was identified as one of the main drivers of SS in private sector studies, public procurement authorities must focus more on actions which they can influence such as *operative excellence* and *relational aspects*. In this line of reasoning, this thesis adds an additional action which buyers can influence: *Tender Attractiveness (TA)*. By applying the TA element, buyers have an additional tool when seeking to increase their attractiveness in the market and hence gain competitive advantage through becoming a preferred customer. The *reverse marketing* concept embraces these statements as it emphasizes that purchasers should *persuade* suppliers to provide *them* with their supplies. An important assumption made here is that the level of *TA* perceived by a supplier, either *attracts* or *discourages* suppliers to interact with buyers. This assumption is based on CA where indeed positive characteristics possessed by the buying firm attract suppliers to interact (Hüttinger et al., 2012, Cordón & Vollmann, 2008).

> ***Argument 5:*** *Reasoning from out the reverse marketing perspective, tender attractiveness can be used as an additional tool to persuade suppliers to deliver their best supplies to the client which relates to the research goal of this thesis to better impact the supply-market in their considerations to participate in- and commit to tenders*

Obviously, these arguments give this paper structure in its purpose of why TA has been added to the scope of PCS, however, empirical evidence still lacks. Therefore, the field study of this thesis will build upon these arguments and will seek clarity whether TA is also recognized in practice. In order to further explore the functioning of TA and seek antecedents at its fundament, the thesis will assess the following research question in the field study:

What are antecedents for Tender Attractiveness in the infrastructure and construction tendering market?

Factors influencing the 'bid or not to bid' decision	Scope of factor	Count
Fulfilling to the tender conditions/ competencies for project type	Tender	3
Current work load	Supplier	2
Project planning & control	Tender	1
Type of work	Tender	2
Strategic contribution of the project	Tender	1
Size of the project	Tender	2
Relationships with client	Customer	1
Number of competitors tendering/ assessing competition	Tender	2
Reputation of the client	Customer	1
Financial capabilities of the client	Customer	2
Need of work	Supplier	1
Competitive advantage (lowest costs)	Supplier	1
Gained experiences on such projects	Supplier	2
Risk involved in the work	Tender	1
Degree of difficulty of work	Tender	1
Resources to tender	Supplier	1
External resources supporting implementation and tendering	Supplier	1
Project personnel client	Customer	1
Involvement of client	Customer	1
Scope of factor	Tender	13
	Supplier	8
	Customer	6

FIGURE 9: ANTECEDENTS OF THE BID OR NOT TO BID DECISION MAINLY EMPHASIZE TENDER RELATED VARIABLES

3.7.3 Current Preferred Customer Status cycle extended with the Tender Attractiveness: a suggestion of interaction

The relevancy of a tender has been emphasized and the assumption has been made that TA plays a dominant role in obtaining a preferred customer status. However, Since the lack of scientific research, the functioning of TA within the PCS-cycle is currently unknown. This thesis will seek clarity in that theoretical perspective. Figure 10 illustrates the current situation of the empirically studied PCS cycle (Hüttinger et al., 2012; Schiele et al., 2012) and adds the concept of TA to its scope. However, it still remains unsure where TA should be exactly placed. To make sure TA does not overlap with CA and SS, TA strictly focusses on tender and project related elements and does not reason on general customer related topics (CA) or project execution activities (SS). In sum, *Tender Attractiveness considers all tender-related contingencies between a buyer and its possible suppliers until a contract is awarded to the winning supplier.* After awarding the contract, the execution of the contract applies, which represents SS.

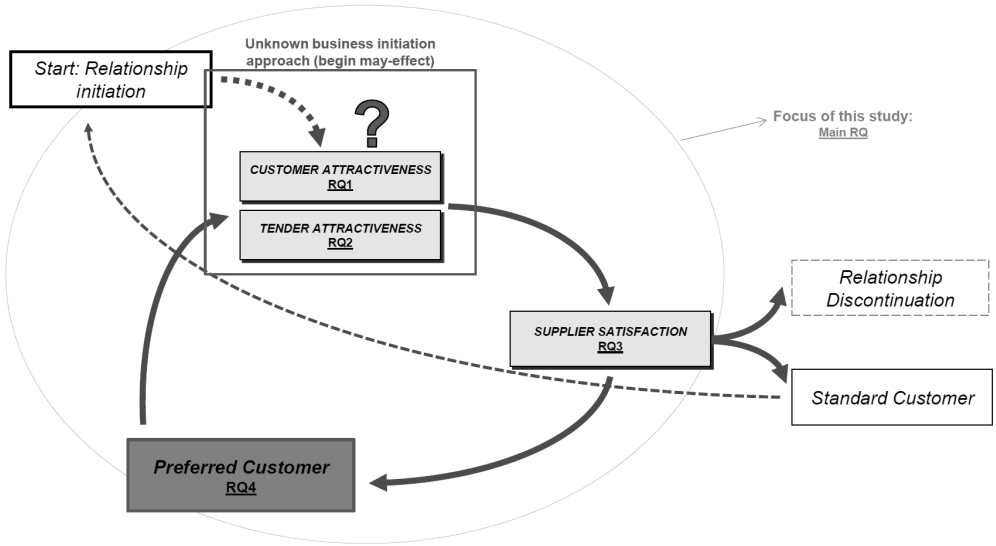


FIGURE 10: THIS STUDY´S FOCUS REGARDING THE PREFERRED CUSTOMERSHIP THEORY

3.7.4 Proposing a possible illustration of the Preferred Customer cycle in public procurement: the may-effect

Before the actual field study is conducted a short expectation on how a possible PCS cycle in the public domain could look like is discussed here. Starting with the initiation of business relationships, the paper expects that since buyer-supplier interactions originate from a tender publication, the latter will also be the starting point of a relationship. Furthermore, as the tender process embodies an intensive interaction between a buyer and its (potential) suppliers, it is expected that TA leads to a classification of the customer directly. After all, the buyer-supplier interaction is brief as after a procured job is completed, the buyer-supplier relationship is not considerably important since the buyer must reconsider all suppliers for a newly procured job. Repeating relationships are thus less common. Tadelis (2012) approves this by emphasizing that regulations constrain the freedom of public procurement agencies to use mechanisms in their business relationships. Thus, the initiation of the business relationship does not start with expectations and *attraction of the customers* solely, but with the *attraction of a tender publication* more importantly. Therefore, the starting point of the buyer-supplier relationship and the PCS cycle is expected to be TA. When a tender is perceived as attractive and subsequently a supplier decides to participate and commit to

tender, it could lead to a supplier being awarded the contract and thus chosen to conduct the project. With the introduction of TA, the public procurement tendering obligation is better represented in business interactions and the importance of *what* is purchased and *how* this is done is represented. TA describes a supplier's perceived value of a tender and associated procedures public procurement authority sets out. Thus, the higher TA is, the more attractive a tender is for a supplier to participate in and the higher their desire to be awarded the contract eventually.

Because TA has such an important role in the public procurement context, it is expected that TA is also more important as explaining variable toward PCS compared to the other variables: CA and SS. Based on the tender guidelines' requirements, project descriptions and other contextual particularities a formal decision will be made by the supplier whether to bid and commit to a tender. The precise role of CA and SS is not exactly known; however, it is expected the two variables will form a side effect to the interaction between TA and the PCS decision. In general CA and SS will maintain its standard function as in the private sector PCS cycle but will have less impact on the eventual decision to be awarded a preferred customer status since TA is predominant (figure 11). Thus, for example, if TA is extremely high, but some CA related antecedents are not met, a customer is expected to still be able to obtain a PCS. The exact functioning of TA is not known in literature and also not known to the PCS theory until now. Shedding light on this issue is a contribution this master thesis seeks to make to the current body of literature after proving its existence during the field study. This may-effect directly has connection with the main goal of this thesis: investigating how Case Company A and Case Company B can manage their CA, TA and SS in order to become a preferred customer and so improve supplier's participation and commitment behaviour in public tenders. The may-effect investigates the sequence of the PCS-cycle elements in the public domain, evidently, these variables could also have another interrelationship among each other compared to the suggestion made in this paragraph. This thesis will independently test the antecedents for classifying the preferred customer status and so how, at the end of the thesis, come up with a suggestion of how the preferred customer status cycle looks like based on the empirical findings of this thesis.

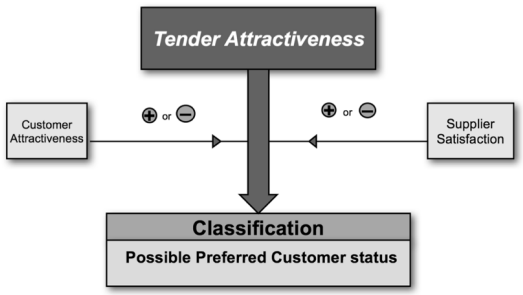


FIGURE 11: THE PROPOSED MAY-EFFECT OF CLASSIFYING CUSTOMERS IN THE (SEMI) PUBLIC SECTOR

3.8 Concluding remarks on the literature review

Public procurement has proven to be totally different world compared to the private sector procurement. The extensive set of rules which dramatically constrain buyer's freedom in their purchasing behaviour and the many stakeholder's public procurement authorities have to consider simultaneously, result in additional challenges when setting out procurement strategies and seeking compliance (Knight et al., 2012). Partnerships with suppliers cannot be taken for granted in the public-sector due to mandatory publications of public tenders (Erridge & Greer, 2002). As Case Company A and Case Company B are active in the Dutch construction industry they are exposed to a distrust between business actors evolving from the

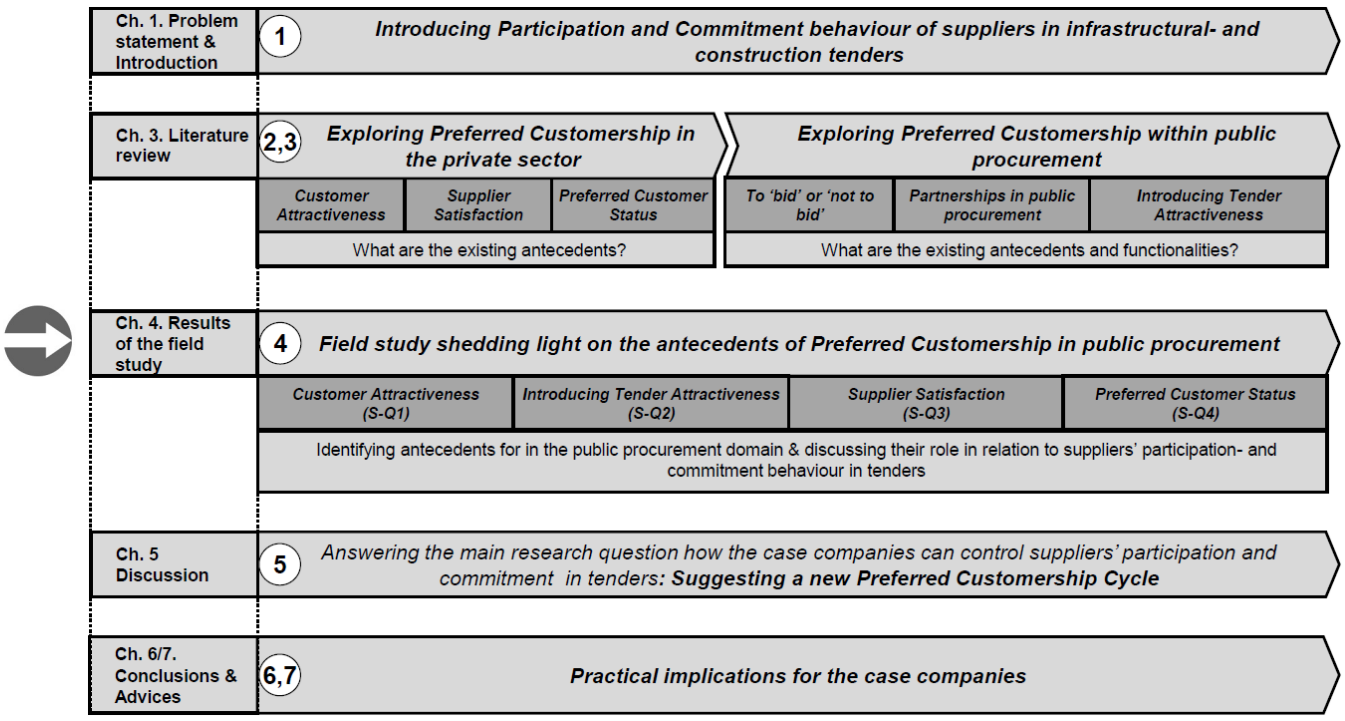
construction fraud over the last decades (Dorée, 2004). As a consequence, the contracting-contractor relationships is a totally different buyer-supplier relationship compared to the private sector relationship.

Remembering that this thesis seeks to identify what influences suppliers to participate in- and commit to tenders, literature illustrated that firstly suppliers are typical project-oriented organisations who tend to focus on individual projects more significantly instead of recognizing long-term oriented opportunities (Dubois & Gadde, 2000). Furthermore, multiple empirical studies emphasized that suppliers considering to 'bid' or 'not to bid' on tenders in the construction sector most substantially consider tender related antecedents during this decision such as *project- risk, size, difficulty* and *fulfilling to the tender conditions* (Wanous et al., 1998; Lowe & Pavar, 2004). Building upon these findings underlining the importance of the context of projects associated to a purchase and its tender, several supply chain theories explored how public buyer-supplier relationships function. SET argued that attraction of a customer is an important benchmark explaining why suppliers decide whether to interact with a customer or not (Ellegaard, 2007). In retrospect, the same could apply for the attractiveness of a tender, resulting in the decision to participate in and commit to a tender. TCE and the agency theory have underlined the importance of appropriately governing contracts to suppress opportunistic behaviour in public buyer-supplier interactions (Schepper et al., 2015). Since many affairs between buyers and supplier are settled in the tender phase, these theories plead for optimal tendering processes and high-quality contract formulation, for example, through implementing workable incentives, in order to safeguard profitability of buyer supplier interactions (Keser & Willinger, 2017; Chang, 2013). From here, an important role for the purchasers arises in the public domain as they are responsible for the tendering process.

Subsequently, the PCS theory was introduced as this theory is used as main theoretical theory in order to test whether distinguished processes and pathways concerning strategic relationships and preferred customership are applicable in the special sector industry as well. The main building blocks of this theory: CA, SS and finally PCS have been weighed against the context of this thesis; public procurement and have concluded that the concept of Tender Attractiveness (TA) should be added to the scope of the PCS-cycle in order to give voice to additional elements specifically important in public buyer-supplier interactions. In line with the reverse marketing technique, pleading that purchasers should persuade suppliers to supply them with the best supplies, TA can potentially be a powerful to impact the supply-market and hence succeed in better being able to manage and impact the participation and commitment behaviour of suppliers in public tenders. In the next chapter the actual field study will test CA, TA, SS and PCS in practice and seek to answers the multiple research questions and shed light on the functioning of the PCS-cycle in business practice.

4 RESULTS OF THE STUDY

In this chapter, the actual field studies results are presented and the main- and sub questions are answered. The previous chapters have discussed what the purpose of the field study is and how this field study has been conducted: namely through interviewing 31 contracting suppliers of Case Company A and Case Company B seeking clarity in what drives them to participate in- and commit to tenders. In order to structure this investigation several elements which help explain the aforementioned problem were introduced: CA, TA, SS and PCS. These elements together form antecedents of a potential preferred customership status buying parties can obtain which subsequently can enable participation and commitment to tenders of the case companies. Logically, these four elements were tested in the field study of this thesis. In this chapter, the results evolving from these 31 qualitative interviews will be illustrated and the consensus of these findings will be discussed. In the appendices of this thesis the interview template can be found in order to understand how the interviews were structured around the core elements this thesis investigates. To refresh the red line of this study, the table below illustrates the research questions which were tested and will be discussed in this chapter.



4.1 Classification of customers by suppliers

Since this study reasons upon the PCS assumptions, it is firstly important to know whether suppliers classify the customers they (potentially) work for in general. By knowing this fact, the paper can identify whether and to what extent suppliers actively use strategies when considering to engage in a relationship with buying parties. Essentially this is a condition for PCS because without explicitly using a process to classify customers, dedicating different and preferential treatment among them is also not possible. The main questions which were discussed in this section were the following: "*Does your organisation classify customers among different statuses or labels? If so, which statuses do you distinguish"…"What are typical advantages for classified customers?"*. Discussing these questions with 31 suppliers resulted in 7 respondents who explicitly classified customers through using a classification strategy with associated customer statuses and 24 respondents who did not classify customers at all. Those who did classify, consciously segmented customers in different categories and had implemented an actual process to do so which enabled a strategic approach.

Of the 31 respondents 24 did not classify customers meaning that 77,4% of the sample size does not apply an important condition of the PCS phenomena (figure 12). As a result, this study finds that a majority (77,4%) of the sample does not distinguish in customer treatment explicitly through classifying different types of customers. Organisations who were considered as non-classifying respondents maybe did consider variables to be important when choosing customers to start tendering procedures for but did not explicitly label customers and act accordingly. Thus, non-classifying suppliers are also suppliers who implicitly did show recognizable elements of classification but did not attach a specific system to it and thus also did not explicitly give preferential treatment to different customers. Hence, the finding underlines that the PCS theory may ask for a different approach in the Dutch special sector industry as many suppliers do not classify customers. In the majority of the interviews (28 out of 31; representing 90,3% of the sample size) suppliers mentioned the importance of a tender project as such when considering to initiate a buyer-supplier relationship in the Dutch special sector industry and thus emphasized the importance of classifying tenders and its conditions. Nonetheless, still 7 suppliers did explicitly classify customers, thus excluding the existence of PCS is not in order.

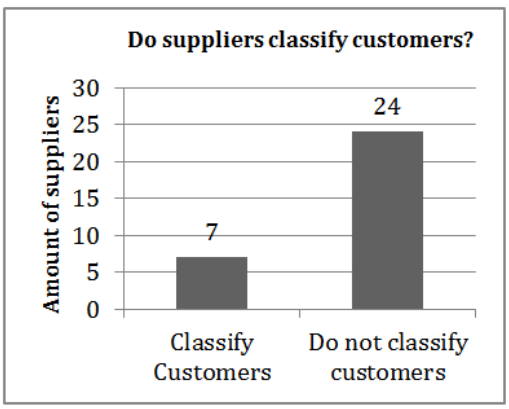


FIGURE 12: 22,6% OF THE SAMPLE EXPLICITLY CLASSIFIES CUSTOMERS AND PROVIDES PREFERENTIAL TREATMENT

4.2 Customer Attractiveness

The second main section of the interview related to the attractiveness of the customers Case Company A and Case Company B and represents the first sub-question of this study. In this chapter, the underlying emphasize of the results will be mainly discussed. Thus, recurrent found antecedents are presented and a discussion will take place of the role of CA. Individual results for the case companies can be found in chapter 6. This paragraph will explain which antecedents lead to a perceived level of CA.

4.2.1 The antecedents of Customer Attractiveness in the special sector industry

The attractiveness of a customer in the special sector industry is driven by antecedents illustrated in figure 13 which also shows how often suppliers named the variable during the interviews and thus emphasizes its relevancy. The antecedents are ranked based on their count. These antecedents were tested by asking open questions towards the suppliers and moreover retrieved from argumentation of CA-levels appointed to the case companies. First of all, 26 suppliers underlined the importance of *strategic fit* when determining attractiveness levels of a customer. In general, they described *strategic fit* as the alignment of both companies' strategies and scope and also mentioned that strategic fit is driven by the fit regarding the demanded *works* by a buying entity. The higher the strategic fit, the higher CA. Moreover, 19 suppliers argued that the *reputation* of a customer plays a key role in deciding the level CA. Organizations like Case Company A and Case Company B, who are famous because of their unique businesses and influence on their hinterland significantly are considered as appealing to work for. Other recurrent explanations for the good reputation of both Case Company A and Case Company B was because their extensive portfolio of yet accomplished large *works.* Just like these two antecedents most of the antecedents are comparable to the findings of Hüttinger et al. (2012) meaning that many variables which influence the perceived level of attractiveness of a customer are interchangeable between the private and (semi-) public sector.

However, the antecedents marked with this symbol (▲), are new findings this study has found and which are not recognized in existing literature review from Hüttinger et al. (2012). These new-found antecedents for CA mainly relate to tendering activities of the customers. These antecedents are *tendering behaviour* (mentioned by 11 suppliers), the *tendering focus on quality* (mentioned 11 times), and finally, 1 supplier mentioned that being able to use a customer as *good reference* in future tenders drives CA. These findings suggest that, compared to the private sector, CA in the public-sector construction industry is driven by tender related variables. Examples interviewees gave of *tendering behaviour* they monitor and which contribute to their perceived level of CA are: *contract form in the tender, tender project size, quality or price focused tender, tendering costs to be made and reimbursed.* Thus, such variables are considered by suppliers in the special sector industry when scaling the level of customer attractiveness.

4.2.2 What do these antecedents trigger?

A logical evolving question relates to understanding where these antecedents lead to eventually. In the original PCS cycle, CA is seen as the expectation a supplier has regarding potential value of a buyer-supplier relationship and therefore represents the prime stepping stone regarding building a relationship (Schiele et al., 2012). In the public-sector CA still represents elements which suppliers acknowledge as expectations of a relationship with customers like whether they are a reliable financial partner. Thus, this corresponds with previous studies of Hüttinger et al. (2012). Also, suppliers mentioned that if the level of CA was relatively low (e.g. the client has the reputation of not paying its bills) this could function as a direct exclusion criteria. Thus, CA remains a crucial stepping stone in the public domain. A confirmation

that CA has a different role in the public procurement environment compared to the private sector industry, is found in the fact that certain antecedents are not applicable in the public sector. For example; no antecedents such as innovative possibilities possessed by a certain customer are found CA as such characteristics of a client depend on the tender approach and contract type a customer uses and thus is not a customer related but tender related antecedent. This was acknowledged by 28 out of 31 suppliers (90,3% of the sample) claiming development possibilities related to a client did not play a role since the formulation of the tender decides whether such possibilities could be leveraged. This finding is in line with the expectation that technological factors would become less important.

CA Antecedents	Number of suppliers which named the antecedent
Economic factors	
Strategic fit (regarding general strategy and tender strategy) ▲	**26**
Reliable financial partner	**13**
Repeat business (L-T contracts, demand stability)	**10**
Large purchasing volumes	**3**
Impact on local economy and society	**1**
Networking possibilities	**1**
Development opportunities potentially associated with the client	**1**
Relational factors	
Quality of prior relationship	**3**
Respect	**1**
History ▲	**1**
Tendering factors	
Clients tendering behaviour (used tender contracts) ▲	**11**
Quality- instead of price focussed customer ▲	**11**
Good financial margin	**4**
Good reference ▲	**1**
Diversity of works ▲	**1**
Location of the work ▲	**1**
Other factors	
Reputation of the client ▲	**19**
Customers knowledge or capabilities	**2**

FIGURE 13: OVERVIEW OF CUSTOMER ATTRACTIVENESS ANTECEDENTS IDENTIFIED (▲ IMPLIES NEWLY IDENTIFIED BY THIS STUDY)

In sum, the figure below summarizes the main findings by answering the sub-element question on CA. Regarding the main conclusions, this thesis argues that fulfilling to the CA antecedents is an essential first step in establishing business relationships as interviewees said that they do not bid on tenders set out by customers with a bad reputation or bad financial history. In the context of this thesis, and its case companies, CA was not an issue as all suppliers acknowledged high levels of CA towards Case Company A and Case Company B. Moreover, since competitors of the case companies also score suitable CA levels according to the suppliers, CA is not directly a significant source for gaining competitive advantage.

TABLE 2: ANSWERING SUB ELEMENT QUESTION 1

Sub-element question 1: Customer Attractiveness (CA)	What are antecedents for Customer Attractiveness in the infrastructure and construction tendering market?
Answer sub-element question 1:	In the Infrastructure and Construction tendering market CA is impacted by *economic factors*, *relational factors* and *tendering factors*. CA is most significantly influenced by the *strategic fit* between a buyer and supplier; the *(financial) reputation* of a client, and by a client's observed *tendering behaviour*.

4.3 Tender Attractiveness

The second element which was studied during the interviews was TA. This variable was added to the scope of the PCS literature to make the theory more applicable to the public procurement context as discusses in chapter 3.7. The relevancy of adding this element has already been underlined by the literature review of this thesis, however, practical existence and proven functionality of TA is still lacking. During the interviews of this master thesis, all interviewees were consulted whether they acknowledged the importance of TA. This was not suggestively asked as an independent question but was interpreted as true if suppliers themselves began to emphasized its importance. So how the authenticity of TA was tested. This resulted in 28 suppliers (90,3%) who acknowledge TA as an important explaining variable for client approach strategies like customer classification strategies or during their consideration to bid or not to bid on tenders (see figure 14 below). Thus, the field study recognizes the relevancy of TA and therefore this thesis will adopt the TA element in the PCS theory officially from now on.

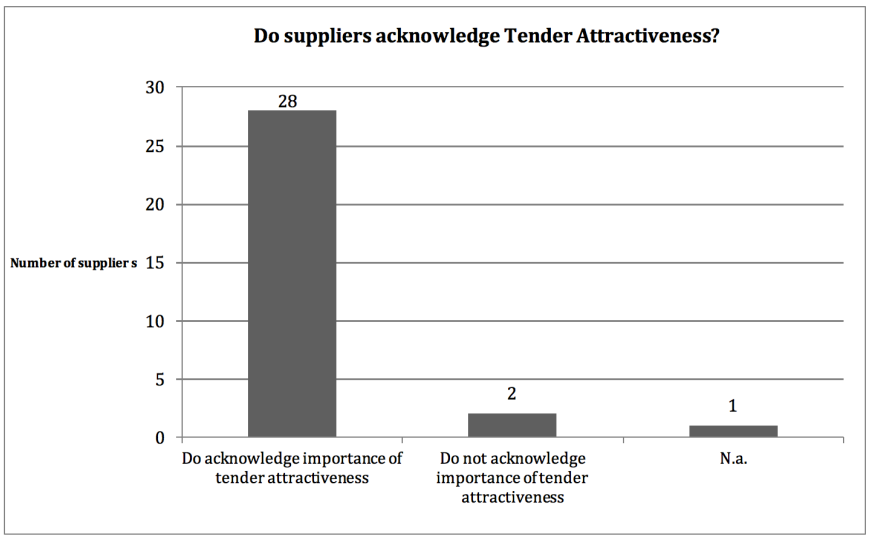


FIGURE 14: EMPHASIZING THE IMPORTANCE OF TENDER ATTRACTIVENESS

4.3.1 Identifying antecedents for Tender Attractiveness

The existence and relevancy of TA has been proven by the field study, in subsequent the field study identified which antecedents drive and burden TA. Importantly, the scope of TA focusses on every (operational) element of the tendering process until a contract is awarded to a supplier. Thus, all tender related issues are recognized as TA. This is important to understand as it clearly distinguishes the element of TA from CA and SS. Where CA focusses more on the actual characteristics a customer contains, TA emphasizes how tenders are set out and how the purchaser executes the tendering process. The overlap CA and TA have, is that suppliers in the field study also mentioned tender-related factors which drive their perceived level of CA. The argumentation here is that indeed overlap exists, but experiences from tendering activities (TA) simply penetrate to the perceived value of a customer (CA) i.e., suppliers who experiences a customer who only awards its contracts based on lowest price techniques, may perceive this customer as unattractive.

As the identified antecedents of TA are new to literature, the next paragraphs will discuss the most important antecedents and will structure the antecedents in different sub-factor groups. An overview can be

found in figure 15. Also, this section focusses on identifying where these antecedents lead to eventually. Later on, in chapter 6, the specific level of TA will be discussed for Case Company A and Case Company B and the learning for the firms are presented. During the interviews, the interview questions functioned as a guideline to identify what suppliers found important in a tender. The antecedents were found by carefully assessing the answers given on the interview questions. Not only questions identified antecedents, but also the dialogue evolving from questions generated insights on antecedents. The figure below gives an overview of these antecedents and divides them in several categories which will each be discussed in separate paragraphs.

TA Antecedents	Number of suppliers which named the antecedent
Contractual factors	
Controllability of Risks ▲	**29**
Awarding on quality ▲	**26**
Freedom in design (opportunity to add value via design component) ▲	**26**
BVP (as driver ánd barrier) ▲	**26**
Contract type (i.e., misleading contract choices) ▲	**26**
Ceiling prices ▲	**24**
References required ▲	**12**
Good financial margin ▲	**4**
Operational excellence factors (until the contract is awarded)	
Transparency in communicating award results ▲	**24**
Planning compliance by client ▲	**22**
Provision of information ▲	**15**
Contact during tender ▲	**9**
Information in the pre-qualification stage (to forecast go/no-go´s) ▲	**6**
Purchasing management factors	
Pre-publication ▲	**27**
Tender planning (long-term overview) ▲	**22**
Suppliers capacity of resources) ▲	**22**
Tender costs reimbursement ▲	**15**
Clear scope of the work ▲	**9**
Guarantee projects start after awarding the contract ▲	**8**

FIGURE 15: IDENTIFIED ANTECEDENTS OF TENDER ATTRACTIVENESS (▲ IMPLIES NEWLY IDENTIFIED BY THIS STUDY)

4.3.2 Contractual factors impacting Tender Attractiveness

The first group of factors identified were antecedents related to the *contract* public procurement authorities formulate. Thus, these antecedents describe the impact a choice in *contract* can have on the perceived value of TA. First of all, *risks* and their *controllability* was a recurrent topic during the interviews and represented one of the major antecedent of TA. 29 suppliers (93,5% of the sample size) mentioned that they actively considered *controllability of risks* in a tender and its related project when assessing the attractiveness of a tender. Most suppliers scan tenders based on riskiness by using models to determine whether those risks are controllable or not. The controllability of risk also corresponds with the go/ no-go decision suppliers make regarding their tender projects which will be elaborated on in more detail later on

in this thesis. In sum, risks associated to a tender heavily influence the perceived level of TA. Because buyers and suppliers tend to be risk averse in general (Campo, 2012) seeking a consensus is important and potentially a major driver for TA. In terms of reverse marketing and the PCS theory, controlling risks is a promising and powerful tool to gain competitive advantage.

Secondly, choosing an appropriate *contract type* or sourcing mechanism for a tender is also acknowledged as a major driver for TA by suppliers. Particular contract types are associated with certain guidelines and characteristics which typify a tender and its eventual business relationship. 26 suppliers (83,8%) mention that customers have the habit to use misleading contract types and thus do not appropriately choose a conforming contract type for a tender. For example, suppliers experience buyers who set out a *design and construct* contract (or other UAV-gc contracts) emphasizing that the supplier is responsible for the design of the project and hence also covers most risks related to the project, but in practice the buyer designed the entire project already and only uses and UAV-gc in order to transfer the risks towards the supplying party. In practice, this could imply that a buying party seeks to purchase the construction of a bridge through a UAV-gc contract, and subsequently, specifies the height of the bridge, depth, thickness of the asphalt, which construction method should be used for the steel, which screws are required etc. and subsequently asks the supplier to build the *works* according to these specifications with the remark that the supplier is responsible for the risks as it is a UAV-gc contract. Logically, such practices negatively impact TA as the contract type is simply used as tool to downgrade their own risks.

Also 26 suppliers (83,8%) are attracted by tenders which more significantly focus on quality aspects instead of price aspects during the award phase of a tender. Thus, customers who use MEAT-scores (EMVI-scores) and weigh them more heavily than price components were assumed as attractive tendering organisations. Essentially, suppliers plead that tenders in which they cannot compete on quality aspect (EMVI-scores) but must compete on price, are unattractive. Moreover, when quality elements in the tender do exist, it is important that the weight of the quality aspect compared to the weight of the price is significant. In other words, customers should attach heavier weights to their EMVI-score to establish actual competition on quality instead of price. Currently, competition on EMVI-plans is not emphasized enough and thus no distinguishing effect is achieved on quality and hence, after all the price is decisive. TA, is bolstered when competition is supported on quality aspects. Almost all of these 26 suppliers were the larger, often stock listed companies which plead to not participate in price-fighting-contracts but only want to enrol in a tender if they can show their added value through significant quality recognition in the tender's award phase. In general, smaller SME's have less trouble with lowest-price awarding strategies since they can hand in cheaper bids due to lower overhead costs. Moreover, suppliers also notified that their perceived level of TA is influenced by the way contracts formulate the design component in a tender. 26 suppliers plead that they either do not get enough opportunities to conduct a design element in a tender project and therefor are not able to show their added value, or they are allowed to design a project but in subsequent, the contractor is too rigid in its requirements jeopardizing its originality and authenticity. This antecedent goes hand in hand with the antecedent of *choosing an appropriate contract type*.

Next, 24 suppliers (77,4%) implied that ceiling prices are a driving or restraining antecedent for their perceived level of TA. Most suppliers see the usage of ceiling prices as a barrier to enrol in a tender as they experience a ceiling price as too low and hence do not participate. Some argue that this is a driver for TA since their expectations are better managed due to ceiling prices. Also for best value procurement (BVP), multiple interpretations apply among the 26 supplier who acknowledge it as an antecedent (83,8%). BVP emphasizes on the quality aspects in tenders as it puts the supplier in the lead to conduct an expert role

during a project and so how gives the supplier the opportunity to distinguish on quality. 13 suppliers argue that the usage of BVP in tender procedures works stimulating and drives TA since a supplier is rewarded for his expertise and moreover is enabled to distinguish himself on qualitative aspect. Often larger firms make this argumentation. In retrospect, 13 suppliers have mentioned that the usage BVP does not positively influence TA as it is often a subjective tendering procedure and customers apply their own flavour to the BVP procedure. Also, suppliers mention that the fact that few key-figures are responsible for the interviews which result in winning a contract is harsh and unfair sometimes. The consequences for key-figures who fail during these sessions and the financial stake are mentioned as unethical. Smaller SME's argue that BVP is an unfair competitive game as larger organizations have the resources to hire BVP experts and fly-in commercial key-figures whereas they need to do the projects with limited resources. In sum, the overall functionality of BVP can be questioned as it does not adhere to general public procurement principles objectivity and non-discriminatory.

Finally, 12 suppliers (38,7%) have stated that the *references required* in a tender influence the level of TA. Smaller suppliers tend to find asked references extremely heavy and sometimes unrealistic to ask as they do not understand what asking such references contributes to. Also, they plead that customers use heavy references as tool to exclude suppliers they do not desire to participate. Other suppliers, often the larger ones, argue that *references* are sometimes too easy to qualify for and therefor too much suppliers can participate in tenders. In sum, the majority of suppliers did not mention *references* as an antecedent but the ones that did emphasize the importance of formulating realistic and appropriate references for a tender.

4.3.3 Operational excellence during the tender procedure impacting Tender Attractiveness

First of all, 24 suppliers (77,4%) suggested that their perceived level of TA is influenced by the degree of *transparency in the communication of award results*. They claim that transparency of the award results is influenced by two main elements: firstly, by a client's applied argumentation on why suppliers win or do not win a tender or why they score certain results in the award phase (e.g. sufficiently explaining why EMVI-scores are graded an 8). Secondly, transparency in what other suppliers scores and offers results in higher levels of TA. Suppliers argue that other customers do give these insights and if these scores are not given directly they are eventually identified among suppliers themselves and therefor it makes no sense to hold them back. In sum, knowing your scores and argumentation on a tender element and being aware of potential improvement area's enables suppliers to hand in a more suitable bid the next time they participate in a tender. Providing transparency in award results can enable this and leads to higher levels of TA.

Almost all of the suppliers elaborated on the importance of planning compliance in relationship to TA. 22 suppliers (70,9%) plead that they were not satisfied with how customers handle *tender compliance* in general and this heavily influences their perception of TA. Thus, TA is impacted by the way customers handle planning issues themselves. A recurrent example which annoyed suppliers was the scenario in which suppliers are monitored strictly whether they comply to the tender planning deadlines, but when customers are not able to comply to deadlines themselves, they simply extend deadline dates in their own favour and often do this without major communications. In practice, this can imply that a suppliers' tender team is collectively waiting for the award notice and is then, near to the deadline is informed that the award notice is delayed with one week. This can lead to irritations and disappointments for tender employees. Another example which influences TA regarding planning compliance relates to delayed information provision and cancelling entire projects after an award notice. In sum, customers should

comply to planning agreements when seeking to bolster TA. If adjustments need to be made, early and clear communication is key.

Building upon communication related to planning, 9 suppliers (29%) claim that communication during the tender impacts the perceived level of TA. Within the boundaries of the public procurement regulations, most suppliers agree that contact between buyers and suppliers is not an easy subject and customers. Of course, all suppliers (and buyers) would always prefer more contact which could contribute to the quality of an offer a supplier can make, but they know that contact can only be done via the official channels and in equality to other contact with suppliers. One recurrent aspect what suppliers did emphasize is the usage of tendering procedures *concurrentie gerichte dialoog* this public procurement procedure providing an extra dialogue phase enables suppliers to better understand the tender and know if they are on the right track. Usage of the procedure by other customers contributes to a high level of TA. Adequate *provision of information* is recognized as an antecedent for TA by 15 suppliers (48,4%). They mention the importance of information not changing continuously as this brings the quality of a bid in danger. Also, suppliers say that giving enough information in early stages of the tender enables suppliers to better determine whether they seek to commit to a tender. In other words, the more information the client gives in the selection or pre-qualification stage, the better a supplier can consider its potential in a tender a make the go / no-go decisions. The latter is specifically acknowledged by 6 suppliers (19,4%). In the end, provision of appropriate and enough information and communicating this information in time and adequate positively influences TA.

4.3.4 Purchasing management factors impacting Tender Attractiveness

The final sub-group of factors influencing TA are factors which can directly be impacted or managed by the purchasing function of a public procurement authority. In general, these factors relate to actions which need to be conducted prior to an actual tender is set into the market as not doing it or not considering it can negatively impact the perceived level of TA by suppliers. Moreover, these factors are also factors which can be considered as more strategic and long term oriented topics which have impact on a broader group of internal stakeholders of the company and relies on top-managerial support.

First of all, usage of a *pre-publication* was mentioned 27 times by suppliers as antecedent of TA (87%). The main message regarding this antecedent was that suppliers underlined the importance of knowing what kind of works are expected to be procured by clients. Supplier acknowledge that knowing what kind of works are expected to come, leads to suppliers which are better able to control and manage capacity. 22 suppliers (70,9%) claimed that *capacity* is therefore an important antecedent of TA. Mainly capacity relates to the availability of equipment and other resources which are required for the realisation of certain *works*. Many suppliers said if they do not have the capacity they do not bid on a tender as others emphasized that their bidding price is heavily influenced by the availability of for instance the right ships for construction tasks. Building upon *pre-publications* and *capacity* 22 suppliers mentioned that clients who provide supplier with a long-term overview of a *tender planning* are acknowledged as organisations with high TA level. Thus, the *tender planning* can be seen as a tool which can resolve the *capacity* problem and which goes hand in hand with *pre-publication*. Many, suppliers mentioned that certain other clients did give a transparent tender planning which was used extensively as planning tool by suppliers. Also, they added that the mentioning projects in such planning overviews which could still be withdrawn is no problem. In short, these found antecedents emphasize the importance to systematically considering which kind of purchasing activities (i.e., tenders) are in the pipe-line and making this public prior to a

publication, would resolve supplier's capacity problems and hence bolsters TA substantially. This is an important tool to bolster TA for the two case companies and especially relevant since competitors already do use this tool.

Another factor influencing TA is the *reimbursement of tendering costs* made by suppliers participating in public procurement tenders. 15 suppliers (48,3%) claim that the *reimbursement of tendering costs* is a driver for TA which is getting more and more important mainly because the market is growing and therefore supplier can be more judgemental in their decision to enrol in a tender. Of course, all suppliers would desire higher reimbursements but also understand that generating tendering costs is part of the game. In general, they plead that the tendering costs for larger and expensive tenders are not in proportion. However, it depends per sector within the market, most suppliers recognize that the case companies give less compensation compared to competitors. In the end, this is a complex topic as tender costs are embedded in the public procurement environment and taken for granted in financial estimations. Nonetheless, in the context of this thesis it is identified as a major driver for TA and can be interpreted as tool to gain competitive advantage in terms of triggering suppliers to participate in times of strong economic growth.

What is also considered as a purchasing management factor, and acknowledged by 9 suppliers (29%), clear *scope of the work* is recognized as an antecedent for TA. This antecedent might seem to fit better to the group of *operational excellence* factors, however, as it is the task of the purchasing function to *specify what* should be bought and *how* this should be realised. Therefor this is an important element to consider as it is the purchasing department who is responsible to ensure that the tender presents a clear scope. Another responsibility of the purchasing department is the guiding the process of contracting and initiation of the start of a project. In this line of reasoning, the antecedent of *ensuring a tendering project actually start* is an important element in the sphere of influence of the procurement function. 8 suppliers acknowledged that this antecedent influence their perceived level of TA (25,8%), especially TA is negatively impacted if clients structurally delay or withdraw tender projects and do not communicate in time.

4.3.5 Where does Tender Attractiveness lead to?

TA has been explained based on 3 main topics: *contractual factors, operational excellence factors* and *purchasing management factors.* These elements jointly contribute to a supplier's perceived level of TA and consequently leads to a high number of suppliers interested in a tender. By paying attention to these elements, purchasers can improve the attractiveness of their tenders and ensure a more competitive position in the tendering market. Also, these elements should form the cornerstone of a tender bulletin as these elements are identified as the most important assessment considerations suppliers make. In sum, TA can be identified as an element which influences multiple crucial topics within the public procurement scope:

1. TA influences the decision to *participate* in a tender at the first place as antecedents within in contractual factors like *contract form* used or *controllability of risks* in a tender directly influence the supplier's choice to participate in a tender.
2. TA also influences the decision of a supplier to *commit* to a tender in the long run as antecedents as *contact* during the tender and *planning compliance by the client* impact a supplier's ability and willingness to hand in a good bid eventually. This process can also be described as the process of assessing go / no-go decisions.
3. In the end, TA thus also influences the quality of a suppliers bid.

Building upon the impact TA has on the *participation* and *commitment* of suppliers in tenders, it is also part of a larger function; namely the preferred customership cycle in line with the reverse marketing theory. TA antecedents form usable reverse marketing tools to enable preferred customership for a client in the tendering market as the antecedents are mostly within the sphere of influence of a buying party. Importantly, this chapter proofs the importance of TA and therefore pleads that TA must be applied to the PCS cycle. In the box below the sub-element question will be answered for this sub-chapter.

TABLE 3: ANSWERING SUB ELEMENT QUESTION 2

Sub-element question 2: Tender Attractiveness (TA)	What are antecedents for Tender Attractiveness in the infrastructure and construction tendering market?
Answer sub-element question 2:	Tender Attractiveness is mainly impacted by *contractual-*, *operational excellence-* and by *purchasing management factors*. Most significantly antecedents are *controllability of risk, awarding on quality, transparency in communicating award results* and *ensuring insights in the long-term tender planning.*

4.4 Supplier Satisfaction

SS was discussed with al interviewees as how satisfied suppliers were with the buyer-supplier relationship and the execution of an *awarded contract*. In other words, SS relates to all activities after a public tender contract has been won by a particular supplier and their business relationship is executed. In this phase, the more operational related concepts were discussed with suppliers. Suppliers who have not been awarded a tender by the case companies in the past were not able to answer these questions and were considered as not applicable respondents. Since multiple suppliers had no contract execution (and thus SS) experiences with the case companies, less results were generated for SS.

4.4.1 Antecedents of Supplier Satisfaction

First, a general question was asked to give the interviewee the opportunity of give voice to elements which may not be considered in the research at first. For the sake of clarity, SS explicitly relates to all operational elements *after* a contract is awarded and thus focusses on the experiences during the execution of the contract. Importantly, SS must not be confused with TA which focusses on operational element until the contract is awarded. In the figure 16 below the identified antecedents of SS are illustrated. As seen in this figure, not as many antecedents were identified for SS as for CA and TA. This is mainly explained by the fact that less specific questions were asked on particular topics but only one open question was presented. In this open question, the suppliers were asked which elements were experienced as important in influencing their perception of SS. Also, one specific question was asked about evaluation of a project impacting SS. Evolving from these two questions six antecedents were found:

First, *relational factors* were identified as the most important factor influencing the level of SS. 13 suppliers (41,9%) mentioned that relational factors during the execution of a tender project drive SS. Examples of relational factors are proper *communication* in the form of seeking a mutual acceptable agreement through *respectful communication* and *transparency*. Next, the *evaluation of projects* is recognized as an antecedent of SS by 12 suppliers (38,7%). Suppliers emphasize the importance of extensively evaluating realised tender projects and plead that clients should initiate them more often. Also, they underline that the appropriate people should attend evaluations as also engineers should be present to

discuss the actual project and its result instead of only discussing process related topics with procurement employees. Moreover, *consistency in standards* was recognized as an antecedent of SS by 5 suppliers (16,1%) which argue that clients should not *deviate* in their *attitude* and *standards* used in tendering procedures like often adjusting tendering procedures. This also goes hand in hand with the usage of *external employees* in tendering activities who all take different experiences, habits and stakes with them say suppliers. Finally, 2 suppliers (6,5%) say that the eventual *result of the build work* evolving from the tendering contract influences a supplier's perceived level of SS.

Contract management was acknowledged as an influencing factor on SS by 8 suppliers (25,8%) who claimed that the way contract management is conducted heavily influences their perceived level of SS. Most supplier underline that clients who manage a contract for the sake of the end result instead of legally managing every word of the contract ("*lees de geest van het contract in plaats van letter van het contract*"). They say that the typical contractor – contracting relationship is not desirable. Another example of contract management related factors is the degree of *external contract managers* who are placed on a project of a client. In general, suppliers do not appreciate if external contract managers are responsible for the relationship with a supplier who often have less affinity with a supplier, the project and manage a contract formally. This negatively impacts SS. 7 suppliers (22,5%) mentioned that the way a client *manages conflicts* during the execution of the contract drives SS. When, for example, discussion occurs regarding additional work for a project, the way these issues are resolved influences SS. Essentially, suppliers argue that in a project often things do not go as planned, sometimes the supplier is guilty for the failure and sometimes the buyer conducts a misstep. In subsequent, creating an environment in which such issues are naturally solved is preferred compared to directly resolving them through legislative actions.

Supplier Satisfaction (SS) Antecedents	Number of suppliers which named the antecedent
Relational factors (during contract execution)	
Communication, respect	13
Contract management factors	
Functional- instead of juridical contract management ▲	8
Managing conflicts (resolving discussion projects)	7
Other factors	
Evaluation of projects ▲	12
Consistent standard ▲	5
End result of the project (works) ▲	2

FIGURE 16: ANTECEDENTS FOR SUPPLIER SATISFACTION IN THE PUBLIC DOMAIN (▲ IMPLIES NEWLY IDENTIFIED BY THIS STUDY)

4.4.2 Where does Supplier Satisfaction lead to?

The study on SS has identified several antecedents which influence a supplier in their considerations. Since in the SS stage a business relationship between a purchaser and the contractor has already been established, the antecedents solely impact a supplier's considerations regarding participation and commitment to tenders in the future. In line of reasoning with the PCS-theory, the SS concept can still be seen as a last quadrant in deciding whether a customer is recognized as a preferred one or not. As discussed in Schiele (2018), relational elements were expected to become more important in the public procurement compared to private sector procurement. Corresponding to this claim, this result also identified relational aspects as the most important antecedent for SS. Thus Schiele's (2018) finding is acknowledged by this study. Moreover, technical excellence factors identified by Hüttinger et al. (2012) were indeed less substantially

compared to the private sector as R&D or supplier development was not identified at all. Moreover, SS was emphasized as an important antecedent in the PCS concept as bad experiences in tender projects regarding execution of the contract, was explicitly mentioned as a reason to not participate in tenders and interact with certain customers in the future. After all, the core business of most suppliers is enlightened in the SS related phase. In sum, the importance of SS and its impact on suppliers tendering behaviour is of great importance. Despite its direct interaction with purchasing is maybe less obvious compared to the scope of TA, it heavily influences the activities related to the purchasing function such as the PCS phenomena.

TABLE 4: ANSWERING SUB ELEMENT QUESTION 3

Sub-element question 3: Supplier Satisfaction (SS)	What are the key antecedents for Supplier Satisfaction in the infrastructure and construction tendering market and how does it impact the participation and commitment of suppliers in public tenders?
Answer of sub-element question 3:	Supplier Satisfaction is mainly influenced by *relational factors*, *quality of evaluation* and the way *contract management* is conducted.

4.5 Preferred Customership

During the interviews, the PCS chapter assessed whether suppliers still agreed with their earlier notified customer classification if they had one. Next, the questions tried to identify suppliers' arguments for why they made a certain classification for a customer or why they have a particular perception about a customer in general. The goal was to formulate concrete enhancements the customers can make in order to improve the classification or perceived perception in order to become preferred customer. Since these findings are more case-specific, the improvements which should be made per case company will be discussed in chapter 6 focussing more on practical findings. However, the red line is shortly discussed here as it is an element of the bigger picture and antecedents should be identified. Importantly, how an actual preferred customer status can be obtained according to the results and what the important drivers are for this status should become clear. Until now the results have emphasized the importance of CA, TA and SS and its associated antecedents. In the last step before attaining a preferred customer status, customers find themselves in the phase in which suppliers compare one client to another and determine which customer is more preferred than the other and hence is awarded the PCS (Hüttinger et al., 2012, Schiele et al., 2012).

The interviews identified several antecedents which were especially important in this consideration. First of all, *repeat business* was an important antecedent related to potential economic value a buyer-supplier relationship as suppliers mentioned that the guarantee for repeat business drives them in firstly, participating in tenders of a customer and secondly, focussing more thoroughly on a supplier in terms of preferential treatment (i.e., preferred customer status). This finding is in line with the expectation that realising financial margin would remain important. However, the *repeat business* antecedent is a tricky finding as it is not possible for customers to give suppliers guarantee for repeat business. The only thing customers can do in terms of long-term business continuation is providing framework contracts towards suppliers. The repeat business antecedent will be further tested on its functionality in the discussion chapter.

Preferred Customer Status (PCS) Antecedents
Repeat business
Long term relationships
Continuity in projects ▲
Strategic fit
Alignment of strategic roadmaps
Same vision on construction standards and innovations ▲
Tendering fit
Alignment of tendering focus ▲
Prior experiences
Experiences in realising construction works with clients

FIGURE 17: ANTECEDENTS FOR PREFERRED CUSTOMERSHIP IN THE PUBLIC DOMAIN (▲ IMPLIES NEWLY IDENTIFIED BY THIS STUDY)

Next, suppliers mentioned *strategic fit* as another important antecedent for PCS just like in the Hüttinger et al., (2012) study. They claimed that without a *strategic fit* between a buying and supplying party the willingness of a supplier to go the extra mile for a client is low. How *strategic fit* is interpreted differs per supplier, but in general it emphasizes the alignment of the strategic roadmaps of the two firms like focus for innovations and development projects, higher management alignment or whether the same vision and standards are used for the construction of works. Thirdly, suppliers consider *tendering fit* or a *tendering trend* when determining whether a client is a preferred customer. Despite the fact that *tendering fit* can also be seen as a sub-element of *strategic fit,* this paper chooses to separate the two because the importance of *tendering fit* on itself is substantially evident as antecedent for PCS. For example, suppliers mentioned that they tendering fit itself one of the axes in their preferred customer matrix implying its importance in itself. *Tendering fit* describes the fit between how a purchasing authority sets out its tenders and how attractive a supplier perceives these tenders. If a supplier experiences no *tendering fit,* it will not participate in tenders and thus no PCS is possible, hence this is an important antecedent. Finally, suppliers plead the importance of *prior experiences* with customer during the *execution of a work.* This could be seen as an extension of SS, which is also seen in the PCS antecedents of the study of Hüttinger et al. (2012). Here PCS is driven extensively if supplier have positive experiences with customer during the realisation phase of a contract. These antecedents mainly emphasized relational experiences from previous buyer-supplier interactions. An overview of these antecedents can be seen in figure 17.

TABLE 6: ANSWERING SUB ELEMENT QUESTION 4

Sub-element question 4: Preferred Customership (PCS)	What are antecedents for obtaining a Preferred Customer Status in the infrastructure and construction tendering market?
Answer of sub-element question 4:	The preferred customer status in the infrastructure and construction tendering market is mainly driven by *repeat business, strategic fit, tendering fit* and *prior experiences* in realising construction projects.

4.6 Combining the findings until now: a new overview of factors influencing Preferred Customership in the public domain

The results of this study have confirmed the existence of multiple antecedents such as CA, SS and PCS which were identified by the study of Hüttinger et al. (2012) as well. This leads to the conclusion that overlap exists between the phenomena of PCS in the public and private sector. However, also multiple new antecedents have been identified which were not yet earlier found in literature. These have been added to the scope of CA, SS and PCS. Furthermore, the introduction of TA came along with an extensive load of new antecedents as well and has forced the PCS theory to reconsider its functioning in the public sector.

Also, some antecedents which belonged to CA in the model of Hüttinger et al. (2012) were transferred to the TA stage. *Risk factors* and *technological factors* made this move as the tender embodies most risk related antecedents in public procurement whereas technological factors such as *early supplier involvement* or *in-depth knowledge* of a customer can only be leveraged if the formulation of a tender allows so. In line with the discussed importance of TA in itself literature-wise, the variables found in the field study confirm the importance of TA as tender related antecedents have been found in CA, SS and also PCS quadrants as well. Before the actual functionality will be assessed in the chapter 5. This paragraph will illustrate a new overview of influencing factors for CA, TA, SS and PCS leading to preferential treatment of suppliers eventually. Since figure 7 used the model of Hüttinger et al. (2012) to structure all the antecedents in several quadrants, this paper will use the same template and adjust it with the findings of this study.

When studying the figure below, a few changes are important to understand. Starting with CA, Reputation of client was newly identified and was significantly important and therefore added to the scope of CA. Market growth factors remain to be important as driver for CA in the public domain just as economic factors. As stated earlier on, risk factor and technological factors are removed from CA and integrated in the TA phase as this suits them better in public procurement. Then, tendering behaviour was importantly added to the scope of CA since suppliers actively monitor a customer's tendering trend when considering their level of CA. This is one of the most important findings regarding CA in public domain as it also forces public purchasers to be aware of what their tendering behaviour impacts in the long-run. Thus, this finding emphasizes that tendering behaviour should be strategically managed. Relational factors or social factors also remain an important antecedent for CA, mainly underlining the importance of prior relationships. Then, the next step, TA, factors retrieved from CA (i.e., risk and technological factors) are regrouped in the contractual factors segment. Namely, here all antecedents referring to the formulation of a tender contract are centralized. This is a very important antecedents group as these antecedents were most substantially considered by suppliers. For example, if no consensus is found regarding the controllability of risks in a tender's contract, this will lead to discontinuation of the buyer-supplier relationship. Corresponding with the literature review, tender-related antecedents seem to influence a supplier's decision to bid or not to bid on a tender most significantly (Wanous et al., 1998; Lowe & Pavar, 2004). Furthermore, financial margin in a tender was identified as an antecedent which is in line with the expectation of this paper. Purchasing management antecedents within the TA scope underline the importance of appropriately setting out contextual elements related to a tender such as deciding whether to reimburse tender costs and providing suppliers with a long-term future tender planning overview drives TA considerably. This was a newly found antecedent group which was not expected per se and is a powerful tool for purchasers to use. In line with the expectations relational related antecedents became important influencing variables for TA. Examples are compliance by a client herself on the tender planning and giving transparency in award results.

From here, remains the same as antecedents were identified emphasizing the modes of interaction such communication and respect. However, a stronger emphasize lies on how satisfied a supplier was with the execution of the tender contract. Thus, how the contract managers have monitored the execution of a contract for a work. Here the main message was that SS is driven by clients who manage a contract functional instead of juridical. Furthermore, the end-result of a work was identified as an important driver for SS as suppliers are triggered by a financial healthy- and high-quality end result of, for example, a constructed tunnel. A new antecedent for SS was identified as consistency of standards used, which could be a typical finding for the construction industry as the alignment in standards used for describing an infrastructural work impact the efficiency of a project heavily. The supply-value / purchasing antecedent

group was removed in the model of this paper as no overlap in antecedents were found with the findings of Hüttinger et al. (2012). Finally, in the PCS phase, economic value was also identified as an important driver for PCS, however this economic value was mainly mentioned in the form of repeat business. This is in line with the expectations as public procurers cannot easily provide supplier with the guarantee in demand (paragraph 3.7.1). Hence, suppliers mentioning the usage of long-term contracts to enable repeat business as major driver for PCS, is a finding this thesis can deal with. A very important addition to the model is the identification of tendering fit as important influencing variable for PCS. Suppliers mentioned that the overall tendering fit between a supplier and a client evolves through alignment in vison on how to set out contracts and how to awards them. This alignment drivers PCS significantly. As this was mentioned independently from strategic fit, this paper chooses to separate the both and not combine them. For example, the strategic fit between a buyer and supplier can be low (e.g., the supplier has another vision on Asset Management) while the tendering fit can be high at the same time (e.g., both preferring BVP procedures during tenders). Finally, relational value remains an antecedent in this model.

Regarding the overlapping vertical value streams (i.e., *economic value*, *tender value* and *relational value*), Hüttinger et al. (2012) argued that economic- and relational value were identified as two overlapping streams because they have been thoroughly discussed throughout all stages of the model. These recurring themes play an important role in the eventual goal of the model: a PCS. In this new model emphasizing the public procurement domain, the field study identified a new streaming which considerably influences the PCS in the end as well and was also found throughout all stages of the model: *tender value*. Starting with CA, tendering value was found as tender-behaviour was identified as one of the most significant influencing variables on whether a supplier interacts with a customer in the first place. For example, suppliers who recognize a negative tendering trend from customers (e.g. generally focussing too much on price competition in tenders) can lead to a supplier not considering the client at all. Importantly tendering behaviour focusses on the trend of tenders set out by a customer and not on the most recent tender specifically. Next, TA obviously embodies tender value as it represents the composition of a tender with key decision such as how the risk is shared between a buyer and supplier. This can heavily impact a supplier's consideration to discontinue the relationship and thus can also impact the eventual goal of becoming a preferred customer. Then, in SS, the tender is exemplified and the actual value evolving from a tender should be determined based on the buyer-supplier interaction. Contract management was identified as new antecedent which substantially impacted the level of SS and is an example of an antecedent which formulates tender value (for example, contract management handling juridical issues evolving from the tender formulation). Finally, suppliers decide whether they acknowledge a supplier a PCS depending on the level of tender-fit between a buyer and supplier. Suppliers actively monitor the long-term tendering fit between the customers and themselves and the field study has shown that a preferred customer status is based on this quadrant. In the end, the most important reason why tender value has been added to the scope of the model is because tender-related antecedents have become the most important drivers for preferred customership in the public domain. When tender-value related antecedents miss out, no PCS can be achieved at all.

In sum, this model (fig. 18) provides the reader with an overview of the findings of this study through the same perspective as the model of Hüttinger et al. (2012). This paragraph has briefly introduced its context and discussed why certain antecedents have been removed and added. A more thorough discussion what the results actually imply in practice will be presented in the discussion chapter.

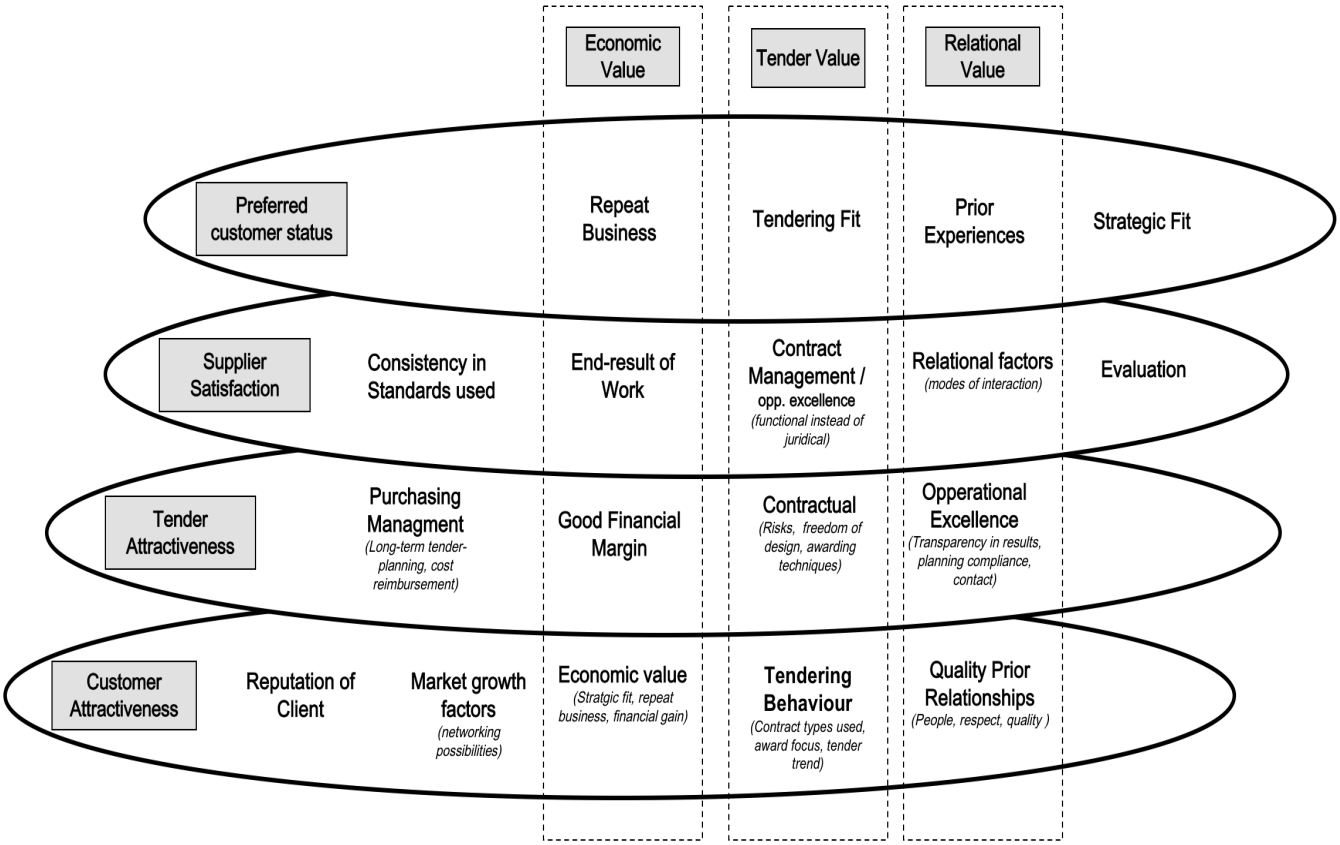
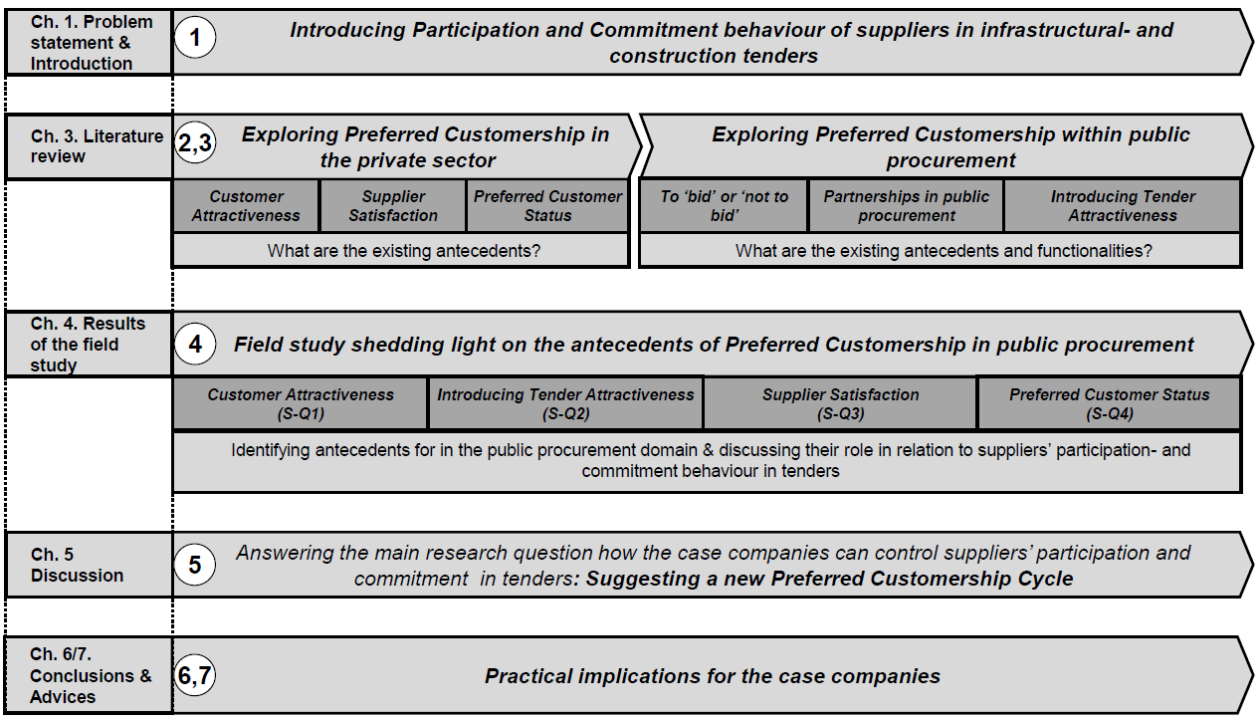


FIGURE 18: ANTECEDENTS OF PREFERENTIAL TREATMENT BY SUPPLIERS IN PUBLIC PROCUREMENT, RESULTS OF THIS STUDY

5 DISCUSSION AND THOROUGH ANALYSIS OF PREFERRED CUSTOMERSHIP IN PUBLIC PROCUREMENT

Resulting from the field study on CA, TA, SS and PCS in the previous chapter, a clear overview has been presented on the antecedents which influence these quadrants in the public domain according to the field study of this thesis. This figure represents the fundament of the findings of this research study. In this chapter, these results will be thoroughly discussed and linked to the underlying purpose of this study to better understand and control suppliers' participation and commitment behaviour in tender the case companies set out. In the end, this chapter will answer the main research question: "*How can Case Company A and Case Company B manage and further improve the participation- and commitment behaviour of suppliers in the infrastructure and construction tendering market by applying the preferred customership phenomena?"*. Despite this question has been partly answered for the quadrants CA, TA, SS and PCS as antecedents in buyer-supplier interactions, answering how buyers can become an actual preferred customer is not yet clear. Also, the practical applicability of the findings is not sufficiently clear as well. This chapter will assess the usability of PCS in general and will provide clarity on how the case companies can become a preferred customer in the (semi-) public sector.



5.1 Resolving the actual goals of the study and discussing an appropriate implementation

At the beginning of this thesis, the goal was set to shed light on what two public procurement case companies can do to better manage and improve the participation- and commitment behaviour of suppliers in infrastructural and construction tenders. In the end, solving this problem should enable a more competitive tendering typified by suitable suppliers seeking to win a tender and thus handing in highly competitive bids. By introducing the theoretical concept of preferred customership, this thesis aimed to structure the problem statement and to seek a theoretical path-way for solving the problem statement. The fact that testing the PCS theory in the public domain had not been done before added an additional goal to this thesis: testing the functionality of the PCS phenomena in the public domain. In the previous chapter, this thesis has presented the results of the 31 interviews with suppliers emphasizing how suppliers interpreted elements from the PCS-cycle: CA, SS and PCS. Also, the newly identified element TA was studied resulting in an extensive overview of antecedents for becoming a preferred customer in the public domain. While some suggestions have been made if these elements remain the same or change compared to private sector studies (Hüttinger et al., 2012; Schiele et al., 2012), this chapter will shed light on the exact functioning of the elements and will illustrate this via a new PCS-cycle. Mainly, this chapter should thus focus on giving voice to the following two goals which are explained in the next two paragraphs:

5.2 Shedding light on the first goal of the study: understand the functioning of the Preferred Customership cycle within a public procurement context

First this discussion chapter will discuss how the PCS phenomena functions according to the findings of the study. Importantly, clear definitions and scopes will be attached to the elements within the entire scope of PCS. Also, theoretical foundation will be sought for regarding the functioning of the new PCS-cycle, this will be based on same fundamental as the PCS-cycle from the private sector is based on by Hüttinger et al. (2012) and Schiele et al. (2012). Now all elements will be defined and discussed in the same sequence as where they belong in the PCS-cycle

5.2.1 Defining Customer Attractiveness within public procurement Preferred Customership

CA was acknowledged by the interviewed suppliers as important first step in establishing a business relationship with clients. They plead that the customer must have a certain level of attractiveness in order for the supplier to focus on the tenders a client's sets out in the first place. Hence, this thesis will suggest that CA represents multiple exclusion decisions suppliers make. Thus, for example, when a customer has a bad financial reputation or is known for using a certain unattractive tendering approach, these CA elements can lead to a discontinuation of the buyer-supplier interaction immediately. Essentially, this way of reasoning is in line with other models as they plead that CA represents expectations a supplier has with a customer leading to the initiation of an exchange relationship (Hüttinger et al., 2012; Schiele et al., 2012). Building upon the previous example, a supplier who expects that a customer will focus on price competition primarily (i.e., tendering behaviour antecedent) or will fail in paying its bills in time, will not interact with this client as his perceived level of CA is too low. Thus, in general the function of CA remains the same compared to private sector models, however it is important for public purchasers to understand that not meeting the requirement of a certain level of CA will lead to suppliers not participating in a tender and thus a no bid decision. In specific context of the case companies their general level of CA scores sufficiently high to ensure a first 'go'. In addition, most antecedents related to CA are long-term oriented antecedents which cannot be changed instantly like improving your financial reputation. As a consequence, gaining competitive advantage based on CA is not easy, especially in the case of the two

analysed companies as they are active in a market where most customers contain a certain standard level of CA. In the end, the importance of *tendering behaviour* cannot be understated since some interviewees said that when the case companies would continue in a certain tendering behaviour trend, this could lead to substantially lower levels of CA resulting in not considering tenders of clients and a worse competitive position. In figure 19 the most important influencing variables for CA are illustrated.

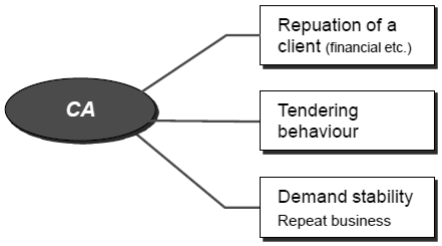


FIGURE 19: MAIN INFLUENCING VARIABLES OF CUSTOMTER ATTRACTIVNESS

5.2.2 Defining Tender Attractiveness within public procurement Preferred Customership

TA requires some additional attention since this element is newly introduced by this thesis and shows some overlap with both CA and SS. TA has been defined by this thesis as *"all tender-related contingencies between a buyer and its possible suppliers until a contract is awarded to the winning supplier"*[17]. TA thus represents the extensive tendering phase which exclusively applies to public procurement. Because such a tendering phase is not present in private sector procurement, it makes sense that TA has not yet been introduced by PCS-scholars emphasizing the private sector. As a consequence, TA asks for a strict scope setting as it is not desired that concepts within the PCS-cycle overlap.

Comparison level

In public procurement, suppliers who have shown initial interest in a tender by downloading the tender bulletin or by enrolling in a tender via TenderNed or TED already engage in an actual buyer-supplier interaction in which experiences are obtained regardless of the fact that no official contractual relationship exists. Namely, in public procurement tenders, multiple suppliers can enrol for a tender in which they already intensively collaborate with customers by for example discussing project relate questions (*Nota van Inlichtingen*), or visiting customers during information meetings. In other words, before an official buyer-supplier relationship is initiated in the form of a contract binding the buyer and supplier, the tendering phase represents a benchmark moment in which suppliers determine their level of satisfaction regarding the tender-phase and will act accordingly. The latter is of great importance for this thesis as it embodies an activity of suppliers this thesis seeks to influence. Because, the higher the level of TA, the better the quality of the bid will be. Reasoning from out a theoretical perspective, CA discusses the situation where a supplier has formulated certain expectations leading to an initiation of an exchange relationship, then, TA represents the moment where the supplier assesses how satisfied he is with the tender phase weighed against its expectations and thus represents the "comparison level" (Schiele et al., 2012). This corresponds with the SS from the private sector PCS-cycle (Hüttinger et al., 2012) in which suppliers compare the outcomes of an actual contract execution with pre-formulated expectations. The latter still exists in public procurement and therefore this paper states that in the public domain a

[17] As formulated on page 55. of this thesis

comparison level judgement exists two times: first related to the tender phase execution: TA and secondly after a contract had been awarded in the execution phase: SS. Importantly, just like for CA, TA represents an exclusion stage as well since not appropriately meeting to TA standards will lead to a supplier deciding not to bid on a tender. An example from practice is a supplier who experiences that a customer is not willing to adjust the of risk-sharing allocation during the tender process and therefore decides not to hand in a bid and thus withdraws from the tender. Figure 20 shows the most significant antecedents.

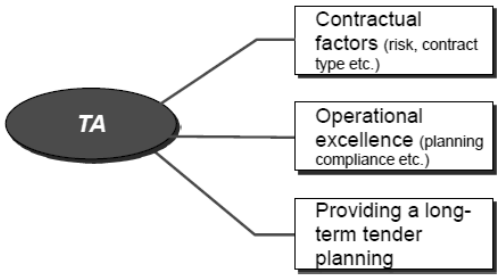


FIGURE 20: MAIN INFLUENCING VARIABLES OF TENDER ATTRACTIVNESS

5.2.3 Introducing the Preferred Project Status as new sub-element in the Preferred Customer Status cycle in public procurement

As there are two *comparison level* moments (i.e., TA and SS), this implies that there might be two *comparison level of alternatives* moments as well, in this line of reasoning and logical in the perspective of what this thesis seeks to achieve, the next step in the PCS cycle is a ***Preferred Project Status*** (PPS). PPS represents a situation in which both the level of CA and TA are high and therefore a supplier is keen to enrol in a tender and hand in a competitive bid eventually. Thus, PPS only occurs if the supplier considers the client to be an attractive customer (i.e., attractive tendering behaviour, good reputation etc.) and during the tender phase the supplier experiences that the customer has set out an attractive tender and is satisfied operational aspects during the tender process (i.e., controllability of risks, planning compliance by the customer during the tender process). The existence of this PPS is proven by the field study as it emphasized that suppliers who did not classify customers explicitly and did not provide preferential treatment, did give preferential treatment to tenders which were highly attractive. For example, suppliers dedicated its best tendering personnel to highly appealing tender projects or suppliers enabled more capacity for preferred tender projects. By introducing the PPS, customers can receive preferential treatment from suppliers without being a preferred customer, which was one of the major findings of the field study. Another confirmation of why PPS is logical addition to the model of the PCS-cycle, is given in the theoretical chapter 3. Firstly, theory emphasized that in the public construction industry, the main focus lies on project-based activities (Cox & Thompson, 1997). Moreover, exchanges between buyers and suppliers in the public domain are more transactional instead of relational (Dubois & Gadde, 2000), which is explained by the strict legal rules which burden public buyers to build up long term relationships (Knight et al., 2012). Building upon these arguments, it makes sense to introduce a project-based, short term oriented goal for customers in their quest to leverage their supplier interactions and receive preferential treatment from these suppliers. Moreover, the fact that PPS focusses on individual tender projects strokes with the legal context of public procurement as well as it requires buyers to set out new tenders for all new projects ensuring equal opportunities for all suppliers (Knight et al., 2012). In short, the introduction of PPS is supported by empirical and theoretical evidence and provides public purchasers a concrete goal for achieving participation and commitment of suppliers. Finally, in line with reverse marketing, identified antecedents of CA and TA help achieve this status.

Comparison level of alternatives

Building upon SET and the paper of Hüttinger et al. (2014), it is assumed that the suppliers will consider their experiences with other tender projects as well before deciding which project is awarded a PPS. This is also known as the *comparison level of alternative* (Hüttinger et al., 2012; Schiele et al., 2012) since the supplier assesses its alternative tender possibilities by analysing which customer's tender offers best value. If a customer's tender is not awarded a PPS, it does not imply that no submission will be made, however preferential treatment resulting in a more competitive bid will lack and thus a regular tender status will be obtained resulting in a regular bid. The required antecedents for achieving a PPS are the identified antecedents for CA and TA.

5.2.4 Defining Supplier Satisfaction within public procurement Preferred Customership

After a PPS has been obtained and a contract has been awarded to a suitable supplier, the actual buyer-supplier relationship starts as the procured work is actually build and thus the contract is implemented. From this moment forward, the buyer-supplier interaction is comparable to the private sector studies. The outcomes of a relationship (i.e., contract implementation) are compared to the expectations a supplier formulated; CA (Hüttinger et al., 2014). Thus, here the "comparison level" reflects the judgement of satisfactory level by the supplier (Schiele et al., 2012). The functioning of SS is more straight forward compared to previously discussed elements as SS is more identical to the exiting body of private literature. Of course, some other antecedents are applicable to the private context of which the most important ones are illustrated in the figure below. One of the most important findings from the field study, is that SS is driven substantially by appropriate contract management. Because the sector is typified by a project-based focus (Cox & Thompson 1997; Dubois & Gadde, 2000), this result is imaginable. Moreover, this was also acknowledged by literature on the bid or not to bid decision as Toor and Ogunlana (2008) underlined the importance project- control and personnel. However, this finding goes beyond the scope of purchasing alone as appropriate contract management is established by contract managers operating in the business and building supervisors as well. The most significant antecedents can be found below in figure 21. If SS scores a high level, the next step will be the assessment of PCS, if SS scores low the customer will be acknowledged as regular customer or the relationship is discontinued.

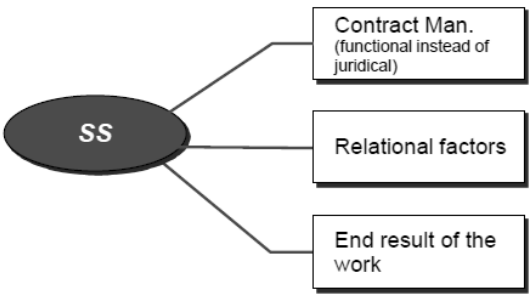


FIGURE 21: MAIN INFLUENCING VARIABLES OF SUPPLIER SATISFACTION

5.2.5 Defining Preferred Customership within the public procurement context

As final step in the PCS-cycle for public procurement the preferred customer status itself can be obtained. Evolving from a high SS-score, the concept of "comparison level of alternatives" is applied by suppliers as

they compare their experiences with one customer with experiences from another customer and subsequently decides which customer provided better results and thus is awarded the PCS (Hüttinger et al., 2014; Schiele et al., 2012). Yet again, the theoretical principles and its functioning are the same in the public procurement context compared to the private sector. However, some different antecedents were identified in the results chapter. An overview of the antecedents which most significantly drive PCS in the public procurement context are seen in the figure 22 below.

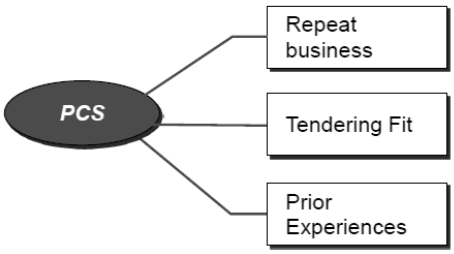


FIGURE 22: MAIN INFLUENCING VARIABLES OF A PREFERRED CUSTOMER STATUS

5.2.6 Presenting the new Preferred Customer cycle for public procurement

On the next page the new PCS-cycle is presented for the public procurement environment. It is composed identically to how the previous paragraphs have described the concept. Summarizing the models works as follows: (1.) a business relationship is initiated when a supplier has certain expectations (E) for an interaction with a customer regarding tender related- and contract implementation related issues. These expectations form the level of **Customer Attractiveness (CA)**; (2.) then, when the tender process has begun, the supplier uses a "comparison level" related to its pre-formulated expectations to assess the level of tender attractiveness: **Tender Attractiveness (TA)**; (3.) now if a supplier is more satisfied with the level of CA and TA of one customer and its tender compared to another ("comparison level of alternatives") the tender project of the former is awarded a **Preferred Project Status (PPS)** resulting in the customer receiving preferential treatment such as competitive bidding; (4.) next, when a contract has been awarded to a to a certain supplier and the contract has been implemented, expectations relating to the relationship will be compared with the experiences of this interaction ("comparison level"). If the supplier is satisfied this will lead to **Supplier Satisfaction (SS)**; (5.) finally, when a supplier is satisfied with a relationship it uses the "comparison level of alternatives" to assess whether he or she is more satisfied with one customer compared to another leading to a possible **Preferred Customer Status (PCS).**

This sequence of events is built around the SET principals comparable to the model of Hüttinger et al. (2012) and Schiele et al. (2012) emphasizing the private sector PCS-cycle and is endorsed by the same argumentation made in chapter 3.7. In sum, due to project-based focus of the public domain (Cox & Thompson 1997; Dubois & Gadde, 2000), the empirical evidence emphasizing the importance of tendering related antecedents when supplier decide to bid or not to bid (Lowe & Parvar, 2004; Wanous et al., 1998), and theoretical foundation through TCE, Agency theory, SET and the reverse marketing technique, this paper has extended the current PCS model with TA (which identified antecedents for the extensive tendering phase in public procurement) and with PPS (representing tender projects which receive preferred treatment and therefore ensure high tender- participation and commitment from suppliers). After a tender has obtained a PPS and is awarded to an appropriate supplier, the PCS can still be obtained by excellent contract management (SS) and enabling repeat business. Thus, this model (figure 23) conceptualizes the problem statement of this thesis and provides clarity how preferred customership works within the public procurement domain.

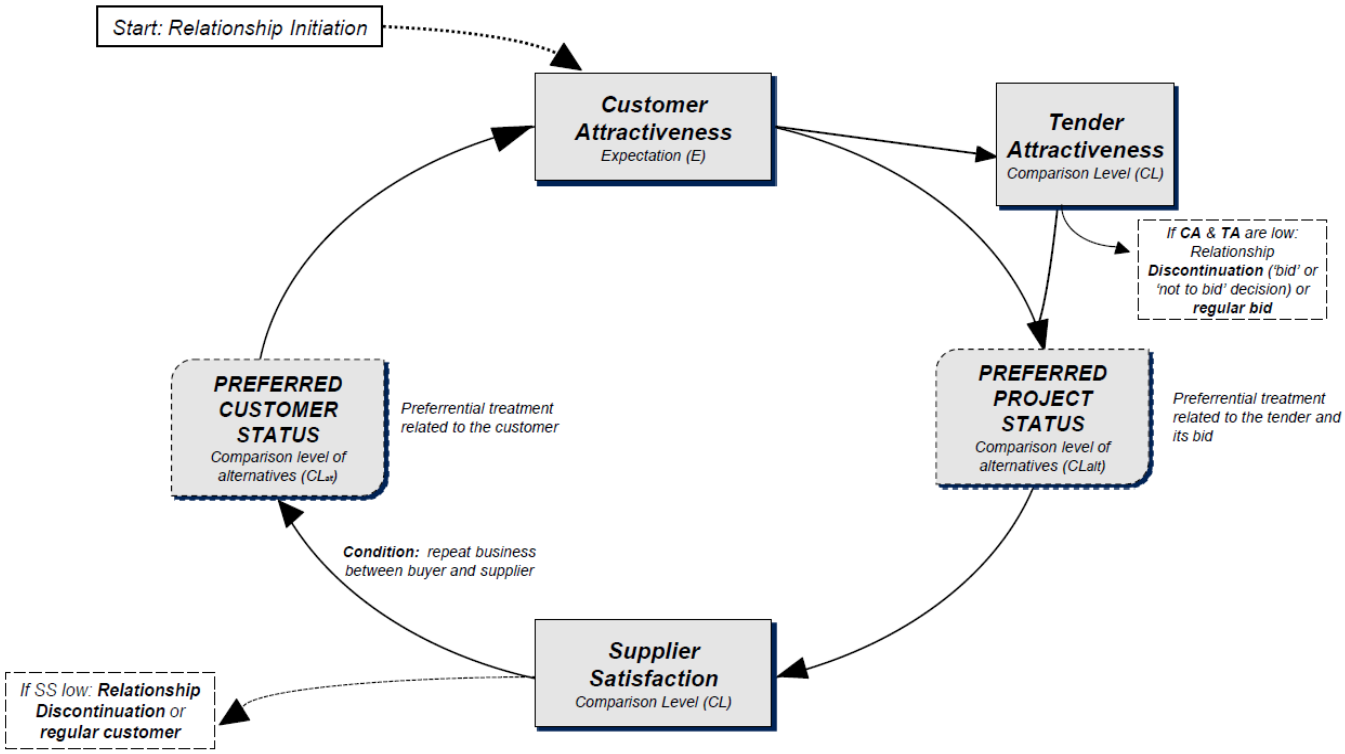


FIGURE 23: THE PREFERRED CUSTOMERSHIP CYCLE IN THE PUBLIC DOMAIN

5.3 Shedding light on the second goal of the study: Knowing how to manage and further improve participation- and commitment behaviour of suppliers in public tenders

Until now this discussion chapter has mainly shed light on how the preferred customer cycle works in the public procurement environment. While explaining its functioning, some brief concepts were already linked to the main research goal of this thesis: better understanding how the case companies can manage and further improve the participation and commitment behaviour of suppliers in public tenders. Now, this paragraph will dive deeper into this topic and will aim at answering the main research question. Relating to the public procurement PCS-cycle, the main focus area for solving this research question is from the business initiation phase until the PPS stage since the quadrants CA, TA and PPS represent a supplier's decision if he or she will participate in a tender and to what extent the commitment will lead to handing in a competitive bid. This paper has built a tool-box which can be used by public purchasers to structure their tendering strategy and ensure that appropriate suppliers participate and commit to tenders they set out.

5.3.1 Enabling participation of suppliers in tenders

First, suppliers should participate in tenders by enrolling via TenderNed and TED or by accepting an invitation by clients. As stated in 5.2 CA antecedents represent a necessary first step customers should fulfil if they seek supplier's attention in the first place quadrant (1) in the PPS toolbox (figure 24). Regarding the two case companies, this CA level is sufficient in general. However, it depends per supplier segment. Essentially, customers should be aware of the strategic impact their business actions have in the long run. More importantly, they should realise that CA antecedents are not easily tweaked in their favour once they have reached low level of attractiveness. For example, if a customer scores low on financial reputation and thus CA, it will take great effort and years of time to enhance this reputation back to a desired level. In table 7 an analysis on all major antecedents can be seen regarding their time frame. From

here one could conclude that CA antecedents are all long-term or mid-term oriented and thus not easy to change. If a customer does seek to improve CA levels, it can consider to formulate long-term goals of what the (purchasing) organisation seeks to advertise in with its tendering exposure and act accordingly. Moreover, a crucial antecedent is the specific *tendering behaviour* a customer promotes. Public purchasers should know what their preferred suppliers experience as attractive tendering behaviour and should adapt this in their tendering strategy as this leads to suppliers participating in your tenders. Another important antecedent identified as a crucial driver by suppliers in their consideration to participate in a tender is resolving the capacity issue suppliers have to manage in their tendering business (70% of the suppliers named this antecedent). In short, suppliers need to manage their resources efficiently when active in different tender projects at the same time, which is common for most suppliers. Suppliers can better orchestrate resources when they have insights in demand planning from customers (Paulraj et al., 2006). In this line of reasoning, suppliers would benefit from knowing what type of tendered works are expected to be purchased by public procurement authorities in the following period. Public procurers should consider to upload a long-term tender planning giving this insight as would drive supplier participating in tenders as they are more capable to plan allocate their resources tender wise. During the field study, many suppliers showed printed versions of customers' tender planning which they monitored intensively which also implies that some public procurement organisations already do this, however, these companies are competitors of the case companies.

TABLE 7: ANALYSING ANTECEDENTS ON TIME FRAME IMPACTABILITY

Quadrant	Antecedent group / theme	Antecedents (most significant ones)	Purchaser can leverage antecedent in the:
CA	Economic factors	Strategic fit (26)	Long-run
		Reliable financial partner (13)	Long-run
		Repeat business (10)	Long-run
	Tendering factors	Client's' tendering behaviour (contracts) (11)	Long-run
		Awarding focus on quality (11)	Mid-term
	Relational factors	Quality prior relationships (3)	Long-run
	Other factors	Reputation of a client (19)	Long-run
		Clients capabilities (2)	Long-run
TA	Contractual factors	Controllability of risks (29)	Short-run
		Awarding on quality (26)	Short-run
		Freedom in design (26)	Short-run
		Choosing appropriate contract type (26)	Short-run
	Operational excellence factors	Transparency in communicating award results (24)	Short-run
		(Planning) compliance by client (22)	Short-run
		Contact during tender (9)	Short-run
	Purchasing management factors	Long-term tender planning (22)	Mid-term
		Tender costs reimbursement (15)	Mid-term
		Guarantee project actually starts (9)	Mid-term
SS	Economic value	End-result of *work* (financial gain, quality) (2)	Mid-term
	Contract management factors	Functional instead of juridical contract management (8)	Short-run
		Managing conflicts, resolving discussion projects (7)	Short-run
	Relational value	Communication and respect (13)	Short-run
	Other factors	Evaluation (12)	Short-run
		Consistency in standards used (5)	Long-run
PCS	Economic value	Repeat business, long term (framework) contracts	Long-run
	Strategic fit	Alignment of strategic roadmaps	Long-run
	Tendering fit	Alignment of tendering focus	mid-term
	Relational	Prior experiences	Long-run

Building upon this, adapting a thought-through sourcing strategy by the procurement organisation can add significant value to the CA and TA of a customer as well. As acknowledged by 83% of the suppliers, choosing the appropriate contract for a tender project heavily impacts the perceived level of tender

attractiveness and drives suppliers to participate in tenders. In short, suppliers experience customers who deliberately use unappropriated contract types in their own interest but also observe customers who unintentionally fail in selecting the appropriate contract type. In general, choosing a contract type is an essential step in setting out a sourcing strategy and corresponds with the 'Make' or 'Buy' decision known from the private sector literature (Tayles & Drury, 2001). In short customers would benefit from better considering whether they want to *make* a product (i.e., design the construction of work in-house) or buy a product (i.e., give the supplier freedom to design a work). This seems to be a complex decision public purchasers need to make and which suppliers experiences as unpleasant when not conducted appropriately. For the sake of clarity, suppliers do not plead that contracts need to correspond to the supplier's preferences, but do appreciate accuracy in contracting strategy in general. This is an important element within the quadrant of formulating an attractive tender to participate in (stage 3 of the model) and formulating an attractive tender to commit to (3) in the model of figure 24.

5.3.2 Enabling commitment of suppliers in tender

The second step in answering the research question relates to the commitment which suppliers have towards a tender project. Chapter one discussed particularities such as suppliers dropping out of tenders in late stages of the process or not being committed to hand in a highly competitive bid. In line with the PCS-cycle, obtaining a PPS should resolve this problem as tender projects with a PPS receive preferential treatment from suppliers such as dedicating additional resources to a tender (e.g. assigning an expert to the tender team) resulting in a better bid. From here it makes sense to understand which tools can be used to enable a PPS and stimulate commitment in particular. Assuming that a customer has already adapted ensured supplier's participation in its tenders, now the main task is to maintain the PPS status by realising a professional tender process. This can mainly be done through assuring operation excellence during the tender. One of the main tools to establish this, according to the interviewed suppliers, was through complying to the tender planning by a customer itself. In general, customers formulate a tender planning which should be strictly adhered to by suppliers. When a supplier hands in a document one minute after the deadline, this can result in a customer not considering the supplier anymore. In retrospect, when public purchasers have difficulty with their own planning agreements they tend to easily postpone the deadline. For example, when the questions asked by suppliers (*Nota van Inlichtingen*) are delayed due to internal failures at the buying firm, the customer tends to postpone the deadline without clear communication. These kind of non-professional actions during the tender negatively impact a supplier's perception of TA and can result in lower commitment from suppliers eventually. For example, suppliers might have planned their own resources around the initial planning which has now been revised. Other examples of operational excellence during the tender is the quality of information provided in tender documents, contact during the tender and transparency in the provision of award results.

Building upon the previous tools to maintain a PPS and ensure commitment of suppliers, contractual elements are another crucial set of tools for customers to consider. In short, commitment and the quality of a bid depends on the formulation of a contract eventually. In common, suppliers in the public domain use 'go / no-go' decision templates during tender projects. In general, these templates assess 'go/ no-go' decisions in all phases of tender process. In appendix (H) an overview of such public tendering processes can be found. Examples are suppliers withdrawing from a tender after a question round (*Nota van Inlichtingen*) which states that no adjustments will be made for the unlimited fines component in the contract resulting in a supplier executing a no-go. Other frequently observed reasons for a no-go decision are customers sending suppliers new sets of tender information late in the tender phase or changing the

contractual context which forces suppliers to reconsider their entire tender strategy. Customers must be aware that their own inconsistencies in the specification phase of a purchasing projects (e.g., failing to define a clear scope, failing to name clear MEAT criteria) impact the supplier's decision to commit to tenders. Furthermore, another underlying driver of both participation and commitment is the possibility to create economic value for a supplier. Obviously, just like in the private sector, suppliers in the public procurement domain also seek healthy financial margins and opportunities to expand their network and so create economic value. This remains an underlying basic assumption for suppliers to provide a project with a PPS. Finally, a remark should be made towards customers with a PCS. Generally speaking, a PCS does not ensure participation and commitment of supplier in the tender of a preferred customer. During the field study, suppliers mentioned that while some customers were seen as preferred ones, this gave them no guarantee for the suppliers participating in their tenders if a tender isn't attractive (i.e., low TA). This is an important finding as is underlines the importance of the tender in public procurement. There are some exceptions, for example, customers who re-tenders their multiple-year framework contracts and the formerly contracted supplier is keen on maintaining this contract. In such cases it can occur that the PCS status of the customer drives the supplier in its participation and commitment behaviour. However, a crucial condition for this to happen is that the tender generates repeat business and thus a long-term cash flow. Only then, a supplier is willing to provide a preferred customer's tender with preferential treatment.

Answer Research Question

In sum, the case companies can manage and further improve the participation- and commitment behaviour of suppliers in the infrastructure and construction tendering market by actively seeking a PPS which is primarily achieved by realising high levels of CA and TA. Key enabling factors for the latter is focussing on tendering behaviour, contract formulation and operational excellence during the tender procedure. In line with the reverse marketing technique, these tools should be used by purchasers to formulate a public tendering strategy and can be used to gain competitive advantage. The PPS toolbox on the page below illustrates this phenomenon.

The Preferred Project Status Toolbox can generate cornerstones for a public tendering strategy

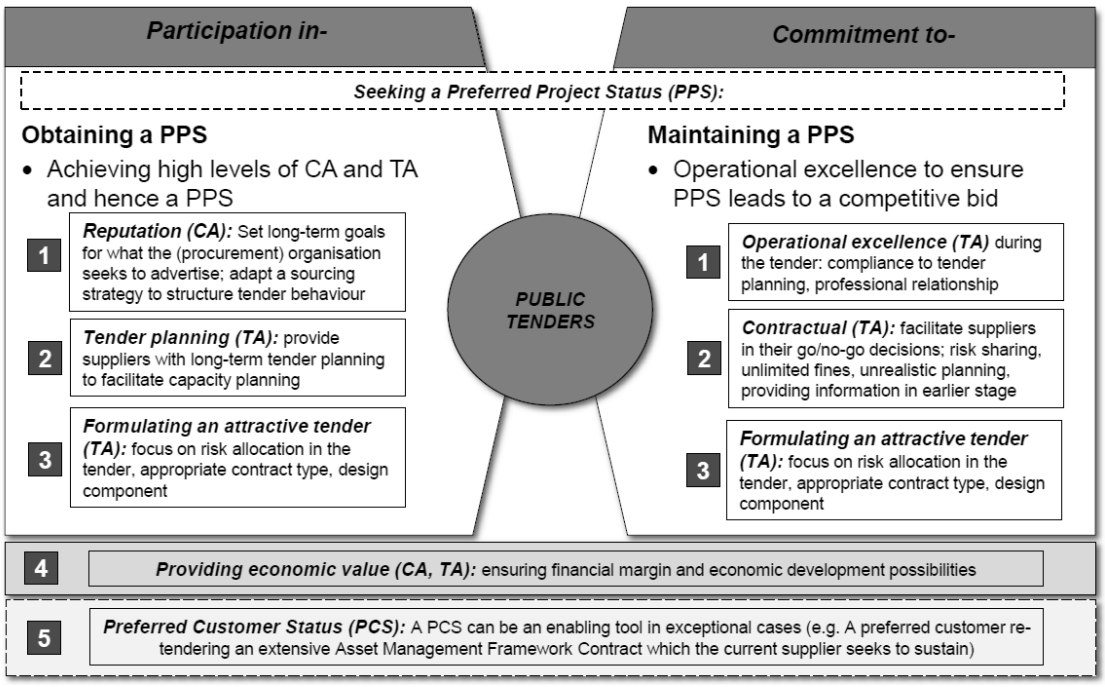


FIGURE 24: PREFERRED PROJECTS STATUS TOOLBOX

5.4 Discussing the implications of the outcomes and reflecting on the outlook

Upon reading this, the paper has provided an extensive study and has presented an analysis of how the PCS phenomena functions within public procurement. Moreover, a solution has been given how the case companies can successfully overcome their business challenges and the main research question was answered. For the case companies specifically, a more detailed report and presentation is provided, however, this is excluded from this paper as it doesn't add direct purpose to the academic function of this thesis. Furthermore, extensive parts of these recommendations are confidential. A brief overview of the recommendations can be found in appendix L. This paragraph will briefly discuss the most emerging topics evolving from the results and will discuss the generalizability of the study by reflecting on the outlook.

5.4.1 Reflecting on the outlook of the study

In line with expectations the role of a tender indeed became very important within public procurement business actions in this thesis. The decision to add TA to the scope and test its existence during the field study seems to be a good one as TA has become a central element in the new PCS-cycle due to the extensive amount of attention supplier devoted to the topic during the interviews. In contrast, the expected may-effect discussed in chapter 3.7 did not seem to apply to business practice. It was expected that TA would directly lead to a PCS and CA and SS could impact this decision as side-variables. In practice, a more sophisticated interaction was observed resulting in the introduction of PPS. As expected, long term oriented antecedents became less important in the functioning of the PCS-cycle such as technical excellence for SS as less R&D projects are initiated and Early Supplier Involvement (ESI) is less easy to establish. In line with expectations such antecedents were not found in the public domain and thus the antecedents were removed from its scope. They made place for tender-related antecedents which were added throughout CA, TA, SS and PCS phases. Economic value within PCS remained to be substantially important what was also mentioned as expectation in the outlook.

5.4.2 Usability of the results

…..
Can be found in the ***confidential appendix***
…..

6 CONCLUSIONS, LIMITATIONS AND FUTURE RESEARCH

Purchasers competing to obtain the best external resources from their supply-base remains a key challenge for firms (Ellram, Tate, & Feitzinger, 2013). Within public procurement this challenge has been theorized by buying-organisations seeking suitable suppliers participating in- and commit to their public tenders resulting in a competitive bidding environment eventually. Aiming to establish such a competitive public tendering environment differs from the private sectors perspective as activities of public purchasers are restrained by what the law allows them to do (Callender & Matthews, 2018). This thesis had studied how to actors in the public domain can ensure that suitable suppliers participate in their tenders and are committed to hand in a competitive bid in the end. The Preferred Customer Status theory was added to the scope in order to ensure theoretical structure throughout the paper. This theory, which has been extensively tested in the private sector (R. Baxter, 2012; Hüttinger et al., 2014; Hüttinger et al., 2012; Nollet et al., 2012; Pulles, Schiele, et al., 2016; Schiele, Calvi, et al., 2012; Schiele et al., 2015; Vos et al., 2016), advertises the goal of the paper seeking competitive advantage as purchasing organisation in terms of leveraging supplier interactions more strategically compared to competing purchasers (i.e., receiving preferential treatment from suppliers in the form of participating in- and committing to tenders). Conducting this research makes sense as firstly, the case companies experience competitive tendering markets for their infrastructural and construction tenders and secondly, because the same market is in a cycler economic upstream and hence suppliers becomes more and more selective in choosing which tendering projects it will bid on. Furthermore, the functioning of the PCS theory was not yet tested in a public procurement context. This gap in academic research this thesis seeks to fill up.

After analysing academic literature, this thesis suggested that indeed the functioning of the PCS phenomena works differently in the public sector compared to the private sector model of Hüttinger el al. (2012) and Schiele et al. (2012). A few differences stand out. Firstly, due to the extensive set of rules applicable to the public domain (Knight et al., 2012), public purchasers are obliged to objectively set out new public tenders for every new purchase order they make. As a result, establishing long-term relationships between buyers and suppliers is less easy in the public domain as buyers cannot simply choose their preferred supplier. In other words, repeat business cannot be guaranteed in public buyer-supplier interactions. With no guarantee for repeat business, it does not make sense for suppliers to give customers preferential treatment either. Concluding, the main lesson here is that the lack of repeat business frustrates the long-term strategic scope of public procurement.

Moreover, building upon the latter conclusion, suppliers therefore focus more thoroughly on the role of a single project instead of recognizing strategic opportunities in the long-run (Cox & Thompson 1997; Dubois & Gadde, 2000). Thus, a second conclusion is that suppliers in the public domain emphasize the importance of a tender as this represents the focus on a single project. These conclusions (see figure 25) lead to a public procurement culture characterized by risk averse- and change resistant behaviour resulting in low trust levels, limited interactions and few innovations (Erridge & Greer, 2002). This culture is further acknowledged and driven by the fact that the Dutch construction industry is still impacted by the aftermath of the construction fraud what further triggers distrust in the industry (Dorée, 2004). Therefore, according to the TCE- and Agency theory, public procurement asks for additional focus on appropriate contract

formulation governing these hazards in the tendering phase (Schepper et al., 2015). These key contextual differences structured the research direction of this thesis and emphasize the different time-frame perspective public purchasers and their suppliers are exposed to. In sum, the time frame issue pleads that in public procurement a single tender project is the most powerful resource which should be considered by a purchaser seeking to optimize its interactions with suppliers since repeat business cannot be provided to suppliers. Hence, leveraging supplier interactions must be done in a short-term time-horizon: during the relationship that does exist during the tendering phase. Eventually, the latter could lead to gaining competitive advantage in the tendering market. However, the element of a tender was not yet represented in the PCS-cycle.

After conducting interviews with 31 suppliers, of which 28 suppliers of *works* and 3 suppliers of *services*, the suggested reconsideration was indeed proven to be appropriate. Tender Attractiveness (TA) and obtaining a Preferred Project Status (PPS) were added to the scope of the PCS cycle because a substantial number of suppliers acknowledged that indeed the level of TA was considered when deciding whether to interact with a customer and its tender. Furthermore, PPS was introduced as suppliers argued that some highly attractive tenders from highly attractive customers receive preferential treatment (e.g. higher willingness of the supplier to win a tender and hence dedicating additional resources, such as experts, to a tender team). These findings embody the goals of the study as preferential treatment for a tender could translate in suppliers participating- and a higher level of commitment in tenders. Also, it sheds light on how the PCS-cycle functions within the public domain. Thus, the addition of TA and PPS theorizes the importance of the public procurement time-constraint and the relevancy of a tender in the PCS-cycle and facilitates buyers to impact supplier's participation and commitment behaviour through a reverse marketing approach.

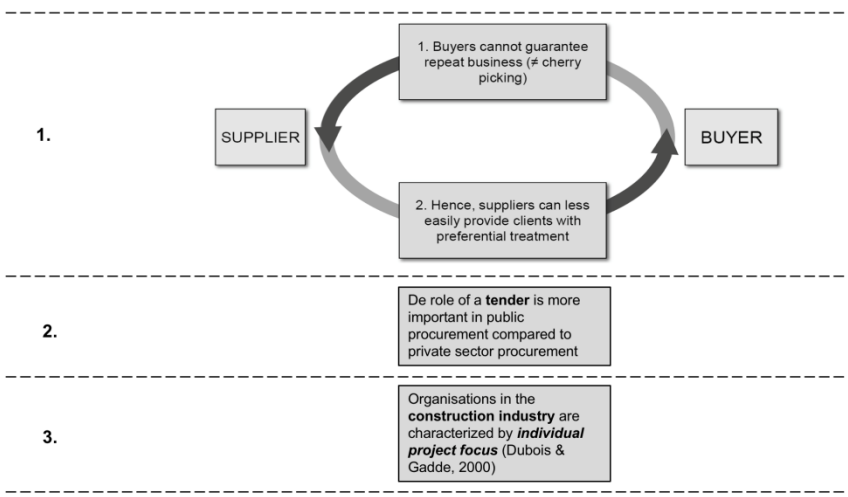


FIGURE 25: MAIN CONTEXTUAL DIFFERENCES BETWEEN PUBLIC AND PRIVATE PROCUREMENT

When studying the PCS-cycle in the public domain, a few findings stand out. Compared to the model of Hüttinger et al. (2012), the public model presented in this study found that suppliers provide in two preferred statuses; a preferred status for a buying organisation's tender and a preferred status for the customer itself. The existence of both the PCS and the PPS is confirmed when the phenomena is analysed through the same SET principals as has been applied to the existing PCS-theory (Hüttinger et al., 2012). In short, CA initiates a business relationship as a supplier formulates certain *expectations* related to a customer's tender and a possible contract implementation phase after a tender has been awarded; then, if a

tender has begun, a *comparison level* is used to judge whether the expectation on the tender are met: TA; next, the *comparison level of alternatives* is used to assess whether tender project (a) or tender project (b) is most attractive and the preferred one is awarded the PPS. Thus, here SET's principals plead that suppliers compare multiple tenders before deciding which tender is most attractive and thus receives preferential treatment. After the PPS has been achieved, and a contract has been awarded to the winning supplier in a tender, the contract is implemented and a comparable structure as in the existing PCS-cycle applies. First, SS assesses whether expectations on the business implementation phase are met based on the *comparison level* and if so, the *comparison level of alternatives* determines which customer achieves a PCS. In sum, this sequence of events and the associated SET-principles motivate the addition of TA and PPS and underlines that the scope and formulation make sense from a theoretical point of view.

Another important finding of the public domain study is that, in general, a PCS is only obtained by a customer if he facilitates repeat business to the supplier. Moreover, suppliers also mentioned that investing in the provision of extensive innovative solutions are often only beneficial for suppliers to provide if repeat business is guaranteed. Repeat business was identified as one of the major antecedents of a PCS and an enabler for innovation in the public domain. This is an odd finding in the context of regulations as one would expect that suppliers are aware of the fact that public purchasers are not able to provide repeat business legally wise. The only way public buyers can provide repeat business, is by using long-term framework contracts. However, the findings do correspond with the findings that public procurement is characterized by a short-term- and less innovative orientation (Erridge & Greer, 2002). Consequently, repeat business is named as condition to achieve a PCS in the public domain by this thesis. With this finding in mind, public purchasers who seek comparable partnerships with suppliers as private purchasers, should aim at implementing extensive framework contracts ensuring a supplier with repeat business. At the same time, they should be aware that long-term framework contracts can jeopardize the competitive position of a purchaser in the long run as over the year the market mechanisms will change. In general, the public tendering market as a whole would benefit from a consensus in order to stimulate innovative solutions in the public tendering market without the requirement of repeat business.

From here, the introduction of PPS makes even more sense as preferential treatment is now still realistic to receive without providing suppliers with repeat business. The goal of PPS also identifies with the goal of this thesis to better manage and impact suppliers' participation and commitment behaviour in public tenders. In order to provide public purchasers with cornerstones for a public tendering strategy, the PPS toolbox was introduced by this thesis. Mainly, this framework has identified core focus areas for public purchasers to focus on if seeking a PPS and thus preferential tender treatment. First, this toolbox pleads that a PPS should be obtained by attracting suppliers to a tender by scoring high levels of CA and TA. Mainly this can be achieved by investing in a good reputation of the customer (CA) and by adapting a sourcing strategy in order to give clarity in a customer's tendering behaviour (CA). The latter was identified as one of the most important antecedents influencing the level of CA. If a supplier observes a negative trend in a customer's tendering behaviour he will not interact with the customer and its tender. Then the tender should be attractive for the supplier to interact with as well (TA). Suppliers especially assess which contract types are used, how risk is allocated and evaluate which awarding techniques are used. If then a PPS is obtained, the second step is to maintain the PPS during the tender process in which suppliers participate. Mainly, operational excellence during a tender and the way a contract is eventually formulated (TA) leads to a satisfied supplier and thus maintaining a PPS. At the bottom line of both obtaining- and maintaining a PPS lies the provision of economic value towards suppliers. In sum, a public purchaser which adheres to these stepping stones in formulating a tender strategy will persuade suppliers to

supply them as they formulated an attractive tender, ensured operational excellence during the tender and eventually formulate a contract which is workable and beneficial for both the buyer and its supplier.

Concluding, with this thesis study aiming to enhance the competitive position of the public procurement organisation, the findings presented in this thesis give cornerstones for public procurement authorities to focus on when formulating a public procurement (tendering) strategy. Due to the shorter time-horizons public purchasers generally work in, the more extensive set of rules they need to comply with and the risk averse- and distrustful culture they are exposed to, public purchasers should redefine their supply-market approach. Public procurement authorities should primarily be aware of the importance of an attractive tender when seeking suppliers who participate and commit to their tenders. Purchasers are responsible for the latter and should be aware of the strategic impact of their, sometimes simple, business actions. In line with the reverse marketing technique, public procurement should seek a Preferred Project Status to establish competitive advantage in the tendering market immediately. First, public procurement organisations should advertise their tendering behaviour strategically to bolster the attractiveness of the public firm, secondly, they should invest in highly attractive tenders to bid on (e.g. appropriate risk allocation) and should ensure that tender procedures are remembered for their operational excellence (e.g. planning compliance). The purchasing department is the main guardian for these proceedings and should be take its strategic responsibility and managers should imbed these principles within the (purchasing) culture of their organisations. After a contract has been awarded and the work is being build, functional- instead of juridical contract management will lead to a satisfied supplier which can drive participation in future tenders. In the end, as the lifeblood for suppliers within public procurement is a tender project, obtaining a Preferred Project Status will stimulate a more competitive tendering environment and enables public purchasers to better understand and control the participation- and commitment behaviour of suppliers.

6.1 Limitations and future research

Nevertheless, the study also has some limitations which simultaneously represent opportunities for future research. Certainly, because this thesis has introduced the new PCS-cycle just now, the current body of literature is still fairly immature. The following things can be considered to enhance this level of maturity and describe the limitations of this study and attach a suggestion for future research:

1. A first limitation of this study is the context it acts in: the semi-public or special sector industry. As the name already tells, the case companies are not active in the traditional public sector but in the special sector industry. This could result in results being less generalizable throughout the different sectors. For the sake of completeness, it would make sense to conduct a comparable research strategy at traditional public procurement practitioners such as the central governments. This would contribute to the validity of the theory and other results.
2. Furthermore, this thesis has mostly focusses on public procured works. While a small sample of suppliers of services was also incorporated in this study, more focus on studying other product groups would make sense for future research. Most interesting is to study whether the findings of this study are generalizable with studies focussing on more corporate and IT procurement segments. Thus, analysing *goods* and *services* more thoroughly, especially within other business segments would add richness to the current body of literature.
3. Building upon this, aiming to enhance public procurement literature as a whole, testing the PCS-cycle, the PPS and TA throughout the public procurement environment is a logical next step, especially in a totally different industry such as social home care public procurement.

4. Another limitation of this study is that most suppliers who were interviewed did have an interest in the case companies. However, a distinction was made between current and potential suppliers, only a few suppliers had no interests related to the case companies at all. Studying more suppliers who are totally unfamiliar with the case companies would make sense.
5. Furthermore, this thesis has mainly focussed on the theoretical concepts of the Preferred Customership theory and has associated its antecedents to the problem statement of this thesis. However, no other theoretical concepts have been explored. Considering such additional theoretical possibilities would be an avenue for future research.

In conclusion, it stands out that the new PCS-cycle developed by this thesis is a relevant and promising addition to the academic scope of public procurement. In order to develop actual theoretical foundation for the new PCS-cycle and especially for TA and PPS, new research should be conducted. In particular, the body of knowledge would benefit from empirical quantitative research in order to further generalize the findings. This would be the most logical next research direction in order to prove existence of the theory.

7 RECOMMENDATIONS FOR THE CASE COMPANIES: CONFIDENTIAL

This chapter has been made confidential in a separate report. For a brief summary appendix L can be consulted.

8 REFERENCES

Amann, M., K. Roehrich, J., Eßig, M., & Harland, C. (2014). Driving sustainable supply chain management in the public sector: The importance of public procurement in the European Union. *Supply Chain Management: An International Journal, 19*(3), 351-366.

Bagies, A., & Fortune, C. (2006). *Bid/no-bid decision modelling for construction projects.* Paper presented at the Procs 22nd Annual ARCOM Conference.

Baldi, S., Bottasso, A., Conti, M., & Piccardo, C. (2016). To bid or not to bid: That is the question: Public procurement, project complexity and corruption. *European Journal of Political Economy, 43*, 89-106.

Ballesteros-Pérez, P., González-Cruz, M. C., Cañavate-Grimal, A., & Pellicer, E. (2013). Detecting abnormal and collusive bids in capped tendering. *Automation in construction, 31*, 215-229.

Baxter, P., & Jack, S. (2008). Qualitative case study methodology: Study design and implementation for novice researchers. *The qualitative report, 13*(4), 544-559.

Baxter, R. (2012). How can business buyers attract sellers' resources?: Empirical evidence for preferred customer treatment from suppliers. *Industrial marketing management, 41*(8), 1249-1258.

Bemelmans, J., Voordijk, J. T., Vos, B., & Dewulf, G. P. (2012). *How to become your suppliers' preferred customer, linking contractor satisfaction, preferred customer status and maturity in managing supplier relationships in the dutch construction industry.* Paper presented at the Purchasing & supply management in a changing world, Ipsera 2012 conference proceedings.

Berger, A. N., & Udell, G. F. (1998). The economics of small business finance: The roles of private equity and debt markets in the financial growth cycle. *Journal of banking & finance, 22*(6-8), 613-673.

Bergman, M. A., & Lundberg, S. (2013). Tender evaluation and supplier selection methods in public procurement. *Journal of Purchasing and Supply Management, 19*(2), 73-83.

Blenkhorn, D. L., & Banting, P. M. (1991). How reverse marketing changes buyer—seller roles. *Industrial marketing management, 20*(3), 185-191.

Blumberg, B., Cooper, D., & Schindler, P. (2014). The Research process and proposal. *Business Research Methods*, 55-105.

Brokaw, A. J., & Davisson, C. N. (1978). “Positioning” a Company as a Preferred Customer. *Journal of Purchasing and Materials Management, 14*(1), 9-11.

Caiden, G. E. (1999). The essence of public service ethics and professionalism. *Integrity at the Public-Private Interface. Maastricht: Shaker*, 21-44.

Callender, G., & Matthews, D. (2018). Under this stone: giving voice to public procurement *Liber Amicorum Jan Telgen*.

Campo, S. (2012). Risk aversion and asymmetry in procurement auctions: Identification, estimation and application to construction procurements. *Journal of Econometrics, 168*(1), 96-107.

Caniëls, M. C., Vos, F. G., Schiele, H., & Pulles, N. J. (2017). The effects of balanced and asymmetric dependence on supplier satisfaction: Identifying positive effects of dependency. *Journal of Purchasing and Supply Management*.

Chang, C.-Y. (2013). Principal-agent model of risk allocation in construction contracts and its critique. *Journal of Construction Engineering and Management, 140*(1), 04013032.

Christiansen, P. E., & Maltz, A. (2002). Becoming an" interesting" customer: Procurement strategies for buyers without leverage. *International Journal of Logistics, 5*(2), 177-195.

Cordón, C., & Vollmann, T. (2008). *The power of two: How smart companies create win: win customer-supplier partnerships that outperform the competition*: Springer.

Costantino, N., Dotoli, M., Falagario, M., & Sciancalepore, F. (2012). Balancing the additional costs of purchasing and the vendor set dimension to reduce public procurement costs. *Journal of Purchasing and Supply Management, 18*(3), 189-198.

Cox, A., & Thompson, I. (1997). Fit for purpose. *Contractual Relations: Determining a Theoretical Framework for Construction Projects. European Journal of Purchasing & Supply Management, 3*, 127-135.

Davis, P. (2007). The effectiveness of relational contracting in a temporary public organization: intensive collaboration between an English local authority and private contractors. *Public administration, 85*(2), 383-404.

De Clerck, D., & Demeulemeester, E. (2016). A sequential procurement model for a PPP project pipeline. *OR spectrum, 38*(2), 427-457.

De Schepper, S., Haezendonck, E., & Dooms, M. (2015). Understanding pre-contractual transaction costs for Public–Private Partnership infrastructure projects. *International Journal of Project Management, 33*(4), 932-946.

Dubois, A., & Gadde, L.-E. (2000). Supply strategy and network effects—purchasing behaviour in the construction industry. *European journal of purchasing & supply management, 6*(3-4), 207-215.

Dufek, L. (2015). Public procurement: a panel data approach. *Procedia Economics and Finance, 25*, 535-542.

El-Mashaleh, M. S., Al-Jundi, A., Mattar, S., Ali, R. A., & Al-Hammad, J. (2014). Understanding Key Bidding Factors Considered by Top Jordanian Contractors. *Jordan Journal of Civil Engineering, 8*, 455-464.

Ellegaard, C., & Ritter, T. (2006). *Customer attraction and its purchasing potential.* Paper presented at the 22nd IMP Conference, Milan.

Ellegaard, C., & Ritter, T. (2007). Attractiveness in business markets: conceptualization and propositions. *White paper*, 1-10.

Ellis, S. C., Henke Jr, J. W., & Kull, T. J. (2012). The effect of buyer behaviors on preferred customer status and access to supplier technological innovation: An empirical study of supplier perceptions. *Industrial marketing management, 41*(8), 1259-1269.

Ellram, L. M., Tate, W. L., & Feitzinger, E. G. (2013). Factor-market rivalry and competition for supply chain resources. *Journal of Supply Chain Management, 49*(1), 29-46.

Emerson, R. M. (1962). Power-dependence relations. *American sociological review*, 31-41.

Erridge, A., & Greer, J. (2002). Partnerships and public procurement: building social capital through supply relations. *Public administration, 80*(3), 503-522.

Essig, M., & Amann, M. (2009). Supplier satisfaction: Conceptual basics and explorative findings. *Journal of Purchasing and Supply Management, 15*(2), 103-113.

European, C. (2017). *Making public procurement work in Europe*.

Filippini, M., Koller, M., & Masiero, G. (2015). Competitive tendering versus performance-based negotiation in Swiss public transport. *Transportation Research Part A: Policy and Practice, 82*, 158-168.

Fiocca, R. (1982). Account portfolio analysis for strategy development. *Industrial marketing management, 11*(1), 53-62.

Foss, N. J., & Weber, L. (2016). Moving opportunism to the back seat: Bounded rationality, costly conflict, and hierarchical forms. *Academy of Management Review, 41*(1), 61-79.

Galt, J., & Dale, B. (1991). Supplier development: a British case study. *International Journal of Purchasing and Materials Management, 27*(1), 16-22.

Gids Proportionaliteit, (2016).

Grandia, J., & Meehan, J. (2017). Public procurement as a policy tool: using procurement to reach desired outcomes in society. *International Journal of Public Sector Management, 30*(4), 302-309.

Grudinschi, D., Sintonen, S., & Hallikas, J. (2014). Relationship risk perception and determinants of the collaboration fluency of buyer–supplier relationships in public service procurement. *Journal of Purchasing and Supply Management, 20*(2), 82-91.

Harland, C., Telgen, J., Knight, L., Callender, G., & Thai, K. V. (2007). 24 Challenges facing public procurement. *Public procurement: international cases and commentary*, 351.

Harrigan, K. R. (1985). Vertical integration and corporate strategy. *Academy of Management journal, 28*(2), 397-425.

Hawkins, T. G., Wittmann, C. M., & Beyerlein, M. M. (2008). Antecedents and consequences of opportunism in buyer–supplier relations: Research synthesis and new frontiers. *Industrial marketing management, 37*(8), 895-909.

Heide, J. B., & Stump, R. L. (1995). Performance implications of buyer-supplier relationships in industrial markets: a transaction cost explanation. *Journal of business research, 32*(1), 57-66.

Hottenstein, M. P. (1970). Expediting in job-order-control systems: a simulation study. *AIIE Transactions, 2*(1), 46-54.

Hüttinger, L., Schiele, H., & Schröer, D. (2014). Exploring the antecedents of preferential customer treatment by suppliers: a mixed methods approach. *Supply Chain Management: An International Journal, 19*(5/6), 697-721.

Hüttinger, L., Schiele, H., & Veldman, J. (2012). The drivers of customer attractiveness, supplier satisfaction and preferred customer status: A literature review. *Industrial marketing management, 41*(8), 1194-1205.

Iossa, E., & Waterson, M. (2017). Maintaining competition in recurrent procurement contracts: A case study on the London bus market. *Transport Policy*.

Ivens, B. S., & Pardo, C. (2007). Are key account relationships different? Empirical results on supplier strategies and customer reactions. *Industrial marketing management, 36*(4), 470-482.

Kaptein, M. (1998). Ethics management *Ethics Management* (pp. 31-45): Springer.

Kellner, C. (2017). The principal-agent problem with smooth ambiguity. *Review of Economic Design, 21*(2), 83-119.

Keser, C., & Willinger, M. (2007). Theories of behavior in principal–agent relationships with hidden action. *European Economic Review, 51*(6), 1514-1533.

Knight, L., Harland, C., & TELGEN, J. (2012). Public procurement in perspective *Public Procurement* (pp. 44-52): Routledge.

Knudsen, D. (2003). Aligning corporate strategy, procurement strategy and e-procurement tools. *International Journal of Physical Distribution & Logistics Management, 33*(8), 720-734.

Kolchin, M. G. (1990). *Purchasing in the industrial, institutional, governmental, and retail sectors: a comparative study*: Center for Advanced Purchasing Studies.

Kotabe, M., Martin, X., & Domoto, H. (2003). Gaining from vertical partnerships: knowledge transfer, relationship duration, and supplier performance improvement in the US and Japanese automotive industries. *Strategic management journal, 24*(4), 293-316.

Kotabe, M., & Murray, J. Y. (2004). Global sourcing strategy and sustainable competitive advantage. *Industrial marketing management, 33*(1), 7-14.

Kraljic, P. (1983). Purchasing must become supply management. *Harvard business review, 61*(5), 109-117.

Krause, D. R., Pagell, M., & Curkovic, S. (2001). Toward a measure of competitive priorities for purchasing. *Journal of operations management, 19*(4), 497-512.

La Rocca, A., Caruana, A., & Snehota, I. (2012). Measuring customer attractiveness. *Industrial marketing management, 41*(8), 1241-1248.

Lane, J. E. (2001). From-Long Term To Short-Term Contracting. *Public administration, 79*(1), 29-47.

Lange, S., Telgen, J., & Schotanus, F. (2014). *Systematic review of 15 years of scientific literature on public procurement.* Paper presented at the Proceedings of the 2014 International Public Procurement Conference.

Lavie, D. (2007). Alliance portfolios and firm performance: A study of value creation and appropriation in the US software industry. *Strategic management journal, 28*(12), 1187-1212.

Lawther, W. C., & Martin, L. L. (2005). Innovative practices in public procurement partnerships: The case of the United States. *Journal of Purchasing and Supply Management, 11*(5-6), 212-220.

Leśniak, A. (2015). Reliability assessment of research into contractors' bidding decisions. *Procedia Engineering, 122*, 251-257.

Liu, M., & Ling, Y. Y. (2005). Modeling a contractor's markup estimation. *Journal of Construction Engineering and Management, 131*(4), 391-399.

Lowe, D. J., & Parvar, J. (2004). A logistic regression approach to modelling the contractor's decision to bid. *Construction Management and Economics, 22*(6), 643-653.

Mathisen, T. A. (2016). Competitive tendering and cross-shareholding in public passenger transport. *Transport Policy, 48*, 45-48.

Meyer, C. B. (2001). A case in case study methodology. *Field methods, 13*(4), 329-352.
Minto, B., & Minto, B. (2002). *The pyramid principle: Logic in writing and thinking*: Financial Times Prentice Hall London, England.
Monczka, R. M., Handfield, R. B., Giunipero, L. C., & Patterson, J. L. (2015). *Purchasing and supply chain management*: Cengage Learning.
Moody, P. E. (1992). Customer supplier integration: Why being an excellent customer counts. *Business horizons, 35*(4), 52-57.
Nijboer, K., Senden, S., & Telgen, J. (2017). Cross-country learning in public procurement: An exploratory study. *Journal of Public Procurement, 17*(4), 449-482.
Nollet, J., Rebolledo, C., & Popel, V. (2012). Becoming a preferred customer one step at a time. *Industrial marketing management, 41*(8), 1186-1193.
Ochrana, F., & Pavel, J. (2013). Analysis of the impact of transparency, corruption, openness in competition and tender procedures on public procurement in the Czech Republic. *Central European Journal of Public Policy, 7*(2), 114-134.
OECD. (2015). Government at a glance: public procurement
Paulraj, A., Chen, I. J., & Flynn, J. (2006). Levels of strategic purchasing: impact on supply integration and performance. *Journal of Purchasing and Supply Management, 12*(3), 107-122.
Paulraj, A., Lado, A. A., & Chen, I. J. (2008). Inter-organizational communication as a relational competency: Antecedents and performance outcomes in collaborative buyer–supplier relationships. *Journal of operations management, 26*(1), 45-64.
Platts, K., Probert, D., & Canez, L. (2002). Make vs. buy decisions: A process incorporating multi-attribute decision-making. *International journal of production economics, 77*(3), 247-257.
Preuss, L. (2009). Addressing sustainable development through public procurement: the case of local government. *Supply Chain Management: An International Journal, 14*(3), 213-223.
Pulles, N. J., Schiele, H., Veldman, J., & Hüttinger, L. (2016). The impact of customer attractiveness and supplier satisfaction on becoming a preferred customer. *Industrial marketing management, 54*, 129-140.
Pulles, N. J., Veldman, J., & Schiele, H. (2016). Winning the competition for supplier resources: The role of preferential resource allocation from suppliers. *International journal of operations & production management, 36*(11), 1458-1481.
Ramsay, J., & Wagner, B. A. (2009). Organisational Supplying Behaviour: Understanding supplier needs, wants and preferences. *Journal of Purchasing and Supply Management, 15*(2), 127-138.
Rijksoverheid. (2016a). *Aanbestedingsreglement Werken*. Retrieved from https://www.pianoo.nl/sites/default/files/documents/documents/arw2016staatscourant17juni.pdf.
Rijksoverheid. (2016b). Gids Proportionaliteit.
Roberts, E. B. (2001). Benchmarking global strategic management of technology. *Research-Technology Management, 44*(2), 25-36.
Rowley, J., & Slack, F. (2004). Conducting a literature review. *Management research news, 27*(6), 31-39.
Schiele, H. (2012). Accessing supplier innovation by being their preferred customer. *Research-Technology Management, 55*(1), 44-50.

Schiele, H. (2018). Comparing public and private organisations in their quest to become a preferred customer of suppliers. *Liber Amicorum Jan Telgen*.

Schiele, H., Calvi, R., & Gibbert, M. (2012). Customer attractiveness, supplier satisfaction and preferred customer status: Introduction, definitions and an overarching framework. *Industrial marketing management, 41*(8), 1178-1185.

Schiele, H., Ellis, S. C., Eßig, M., Henke, J. W., & Kull, T. J. (2015). Managing supplier satisfaction: Social capital and resource dependence frameworks. *Australasian Marketing Journal (AMJ), 23*(2), 132-138.

Schiele, H., Veldman, J., & Hüttinger, L. (2012). Supplier Innovativeness and Supplier Pricing: The Role of Preferred-Customer Status *Perspectives on Supplier Innovation: theories, concepts and empirical insights on open innovation and the integration of suppliers* (pp. 171-203): World Scientific.

Schiele, H., & Vos, F. G. (2015). Dependency on suppliers as a peril in the acquisition of innovations? The role of buyer attractiveness in mitigating potential negative dependency effects in buyer–supplier relations. *Australasian Marketing Journal (AMJ), 23*(2), 139-147.

Schotanus, F., Telgen, J., & de Boer, L. (2008). *Success factors for managing purchasing groups: an empirical survey.* Paper presented at the 17th IPSERA conference, Perth, Australia, IPSERA.

Shash, A. A. (1993). Factors considered in tendering decisions by top UK contractors. *Construction Management and Economics, 11*(2), 111-118.

Spekman, R. E. (1988). Strategic supplier selection: understanding long-term buyer relationships. *Business horizons, 31*(4), 75-81.

Staten-Generaal, T. K. d. (2002). *EINDRAPPORT PARLEMENTAIRE ENQUÊTECOMMISSIE BOUWNIJVERHEID*. Retrieved from https://zoek.officielebekendmakingen.nl/dossier/28244/kst-28244-6?resultIndex=111&sorttype=1&sortorder=4.

Steinle, C., & Schiele, H. (2008). Limits to global sourcing?: Strategic consequences of dependency on international suppliers: Cluster theory, resource-based view and case studies. *Journal of Purchasing and Supply Management, 14*(1), 3-14.

Tadelis, S. (2012). Public procurement design: Lessons from the private sector. *International Journal of Industrial Organization, 30*(3), 297-302.

Tarantini, M., Loprieno, A. D., & Porta, P. L. (2011). A life cycle approach to Green Public Procurement of building materials and elements: A case study on windows. *Energy, 36*(5), 2473-2482.

Tassabehji, R., & Moorhouse, A. (2008). The changing role of procurement: Developing professional effectiveness. *Journal of Purchasing and Supply Management, 14*(1), 55-68.

Tayles, M., & Drury, C. (2001). Moving from make/buy to strategic sourcing: the outsource decision process. *Long range planning, 34*(5), 605-622.

Testa, F., Annunziata, E., Iraldo, F., & Frey, M. (2016). Drawbacks and opportunities of green public procurement: an effective tool for sustainable production. *Journal of Cleaner Production, 112*, 1893-1900.

Testa, F., Iraldo, F., Frey, M., & Daddi, T. (2012). What factors influence the uptake of GPP (green public procurement) practices? New evidence from an Italian survey. *Ecological Economics, 82*, 88-96.

Thai, K. V. (2001). Public procurement re-examined. *Journal of Public Procurement, 1*(1), 9-50.

Thomassen, K., Vassbø, S., Solheim-Kile, E., & Lohne, J. (2016). Public-private partnership: transaction costs of tendering. *Procedia computer science, 100*, 818-825.

Toor, S.-u.-R., & Ogunlana, S. O. (2008). Leadership skills and competencies for cross-cultural construction projects. *International Journal of Human Resources Development and Management, 8*(3), 192-215.

RICHTLIJN 2014/25/EU VAN HET EUROPEES PARLEMENT EN DE RAAD, (2014).

Van de Rijt, J., Hompes, M., & Santema, S. (2010). The Dutch construction industry: an overview and its use of performance information. *Journal for the Advancement of Performance Information and Value, 2 (1), 2010*.

Van der Wal, Z., De Graaf, G., & Lasthuizen, K. (2008). What's valued most? Similarities and differences between the organizational values of the public and private sector. *Public administration, 86*(2), 465-482.

Van Weele, A. J. (2010). *Purchasing & supply chain management: analysis, strategy, planning and practice*: Cengage Learning EMEA.

Vesalainen, J., & Kohtamäki, M. (2015). Toward a typological view of buyer–supplier relationships: Challenging the unidimensional relationship continuum. *Industrial marketing management, 49*, 105-115.

Vos, F. G., Schiele, H., & Hüttinger, L. (2016). Supplier satisfaction: Explanation and out-of-sample prediction. *Journal of business research, 69*(10), 4613-4623.

Wallis, I., Bray, D., & Webster, H. (2010). To competitively tender or to negotiate–weighing up the choices in a mature market. *Research in Transportation Economics, 29*(1), 89-98.

Wang, S., & Bunn, M. D. (2004). Government/business relationships: insights into contract implementation. *Journal of Public Procurement, 4*(1), 84-115.

Wanous, M., Boussabaine, A., & Lewis, J. (1998). *Tendering factors considered by Syrian contractors*. Paper presented at the Proceedings of the 14th annual ARCOM conference.

Wanous, M., Boussabaine, H., & Lewis, J. (1999). A qualitative bidding model. *Association of Researchers in Construction Management, 2*, 625-634.

Webster, J., & Watson, R. T. (2002). Analyzing the past to prepare for the future: Writing a literature review. *MIS quarterly*, xiii-xxiii.

Wibowo, M. A., Astana, I. N. Y., & Rusdi, H. (2017). Dynamic modelling of the relation between bidding strategy and construction project performance. *Procedia Engineering, 171*, 341-347.

Williamson, O. E. (1989). Transaction cost economics. *Handbook of industrial organization, 1*, 135-182.

Williamson, P. J. (1991). Supplier strategy and customer responsiveness: Managing the links. *Business Strategy Review, 2*(2), 75-90.

Yeung, K., Cheng, T., & Lee, P. K. (2015). Buyers' perceptions on the impact of strategic purchasing on dyadic quality performances. *International journal of production economics, 168*, 321-330.

Yin, R. K. (2003). Case study research design and methods third edition. *Applied social research methods series, 5*.

Yin, R. K. (2015). *Qualitative research from start to finish*: Guilford Publications.

9 APPENDIXES

Appendix A	Overview of company structure Case Company A
Appendix B	Supply Chain Scope of this thesis
Appendix C	Cycler economic upstream Dutch construction industry
Appendix D	Inclusion- exclusion criteria methodology
Appendix E	Retrieving Potential suppliers: methodology
Appendix F	Overview top-50 contractors in the Netherlands
Appendix G	Interview template
Appendix H	Practical literature review Public Procurement
Appendix I	Antecedents Customer Attractiveness (Hüttinger et al., 2012)
Appendix J	Antecedents Supplier Satisfaction (Hüttinger et al., 2012)
Appendix K	Antecedents Preferred Customer Status (Hüttinger et al., 2012)
Appendix L	Recommendations for the case companies

Appendix A: overview of company structures

Confidential

Appendix B: Supply chain scope of the thesis

Confidential

Appendix C: Cycler economic upstream Dutch construction industry

Cycler economic upstream construction industry is underlined by order books of suppliers which are increasing dramatically (8,5% over 2017)

Orderportefeuille (x miljoen euro)

	2017	2016	verschil in %
BAM	11609	10193	13,9
VolkerWessels	8091	8157	-0,8
Boskalis	3495	2924	19,5
Strukton	3058	2842	7,6
TBI	2374	2136	11,1
Van Oord	3395	3271	3,8
Heijmans	1898	1863	1,9
Dura Vermeer	1846	1631	13,2
Van Wijnen	1200	1073	11,8
Ballast Nedam	624	567	10,1
Totaal	**37590**	**34657**	**8,5**

Source: Cobouw, Grootste bouwers van Nederland halen 3 miljard aan werk binnen. Viewed 2-08-2018

Appendix D: Inclusion- exclusion criteria matrix literature review

Inclusion- and exclusion criteria matrix literature review

Search topic	*Inclusion criteria*	*Exclusion criteria*
Preferred customership within public procurement	Preferred customer, preferred customership, preferential treatment, customer attractiveness, supplier satisfaction, reverse marketing, public preferred customer, public tender, preferred public purchaser, public buyer-supplier relationship	Public-private partnerships, industrial preferred customership, private sector, public tendering for services, bus transport services
Preferred customership within private procurement	Preferred customer status, preferred customership, customer attractiveness, supplier satisfaction, purchasing management, purchasing and supply management, strategic purchasing, buyer-supplier relationship, purchasing relationship, purchasing supplier strategies, sourcing strategies	Customers purchase intention, customer purchase behaviour, customer satisfaction
Public procurement partnerships	Public procurement partnerships, tendering behaviour, public procurement competition, purchasing public sector, public procurement sourcing strategies, public procurement supplier innovations, competitive tendering, tender attractiveness, strategic tendering, competitive advantage through tendering, tendering decision suppliers, tender participation, tender behaviour supplier, project procurement, bidding public procurement, public tendering procedures, and public procurement tendering strategies, long-term relationship public procurement, public procurement relationship, preferred bidder, preferred tenderer	Public-private partnerships, green public procurement, corruption, public transport, cloud computing

Appendix E: Deriving potential suppliers from TenderNed overviews

Confidential

Appendix F: Overview of the top-50 contractors in the Netherlands (2016) source: cobouw, 2017

https://www.cobouw.nl/bouwbreed/artikel/2017/11/ranglijst-cobouw50-101253837

		Bedrijfsopbrengsten (x1000)	
Positie	**Bedrijf**	**2016**	**2015**
1	Koninklijke BAM Groep	6.976.090	7.422.942
2	VolkerWessels	5.490.000	5.318.000
3	Koninklijke Boskalis Westminster	2.596.326	3.240.327
4	Heijmans	1.883.791	1.978.583
5	Strukton	1.883.376	1.907.165
6	Van Oord	1.712.935	2.579.269
7	TBI Holdings	1.572.622	1.556.697
8	Dura Vermeer	1.144.854	1.052.219
9	Ballast Nedam	788.925	850.000
10	Van Wijnen Groep	763.175	692.807
11	Aan de Stegge Verenigde Bedrijven	602.781	485.233
12	Ten Brinke Group	527.573	495.152
13	Joh. Mourik & Co. Holding	452.265	475.754
14	Janssen de Jong Groep	337.490	286.026
15	Van Gelder Groep	328.858	324.896
16	Vorm Holding	296.062	209.575
17	Hurks Groep	290.577	239.934
18	Van Wanrooij Bouw & Ontwikkeling	242.151	173.142
19	Trebbe Groep	230.160	188.000
20	Gebr. Van de Ven Beheermaatschappij	199.794	152.148
21	M.J. de Nijs en zonen Holding	198.872	186.373

22	Nijhuis Bouw	180.489	145.533
23	De Vries en Verburg	177.032	150.243
24	KlokHolding	176.722	134.403
25	Vastbouw International Holding	165.560	159.260
26	ASK Romein International	160.402	118.706
27	Heembouw Holding	157.720	117.863
28	Plegt-Vos Bouwgroep	150.072	144.550
29	HSB Holding	139.365	121.201
30	Schagen Groep	138.715	130.013
31	G. Tijhuis Holding	132.723	112.573
32	Friso Bouwgroep	128.193	116.215
33	Sprangers Bouwbedrijf	126.637	99.611
34	Coen Hagedoorn Bouwgroep	125.235	99.277
35	Giesbers Groep	112.341	108.133
36	Bouwgroep Dijkstra Draisma Holding	106.463	114.405
37	VB Groep	105.516	106.235
38	GMB Holding	105.356	111.830
39	SBB Bouwgroep	101.402	70.295
40	ReintenInfra	100.879	46.398
41	Hemubo Almere	100.116	86.950
42	Vink Bouw Nieuwkoop	97.984	83.721
43	Ter Steege Holding	91.200	63.924
44	ABB Bouwgroep	88.968	79.594
45	Hendriks Bouw en Ontwikkeling	87.742	67.460
46	Jorritsma Beheer	81.049	94.286

47	Thunnissen Groep	79.090	60.378
48	Aannemingsbedrijf J.Th. Kuin	78.087	57.788
49	Fraanje beheer	76.168	62.077
50	Dekker Beheermaatschappij Krabbendam	74.898	62.220

Appendix G: Interview Template

Confidential

Appendix H: Practical literature review public procurement

Roughly, chapter one already discussed key differences between public- and private sector procurement, this paragraph will further reason upon those differences and dive into the underlying complexities of public procurement as such. Also, this thesis has already explained why public procurement is used by Case Company A and Case Company B and what they buy via public procurement. Moreover, this paper emphasized where public procurement financial resources originate from and hence a more regulated playing field is established with typical principles and rules which need to be respected. This paragraph will focus on the different procedures within public procurement, its associated regulations and will attach literature to these perspectives

9.1.1 The general purchasing process

But first, this thesis will go one step back by explaining the general purchasing process which forms the bottom line of procurement activities in both private and public environments. Purchasing, or procurement, knows many different definitions but this paper will use the definition of Telgen & De Boer[18], who argue that purchasing is "everything associated with an incoming invoice". The purchasing function enables the process of buying particular *goods*, *services*, *works*, *knowledge* or *capabilities* from external partners by determining specifications, selecting suppliers, developing procedures, conducting negotiations, establishing legal contracts, ordering, monitoring and evaluating (Van Weele, 2010). Purchasing and supply chain management: analysis, strategy, planning and practice). This process, as illustrated in figure H1, is acknowledged around the world and also is used throughout this thesis and by the case companies. Regarding, cost control in all stages of the process, a purchaser can most substantially impact costs in the specification stage (500%), has less impact in the selection phase (50%), even less in the contracting phase (5%) and the degree of impact is negligible in the last three stages since the prices have already been established (De Boer & Telgen, 2008). In both the public and private sector, the importance and cost impact of the selection phase is further underlined because in this phase purchasers often realise *what* they actually want to buy.

The role of purchasing has transformed towards a more strategic and value adding activity over the last decades. Therefor purchasing has become a more and more important topic in business which is underlined by the fact that the size of the purchasing spend represents in-between the 60% and 70% of companies' turnover on average (De Boer & Telgen, 2008)[19]. The purchasing volume of Case Company A is EUR 300,- million and for Case Company B accounted for EUR 1,1 billion. Building upon that, several scholars have proven that the influence of saving 5% on purchasing costs leads to the same profit (return on investment) as 30% turnover increase via a du-pont analysis which further emphasizes the importance (Van Weele, 2010; De Boer & Telgen, 2008).

Since the strategic relevance of purchasing and the increased amount of attention scholars have dedicated to the topic, several subjects within the purchasing and supply management (PSM) scope have received an extraordinary amount of attention and are considered as critical PSM decision-making points. Obviously, these decision-points correspond with the purchasing process as illustrated in figure H1. The first

[18] Purchasing Management reader, (Telgen & De Boer, 2008)

[19] Lecture purchasing management, Telgen (2017)

important decision point in PSM and thus a purchasing related task is the so called '*Make or Buy*' decision or to some known as an outsourcing decision. This decision point has to do with the consideration organisations face to either make a product themselves or to buy it externally from a supplier (Platts, Probert, & Canez, 2002). However, in this thesis, and in most public procurement cases, this decision point is not relevant because the *works* procured in this studies scope are of such extreme size and complexity they are not common to make in-house. *Sourcing strategies* are the second major PSM decision point and emphasizes that firms need to align their sourcing strategy with the strategic scope of the firm (Tayles and Drury 2001, p. 619). Often such strategies have to do with the volume of purchase or with locational characteristics (Kotabe & Murray, 2004). The third decision point, *supplier strategies,* has to do with how to actually cope with suppliers in relationship to topics as satisfaction, trust and commitment(Ivens & Pardo, 2007). The last decision point is *contracting* where the fulfilment of a contract is explained by the previous decision points and antecedents as the nature of the market, trust, and financial aspects (Monczka, Handfield, Giunipero, & Patterson, 2015). The last three decision points are important concepts in this thesis as purchasers need to explicitly decide how they will source a *works.* Will they give extensive design freedom to a supplier? Or will they hold control themselves? This kind of questions relate to such strategies and decision makings. These main decision points correspond with the first three stages of the purchasing process in figure H1 and will also be referred to during this thesis.

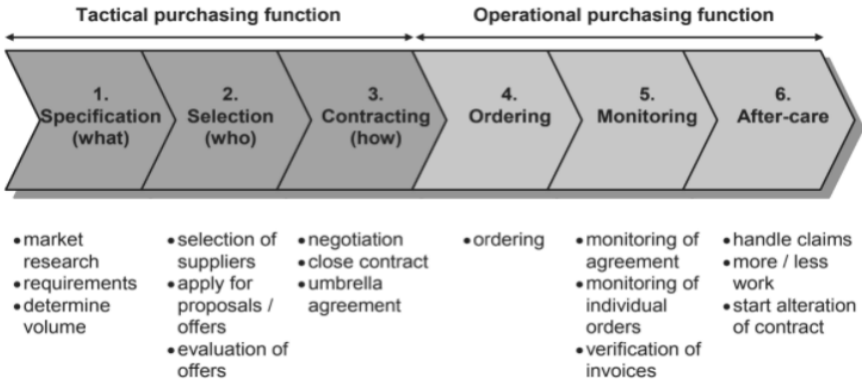


FIGURE H1: THE PURCHASING PROCESS (VAN WEELE, 2010)

9.1.2 The Dutch national procedures and *"Gids Proportionaliteit"*

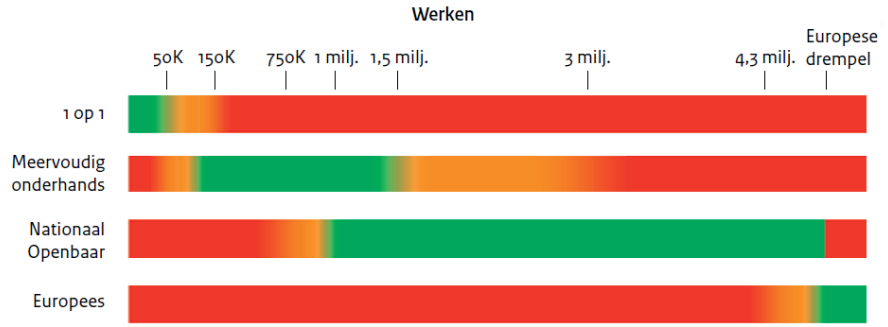
For public procurement tenders not exceeding the threshold value, the Dutch national law has been written: public tendering law 2012 (*aanbestedingswet* 2012). This Dutch law has the same fundamentals as the EU-directives and thus requires purchasing authorities to always respect the aforementioned core principles. For example, if a supplier asks if a specific regarding the tender can be justified, the purchasing authority must officially give explanation. Moreover, in the Netherlands the public tendering regulations for the *works* branche *(Aanbestedingsregelement Werken (ARW) 2016)* are obligatory to use as well. The ARW explains all procurement procedures associated with the national law and elaborates on administrative models and explanations related to these procedures like time frames for a decision to appeal etc. It can be seen as the handbook for public procurement authorities who purchase *works* in the Netherlands like Case Company A and Case Company B.

The Dutch law distinguishes between four types of national procedures to purchase: *enkelvoudig onderhands (1 op1), meervouding onderhands, nationaal openbaar* and *nationaal niet-openbaar.* The main difference between these procedures is the number of suppliers which are invited to bid on a tender.

Here yet another Dutch regulation guide comes into play: *Gids Proportionaliteit* which gives advice on which of the four national procedures to use in different situations by distinguishing between monetary values of tenders (table H1). These guidelines are not obligatory to apply in practice by purchasing parties but are strongly urged to consider. For the *enkevoudig onderhandse aanbesteding* procedure, also called the 'one-to-one' procedure, the purchasing authority approaches only one supplier to bid on his tender[20]. This procedure is relatively fast and easy to use and is often used for inexpensive tenders. *Meervoudig onderhandse aanbesteding* procedures are used if the buyer seeks for a more competitive environment and therefor invites 3 to 5 suppliers to hand in a bid. Yet again the lead time is short and process costs are low. Then, *nationaal openbaar & niet-openbare aanbesteding* are used for larger tenders. Here a tender is published for the general public and so how the entire market is invited. The difference between the *openbaar* (non-restricted) and *niet-openbaar* (restricted) lies in the fact that during a restricted procedure only invited suppliers eventually may enrol in the tender whereas in a non-restricted procedure all suppliers can enrol. Thus, a restricted procedure has a pre-qualification stage where a selection is made by the buyer of the most suitable suppliers. In figure H2 a schematic overview can be seen of alle procedures.

Next to the advice in threshold for national procedures, *Gids Proportonaliteit'* main function is to safeguard proportionality in tendering projects. The law considers the principle of proportionality as key in public procurement legislation. This implies that all choices and requirements a public procurement makes need to be in balance with the tender' scope and proportion[21]. Since 2016, this additional set of rules is also mandatory to use by special sector industry companies and thus Case Company A and Case Company B. With this law suppliers can fall back on the principle of proportionality if something seems to be out of balance.

TABEL H1: ADVISED THRESHOLDS FOR DUTCH NATIONAL TENDERING PROCEDURES | WORKS | (GIDS PROPORTIONALITEIT, 2016)



9.1.3 European procedures

The last paragraph has given insight in different procedures which can be used if *works* do not exceed the EU thresholds and thus national rules apply. This paragraph will briefly explain which procedures can be used if the value of a tender does exceed the EU threshold and thus EU procedures should be used. The procedures have two main variants: the *restricted*- and *non-restricted procedures* and there are several exceptional procedures which are only used in unique situations. In contrast to the national public procurement tenders, EU procedures always start with an online pre-publication on TenderNed and TED,

[20] ARW, 2016

[21] Gids Proportionaliteit (herzien), 2016

the public procurement electronic databases of the Netherlands and Europe respectively. *Non-restricted* procedures can be used if a public procurement authority wishes that all interested suppliers can directly submit a bid since there is no pre-qualification. This method is relatively quick and can be used if a small number of offers is expected by the buying party[22]. *Restricted* procedures have two main stages; in the first stage suppliers are pre-qualified based on selection criteria. Subsequently, the most suitable suppliers will be allowed to submit a bid during the second stage of the procedure. So, in this procedure the buyer can narrow-down the suppliers and will have a smaller number of bids which saves time in terms of evaluation. Often such procedures are used when a highly complex project is procured or if information is strategic or confidential[23].

TABEL H2: THRESHOLD VALUES SPECIAL SECTOR PUBLIC PROCUREMENT, EU-DIRECTIVES (REVISION 2018)

Works	Goods	Services
€5.480.000, -	**€443.000, -**	**€443.000, -** Special - and social services: €1.000.000, -

In figure H2 an overview of chapter three so far has been schematically illustrated. Both the national- and EU procedures, its related thresholds and legislation can be seen. This figure solely focusses on this thesis' scope: *works*. During the internship at Case Company A and Case Company B this schematic overview also represented daily public procurement practice in general. However, sometimes the thresholds of the national procedures (*gids proportionaliteit)* were slightly adjusted.

Value Work in €		Applied Rules & Procedures		Overreaching principles which always apply in Public Procurement
Below Threshold	**< €5.548.000,-**	***National Public Procurement Procedures***		• Non-discriminatory • Transparency • Open competition • Sound procedural processes (objective selection- and award criteria) • Proportionality principle
		€0 – €50.000 : '1 op 1' Procedure (Only one supplier is approached to bid)	**National rules apply** • No formal EU rules are obligatory to use, however national rules need to respect general principles of EU directives • Threshold guidelines and tender procedures from the Dutch *Gids Proportonaliteit* are adviced to use	
		€50,000 - €1,5 million : 'Meervoudig Onderhands' Procedure (3 to 5 suppliers are invited to bid)		
		€1,5 million – threshold : 'Nationaal Openbaar' Procedure (Entire market is invited to bid)		
Threshold	**€5.548.000,-**			
Above Threshold	**> €5.548.000,-**	***EU Public Procurement Procedures***		
		Open Procedure: all interested suppliers can directly submit a bid	**EU rules apply** • Tenders need to be published in TED, Tenderned • Free choice between two main procedures with several variants like Innovation Parternerships, Auctions etc.	
		Restricted Procedure: suppliers need to be prequalified before they can submit a bid		

FIGURE H3: EXISTING PUBLIC PROCUREMENT PROCEDURES FOR PROCUREING WORKS, CUSTOMIZED FOR THE SPECIAL SECTOR IDUSTRY

22 https://www.pianoo.nl/nl/inkoopproces/fase-1-voorbereiden-inkoopopdracht/mogelijke-aanbestedingsprocedures/europese-standaardprocedures

23 https://www.pianoo.nl/nl/inkoopproces/fase-1-voorbereiden-inkoopopdracht/mogelijke-aanbestedingsprocedures/europese-standaardprocedures

9.1.4 Public Procurement Process specifics

This paragraph will describe the general steps to be made when initiating a procurement procedure for both EU as national procedures. Despite the fact that the steps to be made depend on the chosen procedure, this paragraph will explain how the overall process works and which elements always are recurrent. Obviously, as emphasized, the underlying assumptions of the public procurement process are based on the steps of the purchasing process of Van Weele (2010). According to the European Commission public procurement can be broken down in six steps which can be used as toolkit for all kind of tenders[24]:

1. Preparation and planning
2. Publication
3. Submission of tenders and selection of suppliers
4. Evaluation of tenders
5. Awarding the contract
6. Contract implementation

Assessing these elements against the Dutch national law, the case companies' practical implementation and learnings made during this study, this thesis has come up with public procurement process in figure H3 which incorporates all major building blocks in one schematic overview. In the preparation stage, the most important focus is on determining *what* should be bought and *how* this will be done. In this stage, it is important to decide a procurement strategy and chose certain *criteria* which can help decide which suppliers to *select* and how to *award* the bids eventually[25]. The purchasing authority can also decide to consult the supply-market and ask for their help to specify the need through a market approach (*marktconsultatie*). In general, this additional step is chosen if a buyer seeks to obtain more knowledge on a *work, service* or good and a possible related solution or idea[26]. In the publication phase the tender is announced to the supply market by publishing it on TED, TenderNed or via a personal communication channel in case of a restricted procedure. After this contract notice, suppliers have access to the tender guidelines and other tender documents and thus are able assess whether the tender fits their capabilities and if they want to succeed. In the selection phase, the potential group of suppliers is narrowed down by conducting a prequalification of suppliers' capabilities based on the selection criteria. The selection phase only applies in cases of restricted procedures[27]. In the award phase, suppliers' bids are evaluated based on the award criteria and the supplier with the best bid is subsequently awarded with the contract. Evaluation of bids can be done either via the *lowest price* method or via the of the *most economically advantageous tender* method. Finally, the contract is awarded and ready of implementation.

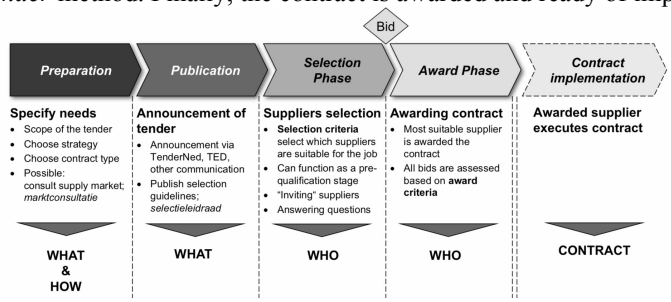


FIGURE H3: PUBLIC PROCUREMENT PROCESS

[24] http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_public_proc_en.pdf

[25] https://www.pianoo.nl/nl/inkoopproces

[26] https://www.pianoo.nl/nl/inkoopproces/fase-1-voorbereiden-inkoopopdracht/markt-betrekken-bij-specificatie-marktkennis

[27] https://www.pianoo.nl/nl/inkoopproces/fase-2-doorlopen-aanbestedingsprocedure/selecteren

Appendix I: Antecedents of Customer Attractiveness (Hüttinger et al., 2012)

Table 2
Antecedents of customer attractiveness.

Drivers of customer attractiveness	Reference
Market growth factors	
Size	Fiocca (1982)
Market share	Fiocca (1982)
Growth rate	Fiocca (1982), Hald et al. (2009), Ramsay and Wagner (2009)
Influence on the market	Fiocca (1982)
Barrier to entry or exit	Fiocca (1982)
Access to new customers/markets	Christiansen and Maltz (2002), Ellegaard and Ritter (2007), Hald et al. (2009)
Risk factors	
Risk sharing	Christiansen and Maltz (2002), Ramsay and Wagner (2009)
Standardisation of product	Christiansen and Maltz (2002)
Dependence (single-sourcing strategy, knowledge of alternatives)	Christiansen and Maltz (2002), Harris et al. (2003), Hald et al. (2009), Ramsay and Wagner (2009)
Level of transaction-specific assets	Hald et al. (2009)
Demand stability	Ramsay and Wagner (2009)
Patent protection	Fiocca (1982)
Level of integration	Fiocca (1982)
Political risk	Fiocca (1982)
Market stability	Fiocca (1982)
Technological factors	
Customer's ability to cope with changes	Fiocca (1982), Ramsay and Wagner (2009)
Depth of skills	Fiocca (1982), Ramsay and Wagner (2009)
Types of technological skills	Fiocca (1982)
Commitment to innovation	Christiansen and Maltz (2002), Ellegaard and Ritter (2007)
Knowledge transfer	Christiansen and Maltz (2002), Hald et al. (2009), Harris et al. (2003)
Supplier trainings and field visits	Christiansen and Maltz (2002), Ramsay and Wagner (2009)
Early R&D involvement and joint improvement	Ramsay & Wagner, 2009; Cordon & Vollmann, 2008
Economic factors	
Margins	Fiocca (1982), Ellegaard and Ritter (2007), Ramsay and Wagner (2009)
Price/volume	Ellegaard and Ritter (2007), Hald et al. (2009), Ramsay and Wagner (2009)
Cost elements	Ramsay and Wagner (2009)
Value creation	Ellegaard and Ritter (2006, 2007), Hald et al. (2009)
Leveraging factors (economies of scale, experience, etc.)	Fiocca (1982)
Capacity utilisation	Fiocca (1982)
Negotiating pressure	Ramsay and Wagner (2009)
Social factors	
Possibilities for extensive face-to-face contact	Christiansen and Maltz (2002), Ramsay and Wagner (2009)
Supplier participation in internal teams	Christiansen and Maltz (2002), Ramsay and Wagner (2009)
Tight personal relations	Ellegaard et al. (2003), Ramsay and Wagner (2009)
Familiarity	Harris et al. (2003)
Similarity	Harris et al. (2003), Hald et al. (2009)
Compatibility	Harris et al. (2003), Ramsay and Wagner (2009)
Behaviour	Ellegaard and Ritter (2006)
Communication	Hald et al. (2009), Ramsay and Wagner (2009)
Information exchange	Christiansen and Maltz (2002), Cordon and Vollmann (2008)
Output factors (trust, commitment, adaption, long-term interactions/loyalty, reliability)	Fiocca (1982), Christiansen and Maltz (2002), Ellegaard et al. (2003), Ellegaard and Ritter (2007), Hald et al. (2009), Ramsay and Wagner (2009)

FIGURE I: ANTECEDENTS OF CUSTOMER ATTRACTIVENESS AS RETRIEVED FROM HÜTTINGER ET AL., 2012

Appendix J: Antecedents Supplier Satisfaction (Hüttinger et al., 2012)

Table 3
Antecedents of supplier satisfaction.

Drivers of supplier satisfaction	Reference
Technical excellence (R&D)	
Early supplier involvement	Maunu (2003), Essig and Amann (2009)
Technical competence	Essig and Amann (2009)
Supplier development	Ghijsen et al. (2010)
Response to supplier requests and suggestions for improvement	Leenders et al. (2005), Essig and Amann (2009)
Joint relationship effort	Nyaga et al. (2010)
Supply value (purchasing)	
Profitability	Maunu (2003)
Bargaining position	Essig and Amann (2009)
Substantial volumes	Leenders et al. (2005)
Long-term time horizons	Maunu (2003), Leenders et al. (2005)
Adherence to agreements	Maunu (2003), Essig and Amann (2009)
Cooperative relationships	Wong (2000); Forker and Stannack (2000), Benton and Maloni (2005), Leenders et al. (2005), Essig and Amann (2009)
Commitment to supplier satisfaction	Wong (2000)
Dedicated investments	Nyaga et al. (2010)
Reward-mediated power sources	Benton and Maloni (2005)
Non-mediated power sources (expert, referent and traditional legitimate)	Benton and Maloni (2005)
Recommendations	Ghijsen et al. (2010)
Mode of interaction	
Communication	Maunu (2003), Leenders et al. (2005), Essig and Amann (2009)
Structure (availability of direct contact in the buying firm, definition of roles and responsibilities, communication media used)	Essig and Amann (2009), Maunu (2003)
Reaction (politeness of employees, openness and trust, commitment, reciprocity, feedback, conflict management, constructive controversy, reaction speed, quality of reaction)	Forker and Stannack (2000), Wong (2000), Maunu (2003), Essig and Amann (2009), Nyaga et al. (2010)
Information (level of information exchange, quality of information, accuracy and timeliness of information exchange)	Whipple et al. (2002), Leenders et al. (2005), Essig and Amann (2009), Nyaga et al. (2010), Ghijsen et al. (2010)
Operational excellence (production)	
Forecasting/planning	Maunu (2003)
Order process	Essig and Amann (2009)
Time scheduling	Essig and Amann (2009)
Billing/delivery	Essig and Amann (2009)
Payment habits	Essig and Amann (2009)
Required effort needed for delivery	Essig and Amann (2009)
Support	Essig and Amann (2009)
Business competence	Essig and Amann (2009)

FIGURE J: ANTECEDENTS OF SUPPLIER SATISFACTION AS RETRIEVED FROM HÜTTINGER ET AL., 2012

Appendix K: Antecedents of Preferred Customer Status (Hüttinger et al., 2012)

Table 4
Antecedents of preferred customer status.

Drivers of preferred customer status	Reference
Economic value	
High purchase volumes	Brokaw and Davisson (1978), Williamson (1991), Bew (2007), Steinle and Schiele (2008)
Profitability	Moody (1992), Bew (2007)
Business opportunities	Brokaw and Davisson (1978)
Total cost as a basis for purchasing price	Moody (1992)
Low cost to serve the customer (overhead costs, delivery cost, service requirements, customisation)	Moody (1992), Bew (2007)
Relational quality	
Loyalty	Brokaw and Davisson (1978), Williamson (1991)
Trust	Moody (1992), Blonska (2010)
Commitment	Moody (1992), Blonska (2010)
Satisfaction	Brokaw and Davisson (1978)
Customer attentiveness	Moody (1992)
Respect	Moody (1992)
Fairness	Moody (1992)
Strong bonds	Blonska (2010)
Instruments of interaction	
Early supplier involvement	Moody (1992)
Involvement in product design	Moody (1992)
Supplier development	Blonska (2010)
Quality initiatives	Moody (1992)
Schedule sharing	Moody (1992)
Response to cost reduction ideas	Moody (1992)
Communication and feedback	Moody (1992)
Action-oriented crisis management	Moody (1992)
Simple and coordinated business processes	Moody (1992)
Predictable decision processes	Bew (2007)
Strategic compatibility	
Strategic fit	Bew (2007)
Shared future	Blonska (2010)
Geographical proximity	Steinle and Schiele (2008)
Cluster membership	Steinle and Schiele (2008)

FIGURE K: ANTECEDENTS OF PREFERRED CUSTOMER STATUS AS RETRIEVED FROM HÜTTINGER ET AL., 2012

Appendix L: Recommendations for the case companies: summarized version

Confidential