



**UNIVERSITY
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**IMPROVING CUSTOMER ATTRACTIVENESS AND SUPPLIER SATISFACTION
IN PUBLIC PROCUREMENT**

A Case Study

Lappeenranta–Lahti University of Technology LUT & University of Twente

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ABSTRACT

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Improving customer attractiveness and supplier satisfaction in public procurement: A case study

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Due to changing dynamics in business relationships, buying organisations are now increasingly competing for the best and most competent suppliers, who can choose which organisations they want as customers. To secure these suppliers, customers must strive to be attractive, whereas keeping the suppliers and developing the relationships requires keeping the suppliers satisfied. While several means to fulfil these objectives have been identified in the private sector, the issue remains rather unexplored in the context of public procurement.

This thesis employs a framework derived from existing literature on the subject, categorising the influencing factors of customer attractiveness and supplier satisfaction based on their nature. A single case study is conducted, with a Finnish social and healthcare services provider as the public case organisation, and interviews to the organisation and its suppliers as the primary data source. Through content analysis, conclusions are drawn about the current state and improvement areas of public procurement, concerning customer attractiveness and supplier satisfaction.

While prior literature suggests a relatively weak current state of customer attractiveness and supplier satisfaction in public procurement, the results of this study point out several strengths as well. The highest impact on customer attractiveness is possessed by market growth and economic factors, which belong to the strengths of public procurement, due to factors such as high purchase volumes and demand stability. In terms of supplier satisfaction, the highest impact is factors related to relational behaviour and operative excellence. Although public procurement's current state is sufficient, further improvement is achievable by increasing focus on aspects such as contact accessibility and effective communication.

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Liiketoiminnan muuttuvan dynamiikan vuoksi ostavat organisaatiot kilpailevat nykyään yhä useammin parhaista ja pätevimmistä toimittajista, jotka voivat valita asiakkaansa. Näiden toimittajien hankkimiseksi asiakkaiden on pyrittävä olemaan toimittajien silmissä houkuttelevia, kun taas toimittajien pitäminen ja toimittajasuhteiden kehittäminen edellyttää toimittajien pitämistä tyytyväisinä suhteen edetessä. Vaikka yksityisellä sektorilla on tunnistettu useita keinoja näiden tavoitteiden saavuttamiseksi, julkisten hankintojen osalta asiaa ei olla vielä merkittävästi tutkittu.

Tämän tutkielman rakenne perustuu aiemmasta kirjallisuudesta johdettuun viitekehykseen, jossa asiakashoukuttelevuuteen ja toimittajatytyväisyyteen vaikuttavat tekijät jaetaan kategorioihin. Tutkimus toteutetaan yksittäisenä tapaustutkimuksena, jossa julkisena tapausorganisaationa on suomalainen sosiaali- ja terveyspalvelujen tarjoaja, ja ensisijaisena aineistona kyseiselle organisaatiolle sekä sen toimittajille tehdyt haastattelut. Johtopäätökset julkisten hankintojen nykytilasta ja parannuskohteista tehdään sisällönanalyysin avulla.

Vaikka aiempi kirjallisuus antoi viitteitä siitä, että asiakashoukuttelevuus ja toimittajatytyväisyys julkisissa hankinnoissa olisivat tällä hetkellä melko heikolla tasolla, tämä tutkimus tuo esiin myös useita vahvuuksia. Suurin vaikutus asiakashoukuttelevuuteen on markkinoiden kasvutekijöillä ja taloudellisilla tekijöillä, jotka kuuluvat julkisten hankintojen ehdottomiin vahvuuksiin muun muassa suurten ostovolyymien ja kysynnän vakauden ansiosta. Toimittajatytyväisyyden osalta suurin vaikutus on vuorovaikutukseen sekä operatiiviseen osaamiseen liittyvillä tekijöillä. Vaikka julkisten hankintojen nykytila niiden osalta on jo kohtuullinen, myös parannuksia on saavutettavissa, esimerkiksi kiinnittämällä aiempaa enemmän huomiota saavutettavuuteen ja tehokkaaseen viestintään.

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The thesis process has not been quite as enjoyable as the rest of the studies, to be honest. Even though I knew that this would be the biggest project I have completed, the magnitude still surprised me. I started the project in April, worked in a summer job between May and August, and therefore focused less on the thesis during that period. In autumn, I re-prioritised the thesis, and was finally able to finish the project in December. There were a few setbacks along the way, and writing for two universities did not exactly make it easier. However, now that I am finally done, I am extremely proud of myself.

I would like to thank everyone who has supported me along the way. Thank you to my family for supporting me since the beginning, and to my friends for helping me take my mind to other things when I needed it. Thank you to my supervisors for the guidance and instructions. Thank you to EKHVA for helping me organise the empirical study, and to the interviewees for the input. This would not have been possible without all of you, so I am very grateful.

Lastly, I want to thank myself. The journey to this point has demanded dedication and hard work, and I feel like one milestone has now been achieved. Now I am taking a little time to relax before moving on to the next challenges. I must say, I am super excited about the future ahead. Thank you and Peace!

Helsinki, 3.12.2023

Valtteri Vilkuna

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1 Introduction

In the traditional business landscape, suppliers or sellers typically compete for customers. However, a notable shift in buyer-supplier relationships has occurred in recent years, with buyers now increasingly competing for the best and the most competent suppliers (Jääskeläinen, Lintukangas & Vos, 2022). This shift is driven by the fact that certain industries are dominated by a small number of leading suppliers, which forces customers to compete for their services and resources (Pulles, Ellegaard & Veldman, 2022). According to Dyer and Hatch (2006), this means that the buyers are greatly affected by how the suppliers allocate the resources and which customers they prioritise. Naturally, it is in the customers' best interest to be prioritised by the suppliers, to be their preferred customers. To be awarded this preferred customer status, arguably one of the most important factors is supplier satisfaction (Vos, Schiele & Hüttinger, 2016).

Public organisations frequently encounter challenges when competing against private actors for the limited resources of top-tier suppliers. In cases where these top suppliers have numerous offers, some of which are from private enterprises and some from public organisations, a plausible scenario is that the suppliers prefer to choose the private actors. One reason behind this is that public organisations are less flexible regarding the supplier's wishes than private actors due to the strict legal framework of public procurement. Therefore, the private actors are seen as more attractive partners by the suppliers and the public organisations must seek alternative, potentially less competitive suppliers to secure the resources they need. (Schiele, 2020) While the extent and frequency of these challenges remain somewhat uncertain, it is evident that public procurement organisations face several disadvantages compared to their private counterparts. Harland, Telgen and Callender (2013) identify three key categories of differences between public and private purchasing organisations, which are legal constraints, goal constraints, and pooling challenges. Despite some of the restrictions facing public organisations being unalterable, opportunities for improving their attractiveness as customers and subsequently elevating supplier satisfaction in ongoing relationships deserve exploration.

Precisely this is the main objective of this master's thesis: to investigate strategies for improving the customer attractiveness and supplier satisfaction of public organisations. Besides these, public procurement as a process and preferred customer status as a reward for high supplier satisfaction are some of the other central concepts of the study. Supplier satisfaction and preferred customer status in buyer-supplier relationships have lately gained a lot of academic attention. Although the origins of the topics date back to the early 1970s, it was only around 2010 when more studies started to appear. As of today, a substantial body of scientific literature on customer attractiveness, supplier satisfaction, and preferred customer status has emerged, multiple perspectives and viewpoints have been included in the studies, and the role of the concepts within the field of supply management has become widely recognised. Despite these efforts though, significant research gaps persist, with one notable gap being the lack of attention to public procurement. In fact, according to Patrucco, Luzzini, and Ronchi (2017), any research on supplier relationship management is largely absent from the domain of public procurement. The first study on supplier satisfaction in the public sector was published in 2018 by Glas, and until Schiele's publication in 2020, there were no additional studies on the topic. Even today, only a handful of studies exist, which means that the topic is still novel and largely unexplored. Therefore, this study has the potential for significant academic and practical contributions, justifying its importance.

1.1 Literature

The most important theoretical concepts for this study are customer attractiveness, supplier satisfaction, and public procurement. Public procurement is studied from the perspectives of goals and challenges and is mostly compared with procurement of private companies. Since the study is based on a Finnish organisation, the focus is mainly on public procurement in Finland and the EU. For customer attractiveness and supplier satisfaction, the thesis also briefly addresses other concepts that are connected to them. Examples of these are preferred customer status, preferential treatment from suppliers, and grand theories of supply management. Still, the main idea regarding customer attractiveness and supplier satisfaction is to divide them into categories based on the factors that current academic literature finds them to consist of. The most central concepts are briefly introduced followingly.

1.1.1 Key Concepts

The first key concept of this thesis is customer attractiveness. A definition of customer attractiveness by Schiele, Calvi, and Gibbert (2012, 1180) is fairly simple: “A customer is perceived as attractive by a supplier if the supplier in question has a positive expectation towards the relationship with this customer”. The factors contributing to customer attractiveness can play a role either before the relationship commences or during the relationship when new projects are being discussed. Literature has identified several drivers or factors of customer attractiveness, and there are varying perspectives on their relative significance. The factors can be divided into five categories, which are market growth factors, risk factors, technological factors, economic factors, and social factors. Some factors are direct, such as profits or volume, whereas some are indirect, like innovation development or market access. (Hüttinger, Schiele & Veldman, 2012) Hald, Cordon and Vollman (2009) in turn propose three aspects of attraction: expected value, perceived trust, and perceived dependence. Within the context of this thesis, it is also essential to note that customer attractiveness is a key factor in the pursuit of supplier satisfaction.

As outlined, the second key concept of this thesis is supplier satisfaction. Hüttinger, Schiele and Schröer (2014, 703) define supplier satisfaction as “a positive affective state resulting from an overall positive evaluation of the aspects of a supplier's working relationship with the buying firm”. This means that a key distinction with customer attractiveness is that while customer attractiveness can be measured either before the relationship or during the relationship, the research on supplier satisfaction generally focuses only on ongoing relationships (Jääskeläinen et al., 2022). According to Schiele et al. (2012, 1181) “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”. Hüttinger et al. (2012) note that the literature has identified four categories of drivers of supplier satisfaction, which are technical excellence, supply value, mode of interaction, and operational excellence. Almost similarly, Vos et al. (2016) list profitability, growth opportunity, relational behaviour, and operative excellence as directly impacting antecedents of supplier satisfaction, while innovation potential, support, reliability, involvement, and contact accessibility are listed as additional positively impacting factors. A positive correlation between a high supplier satisfaction and the preferred customer status has also been shown in various occasions

(Jääskeläinen et al. 2022). This means that when a supplier is satisfied with a customer, it is more likely to award that customer with a preferred customer status and give the customer preferential treatment (Hüttinger et al. 2012).

This study puts the introduced concepts into the context of public procurement, shortly defined as acquisition for public consumption by Weiss (1993), cited in Erridge & McIlroy (2002). Firstly, it is important to note that the goals of public procurement differ clearly from the goals of private procurement. The three goals or strands of public procurement, which are commercial, regulatory, and socio-economic strand, can be achieved through differing actions and contract elements. The key themes of the commercial strand, such as getting value for money or being as efficient as possible, can be achieved through competition and longer contracts, for example. The regulatory goals such as transparency and equality, are often controlled by EU directives or organisational tendering rules. The social goals include public interest, employment, and environmental concerns, and can be achieved with, for instance, contract compliance and green sourcing policies. (Erridge & McIlroy, 2002) Recent trends highlight an increasing emphasis on the social strand, which means that public procurement is employed to address various societal goals, such as minimising unemployment, improving working conditions in the supply chain, stimulating innovation, promoting sustainability, or providing opportunities for smaller local businesses (Grandia & Meehan, 2017). Consequently, supplier selection and project allocation in public procurement may not solely depend on profitability, but also consider these broader perspectives. The expectation is that some suppliers might find this unappealing, which turns the focus to the challenges of public procurement. According to Harland et al. (2013), they include legal constraints, goal constraints, and pooling challenges.

1.1.2 Conceptual Framework

Customer attractiveness, supplier satisfaction, and preferred customer status are interconnected, forming an integrated entity where it is integral to understand them all to effectively study one of them. As the key concepts have now been shortly defined, this section brings them together in a form of conceptual framework that illustrates their interrelationships and connections. Regarding customer attractiveness and supplier

satisfaction, the core assumption is that customer attractiveness enhances supplier satisfaction, which is why the figure 1 below displays the arrow from customer attractiveness to supplier satisfaction. The arrows also indicate that while attractiveness goes from buyer to supplier, satisfaction goes from supplier to buyer, although it highly depends on the actions of the buyer. Specific elements also influence the levels of customer attractiveness and supplier satisfaction, as illustrated in figure 1. In the figure, the public procurement goals are based on Erridge and McIlroy (2002), the public procurement constraints are based on Harland et al. (2013), the factors of customer attractiveness are based on Hüttinger et al. (2012), and the factors of supplier satisfaction are based on Vos et al. (2016).

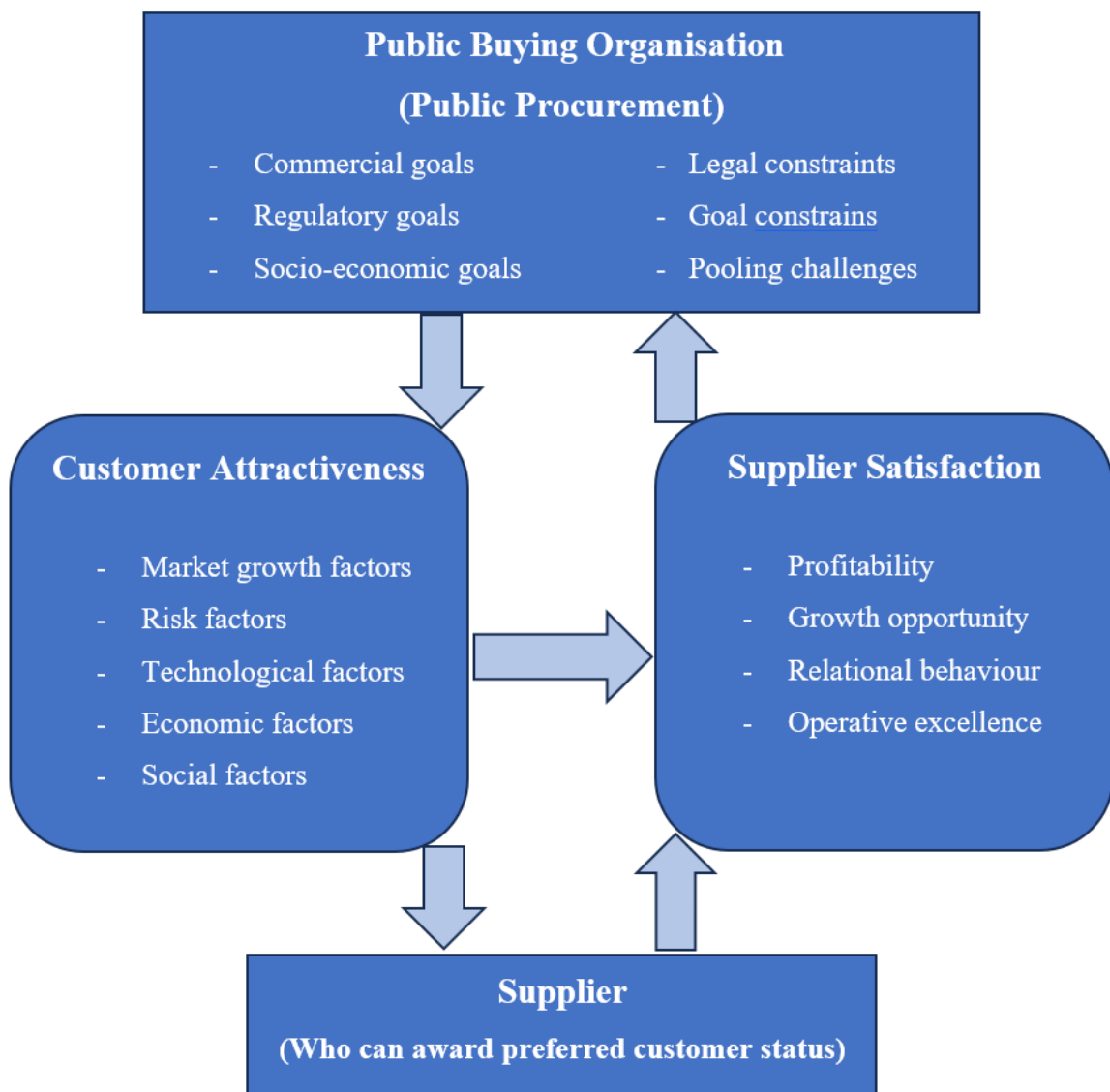


Figure 1: Conceptual Framework of the Thesis

The conceptual framework comprises separate sections. Firstly, it centres on the domain of public procurement, which revolves around its main goals and challenges. As mentioned, 13 the goals include commercial, regulatory, and socio-economic goals (Erridge & McIlroy, 2002), while the challenges are divided into legal constraints, goal constraints, and pooling challenges (Harland et al., 2013). The goals are examined from the perspective of their impact on procurement, while the aim with the challenges is to find ways to minimise them. Since it is not realistic to outright eliminate certain challenges, such as the legal constraints that are rooted in EU regulations, the primary focus lies in identifying ways to minimise the commercial harm caused by them. Since they largely stem from similar sources, the goals and challenges also impact each other, which means that they are also interconnected.

The middle section of the framework displays customer attractiveness and supplier satisfaction. Both customer attractiveness and supplier satisfaction are categorised based on their drivers identified from the literature, as displayed in the framework. Although the listed drivers primarily refer to private companies, a key aspect to explore in the thesis is whether they can also be applied in the public sector context. The theoretical section of the thesis is largely structured around these categories, although the categories do have varying levels of emphasis. The interview questions are also based on this framework and these categories, facilitating and in-depth study of how, and in which areas, customer attractiveness and supplier satisfaction can most effectively be improved. The categories of drivers are later defined more clearly, so they will transition from abstract categories into categories that comprise more concrete factors. The role of preferred customer status is more secondary in this study, meaning that it is treated as a goal or outcome that can eventually be awarded by the supplier, if improving customer attractiveness and supplier satisfaction is successful.

1.2 Objectives and Research Questions

The principal goal of this thesis is to discover ways for public organisations to improve their customer attractiveness and supplier satisfaction. More concretely, this means firstly finding out how public organisations can become more attractive in the eyes of potential future suppliers, and secondly finding ways to improve the satisfaction of their current suppliers. These issues are important to investigate, not only because of the lack of prior research in

the public sector, but also because the new research has potential to solve some real-world problems. For instance, a low customer attractiveness reduces the likelihood of receiving favourable offers from competent suppliers for the tenders that public buyers organise. Therefore, improving customer attractiveness in public procurement could result in receiving improved offers, which in turn contributes to improving the quality of public services. (Karttunen, Matela, Hallikas & Immonen, 2022) However, despite the expectation based on prior literature (e.g., Harland et al., 2013; Schiele, 2020) that many suppliers may not currently see public buyers as particularly attractive, this needs to be confirmed first, so part of the empirical study is to assess the current state of things. Even if a discovery is made that suppliers already see the studied public buyer as an attractive and satisfactory partner, the research will remain relevant because it will only change the formulation of the goals. In such scenario, the goal would be to find out what makes the public organisation so attractive and such a desirable partner. Additionally, the goals would still include finding areas for further improvement, and finding out how the attractiveness and satisfaction factors can be applied in other public organisations.

Based on the previous literature, the key concepts, and the goals of the study, one main research question and two supporting sub-questions have been formulated. The sub-questions clarify the context of the main question and ensure an organised and effective research process. The main research question alone is insufficient to fully achieve the goals of the research, so the role of the sub questions is particularly critical in this study. It also means that addressing the sub-questions is a prerequisite for answering the main research question. For the first sub-question, the expectation is that the influencing factors align, to some extent at least, with those factors listed in the conceptual framework in figure 1. Therefore, for customer attractiveness they would be market growth factors, risk factors, technological factors, economic factors, and social factors, and for supplier satisfaction they would be profitability, growth opportunity, relational behaviour, and operative excellence (Hüttinger et al., 2012; Vos et al., 2016). However, the magnitude of influence for each category of factors is unknown. For the second sub question, the expectation is that the drivers of customer attractiveness and supplier satisfaction from the private sector are at least partly applicable in the public context too. In addition, it is likely that there are influencing factors in the public sector that have not been identified in the private procurement literature,

meaning that those also need to be assigned to one of the categories, or a new category needs to be created for them. In any case, these expectations require examination and validation before addressing the main research question. The questions are as follows, with the first being the main research question and the other two serving as the supporting sub-questions.

How can customer attractiveness and supplier satisfaction be improved in public procurement?

What are the current determinants of customer attractiveness and supplier satisfaction in public procurement?

What are the means and practices to solve the main challenges of public procurement regarding customer attractiveness and supplier satisfaction?

1.3 Methodology

The research methodology for the empirical part consists of qualitative research methods and qualitative data. According to Ghauri and Kronhaug (2005, 202), qualitative research is particularly relevant when prior insights about the studied phenomenon are modest, which means that qualitative research is relatively flexible and exploratory due to an unstructured nature of problems. Despite the growing interest in supplier satisfaction and customer attractiveness, this is precisely the case in this study due to the research gap in the public sector. The specific approach chosen for this study is single case study, with an addition of expert interviews. Case study is the ideal approach because it enables studying and presenting such complex topics in an accessible, vivid, and down-to-earth format (Eriksson & Kovalainen, 2008, 115-116), which is necessary in this study to be able to implement the found solutions in practice. Moreover, the expert interviews ensure that the findings are not limited to one specific scenario, but that they also include practical knowledge that emerges from both professional and private experiences of the experts (Meuser & Nagel, 2009).

The public case organisation that is studied is the Wellbeing Services County of South Karelia in Finland, known as EKHVA (Etelä-Karjalan hyvinvointialue in Finnish). EKHVA is responsible for producing and organising the basic and special social, healthcare, and emergency services in the Finnish South Karelia region. While these constitute a significant

portion of EKHVA's responsibilities, they also include dental care, mental health services, child protection, rehabilitation, elderly housing, and rescue services, among several other things. EKHVA was established at the turn of 2023 as part of Finland's social services reform, taking over responsibilities previously managed by the South Karelia Social and Healthcare District (Eksote) for social and healthcare services, and the Emergency Services Department of South Karelia for emergency services. Therefore, despite its recent establishment, EKHVA's operations have remained largely similar with the pre-reform period, with the most notable change simply being the merging of Eksote and the Emergency Services Department. The region of South Karelia consists of nine municipalities with an approximate total population of 127,000 people. (Etelä-Karjalan hyvinvointialue, 2023a) In this study, EKHVA is examined from the perspective of public procurement, so the specific focus is on EKHVA's procurement department. To effectively investigate procurement, the study must involve participants from both the procuring organisation and its suppliers.

The primary data collection method for this research is semi-structured, where the questions are based on prior literature. A total of five interviews are conducted, two of which are to EKHVA's employees or managers specialising in purchasing and supply management. These interviews explore EKHVA's self-perception of their customer attractiveness and supplier satisfaction, their internal perspectives on potential improvements, and EKHVA's awareness of their current status. Disparities between EKHVA's own perceptions and those of their suppliers may indicate areas for concern. In addition, interviews are conducted to EKHVA's suppliers, who are asked partly similar questions as EKHVA, and partly different ones. The supplier interviews also contain a broader perspective, since the questions are formulated in a way that they do not just consider the specific EKHVA-supplier relationship, but also other customer relationships the suppliers may have. Including this perspective adds the expert interview component to the study, allowing for an examination beyond just the case of EKHVA, taking advantage of the interviewees' knowledge and expertise. Finally, besides the interviews, EKHVA's internal procurement guide is used as a secondary data source, to support the interviews and add insights about public procurement.

Despite the many strengths of the chosen research methodology, certain limitations also stem from it. The weakness of all qualitative research methods is that they do not permit exact

measurement of variables like supplier satisfaction, which quantitative methods would enable. The conducted interviews aim to provide insightful responses, but they can still be somewhat ambiguous, which affects the generalisability and transferability of the results. The lack of generalisability is perhaps the main limitation of this study, additionally due to the single case study method. As this research is an intensive case study, its goals are to understand the unique case inside-out and to provide a holistic and contextualised description of it, but it is somewhat unable to generate generalisable theoretical constructs that would be applicable in various industries or markets (Eriksson & Kovalainen, 2008, 118). To mitigate this limitation, to enhance the generalisability, and to maintain the explorative nature of the study, the element of expert interviews is added. While a higher number of interviews would further improve the generalisability, allowing the suppliers to discuss other cases beyond EKHVA already increases the study's practical relevance vastly.

1.4 Structure of the Study

The paper is structured into seven main chapters and their corresponding sub-chapters. After the introduction, the next two chapters discuss the prior literature. Chapter two contains customer attractiveness and supplier satisfaction and is divided into subchapters based on the identified categories of drivers, presented in chapter 1.1. Chapter three focuses on public procurement, its goals, and its challenges. The linkages between the main themes are also explored throughout the second and third chapter. The fourth chapter contains the methodological approach of the study. It introduces the case organisation more profoundly, presents the data collection and analysis methods, and addresses the reliability and validity of the study. The interview questions are listed separately in appendices. The fifth chapter dives into the results of the study, in a rather descriptive manner since the main point is to explain and describe the results. The goals and challenges of public procurement from the EKHVA interviews are reviewed, the main points from the supplier interviews are summarised, and comparisons between the EKHVA and supplier interviews are made. Chapter six links the findings to the existing theory. Connections between the conceptual framework and EKHVA's customer attractiveness and supplier satisfaction factors are analysed, the relevance of the categorisation is evaluated, and potential improvement areas are presented. Finally, the seventh chapter concludes the study by answering the research questions, considering the study's limitations, and providing suggestions for future research.

2 Customer Attractiveness & Supplier Satisfaction

This chapter is the first of the two literature review chapters of the paper. This chapter dives deeper into the concepts of customer attractiveness and supplier satisfaction, whereas the second literature review chapter will focus on the area of public procurement. The existing literature on all the relevant concepts is reviewed thoroughly, a deep understanding is gained, and the linkages between the concepts is acknowledged. The purposes of the literature review are to make the basis for the empirical research, to help formulate the interview questions, and to show more clearly the research gap that the thesis intends to fill. Customer attractiveness is reviewed first, and after that supplier satisfaction.

As mentioned earlier, the linkage between customer attractiveness, supplier satisfaction, and preferred customer status is evident. The cycle of preferred customership was first introduced by Schiele et al. (2012), and it is based on three core elements. They are expectations that lead to the initiation of the relationship, comparison level, which is the standard used to judge the relationship outcome, and finally comparison level of alternatives, which refers to the absolute and relative perception of the outcome of the relationship compared to the alternatives that are available (Schiele et al., 2012). This cycle was extended to six stages by Pulles, Ellegaard, Schiele, and Kragh (2019) in a model known as supplier resource mobilisation cycle. The stages in this model are becoming an attractive customer, segmenting suppliers, creating supplier satisfaction, becoming a preferred customer, engaging in supplier-oriented actions, and integrating supplier resources. The point of the supplier resource mobilisation cycle is that there is no need to build customer attractiveness or create supplier satisfaction if the organisation can't ultimately capitalise on the suppliers' resources. (Pulles et al., 2019) This is an important consideration regarding this study as well, since it proves that it is not in all situations profitable to invest a lot in customer attractiveness or supplier satisfaction. Both the models, the cycle of preferred customership by Schiele et al. (2012), and the supplier resource mobilisation cycle by Pulles et al. (2019), are demonstrated on the following page, in figures 2 and 3.

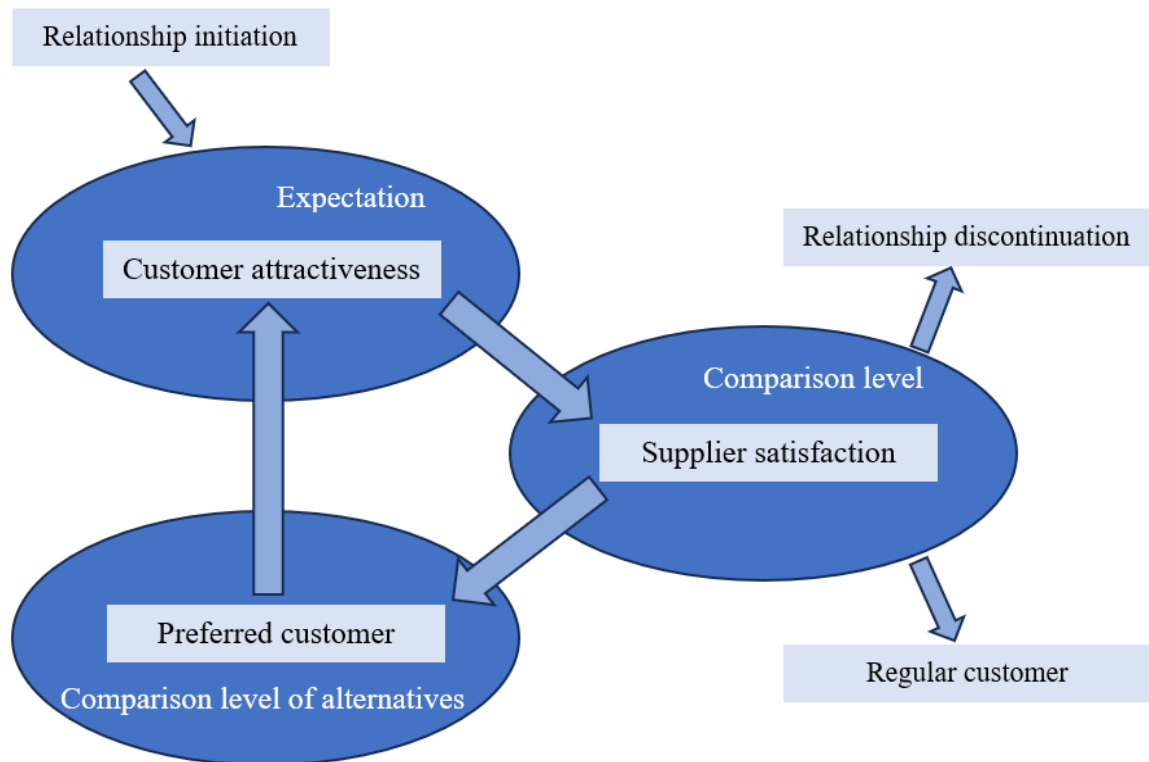


Figure 2: Cycle of Preferred Customership (adapted from Schiele et al., 2012)

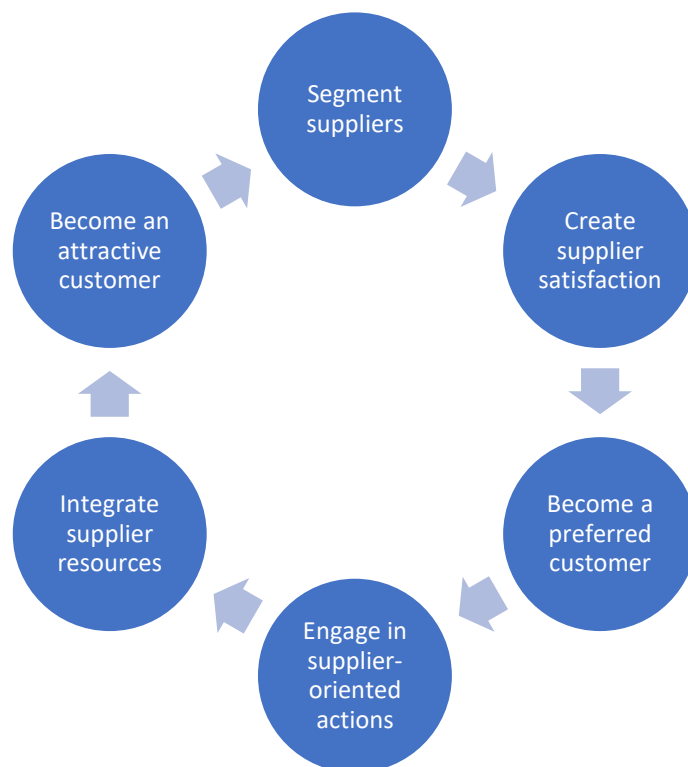


Figure 3: Supplier Resource Mobilisation Cycle (adapted from Pulles et al., 2019)

2.1 Customer Attractiveness

Customer attractiveness can mean different things in different areas of business. In marketing literature customer attractiveness refers to the attractiveness towards the customer, but in the supply management literature, as well as in this paper, it is defined as the attractiveness of a customer. In other words, this means the positive characteristics of a buying firm towards the supplier. (Hüttinger et al., 2012). This is a crucial distinction and something that is important to note regarding the literature review since many of the initial hits by searching “customer attractiveness” are not actually relevant in the context of this study. Another important distinction is the phase of the relationship where customer attractiveness plays a role. Although Hüttinger et al. (2012) mention that the drivers of customer attractiveness can play a role either before the relationship starts or during the relationship, Hald et al. (2009) state that customer attractiveness is still always directed towards the future. Customer attractiveness relates to the expectations of suppliers, so it is an educated guess or a prediction of forthcoming relational returns (Jenkins & Holcomb, 2021). The expectation aspect, regardless the phase of the relationship, is apparent also in the definition of customer attractiveness by Harris, O’Malley, and Patterson (2003, 12), who say that attraction is “the extent to which relational partners perceive past, current, future or potential partners as professionally appealing in terms of their ability to provide superior economic benefits, access to important resources and social compatibility”. This means that the perception of customer attractiveness can also be wrong, which will then be seen as the relationship proceeds, in a form of low supplier satisfaction.

Although there is no universally accepted theoretical framework for customer attractiveness, for many studies the theoretical basis is social exchange theory (SET), where the concept of customer attractiveness has its roots (Hüttinger et al., 2012). According to Schiele et al. (2012) the origins of social exchange theory are in sociology (Emerson, 1976) and psychology (Thibaut & Kelley, 1959). The roles of business and economics are also significant and can be seen with the concept of resources, which can refer to any goods that are exchanged in an interaction between actors (Homans, 1958). Cropanzano and Mitchell (2005) state that SET is particularly suited to business-to-business context because its core explanatory mechanism is the relational interdependence that develops through the

interactions of resource exchange partners. Kelley and Thibaut (1978), cited in Schiele et al. (2012), mention that another reason why SET suits customer attractiveness research so well is because the core issues discussed by SET include questions of relationship initiation, continuation, and termination. Thibaut and Kelley (1959) also state that attractiveness of another entity in SET is determined by the difference between the expected rewards from a relationship and the costs of being involved in the relationship (Schiele et al., 2012). Therefore, both the buyer and the supplier must expect the rewards of the relationship to outweigh the costs to be willing to either initiate or develop the relationship (Mortensen, Freytag, Arlbjorn & Kovacs, 2008). Finally, because SET sees buyer-supplier relations primarily as social exchanges, it allows the linking of diverse streams of research and could therefore potentially become the commonly accepted theoretical framework to explain the attractiveness phenomena (Hüttinger et al., 2012). This would be beneficial since it would likely accelerate the scientific progress around the subject (Amundson, 1998).

Other competing or complementing grand theories that explain customer attractiveness are, for example, social capital theory, resource-based view, transaction cost economics, and resource dependence theory (Hüttinger et al., 2012). Social capital theory emphasizes the role of social capital in improving the buying company's performance and attractiveness. For example, leveraging social capital has been found to be an effective way for buyers to enhance their relationship-building practices and increase the credibility of their growth potential, and therefore also improve their attractiveness. (Jenkins & Holcomb, 2021) Still, social capital theory might be even more relevant in the supplier satisfaction and preferred customer status research (Jääskeläinen et al., 2022). One of resource-based view's contributions according to Steinle and Schiele (2008) is using an extended approach where suppliers or buyers are considered as potentially valuable resources that could be used to gain competitive advantage compared to competitors. As for other grand theories, their roles do not seem as significant, so they will not be explained further.

The literature on customer attractiveness presents long lists and tons of different attractiveness factors that influence how attractive the buying organisations are seen as by suppliers. Some of the attractiveness factors like representing a large sales volume or having high growth potential are more obvious and likely more significant than some others

(Hüttinger et al., 2014), but that does not mean that the other factors do not matter. In fact, La Rocca and Snehota (2021) remind that building customer attractiveness is an interactive process between the buyer and the supplier, and the weight of the different attractiveness factors largely depends on the context. Still, the most common attractiveness factors can be divided into five main categories as was done in the conceptual framework of this thesis. The categorisation in this paper is based on the study of Hüttinger et al. (2012), and the categories are market growth factors, risk factors, technological factors, economic factors, and social factors. Each category is reviewed more carefully in the following chapters where the concrete drivers and their significance is discussed.

2.1.1 Market Growth Factors

Out of all the categories of customer attractiveness factors, market growth factors might be the most obvious one. Many of the market growth factors were recognised already in 1982 by Fiocca. These include, for instance, company's size, market share, influence on the market, and barriers to entry or exit the market. It is rather straightforward to see that a large company with a significant market share and influence on the market is more likely to purchase larger volumes for a longer period. It is also likely to be more advanced at handling payments, communication, or other responsibilities of a customer. This gives a clear disadvantage for smaller and less-known firms who are not able to promote themselves in terms of purchase volume and must therefore work harder to increase their attractiveness in other ways (Kragh, Ellegaard & Andersen, 2022). The disadvantage is further amplified by the fact that none of these factors are easily changeable.

Another widely recognised market growth factor is the buyer's growth rate. Hald et al. (2009) mention that on average a supplier is far happier with a buyer that is growing than with a buyer that is not, because of the expected growth in supplier's sales due to growing purchase volumes, and the potential for amplification of the relationship. Hald et al. (2009) also discuss the access to new buyers or suppliers, which refers to the organisation's ability to act as a bridge to new partners and therefore allows the supplier to potentially increase its customer base or work with new suppliers. Like the previously mentioned market growth factors, growth rate or access to new partners are not easily changeable, especially with

public buyers. However, with these factors the buyers can still influence how they are perceived by the suppliers. For example, a common and working tactic used by nascent firms to increase their attractiveness is to sell suppliers the idea of their own growth potential and make considerable efforts to convince the suppliers that the future growth really is likely to occur (Jenkins & Holcomb, 2021).

When discussing market growth factors of customer attractiveness, external factors play a significant role too. Firstly, factors such as market growth or market access can be easily assessed based on judgement external to the relationship (Hüttinger et al., 2012). Secondly, market growth does not necessarily only mean the growth of one organisation, but the growth of a market, or an industry. An organisation that operates in a dying industry may not be perceived as particularly attractive, even if that organisation is doing well. Still, this is surely very context dependent. Another considerable factor regarding market growth is that it is not necessarily growth that the suppliers are always attracted to, but stability and certainty have some value as well. Fiocca (1982) lists market stability as an essential customer attractiveness factor, whereas Ramsay and Wagner (2009) emphasize the role of demand stability, stating that a stable demand facilitates the effectiveness of supplier's planning processes and minimises the risk of obsolescence. While demand stability and market stability can also be put under risk factors (Hüttinger et al., 2012), it is essential to note that growth is not always mandatory, but stability can be equally important. The most attractive scenario for suppliers may just be a stable demand combined with a high growth potential.

2.1.2 Risk Factors

Some of the most central risk factors of customer attractiveness are the dependence and power between the buyer and the supplier. Relationship dependence is defined as the degree to which a buyer or a supplier needs to maintain the relationship with the other side to achieve desired goals (Ganesan, 1994). Generally, increasing levels of perceived dependence increase the willingness to satisfy another organisation and maintain and develop a long-term relationship. Presumably, in a situation of power imbalance, the actor with the lower dependence level will exploit the dependent actor, and the actor with the higher dependence level will be dissatisfied with the relationship. (Hald et al., 2009) Although this is only a

generalisation and the actual relationship that companies have towards dependence and power is complex, the vast impact of power and dependence can't be denied. Quite often suppliers prefer to keep their independence and trade with buyers that are dependent on them. Host of factors also further impact dependence and power, and many companies have differing views on the concepts. For example, some suppliers specifically avoid becoming too dependent on any given supplier, whereas some suppliers actively focus on trading with buyers that are or could become dependent on them. (Ramsay & Wagner, 2009)

Dependence alone is not an ideal measure of a buyer-supplier relationship, which is why it should rather be examined together with trust. The level of trust determines whether a certain level of dependence could pose a risk, and vice versa. For instance, there could be a supplier and a highly attractive buyer where alternative customers are scarce or switching costs are high. In this scenario, the supplier may perceive a high level of dependence on the buyer. However, if the supplier also has a high level of trust in the buyer, this perceived dependence is not problematic, and the relationship can still succeed over time. Conversely, if the supplier has low trust in the buyer, the combination of high perceived dependence and low trust creates a sense of risk, which is not ideal for attractiveness nor the relationship. (Hald et al., 2009) Still, even a low level of trust is not automatically negative. According to Yang, Zhang, Zhou, and Zhang (2021), the trust-dependence congruence is what matters more, meaning that a congruence between trust and dependence at low levels is a better option than incongruence where one is high and the other low. A notable addition is also that the trust-dependence factor is where the risk factors cross with the social factors of customer attractiveness, and with the relational behaviour category of supplier satisfaction.

Aside from trust, power and dependence, other risk factors of customer attractiveness involve a mix of internal and external elements. Firstly, risk sharing plays a pivotal role, with customers that are willing to share the risks, related to innovation development for example, often regarded as more attractive (Ramsay & Wagner, 2009). Another impacting factor is the buyer's sourcing strategy regarding the number of suppliers. For example, if the buyer has a single-sourcing strategy with only one supplier per item, it is more likely to need supporting products like spare parts on top of the main product, which will then increase the total volume and ensure an ongoing product support for the supplier, therefore also signalling

trust in the supplier (Christiansen & Maltz, 2002). Intertwined with sourcing strategy are also demand stability and forecast reliability. According to Russill (1997), customers that regularly seek alternative sources of supply are less attractive than customers who have good planning systems and are therefore able to offer a stable demand and require low levels of specification change. Moreover, even if the demand is not always stable, accurate and reliable forecasts of future demand can still ensure a high customer attractiveness (Rozemeijer & Van Weele, 2002). Finally on the external front, Fiocca (1982) mentions political risk and market stability as significant impactors. As mentioned, these are also where the risk factors meet the market growth factors.

2.1.3 Technological Factors

The technological factors of customer attractiveness are a little more balanced between small and big companies, in a sense that technological factors can well be a source of advantage for small organisations with low leverage as well. According to Kragh et al. (2022), technological competence plays a more fundamental role in organisations that otherwise have lower leverage, since technological competence can then be used to offset the limitations in other areas of attractiveness. However, it is not enough to simply have the technological competences, but the organisation must also be willing to use and share them with the supplier proactively, to really create a feeling that the supplier can gain something from the relationship (Kragh et al, 2022). This could really be an advantage for smaller customers since larger buyers might not always be that interested in sharing their technologies with others, especially if the suppliers are not particularly important for them.

Often, what the suppliers wish to gain from the relationship is in some way related to innovation. Commitment to innovation and mutual knowledge transfer between buyer and supplier have been recognised as central attractiveness factors on several occasions (Christiansen & Maltz, 2002). Customers who are willing to assist suppliers with innovation development, develop innovations as joint projects, and therefore improve supplier's efficiency or technological competence, are often favoured by suppliers (Ramsay & Wagner, 2009). Moreover, Christiansen and Maltz (2002) found that training supplier staff, visiting supplier's premises, and transferring specialised technical knowledge are great tools in

cementing personal relationships by technological expertise. Suppliers' ability to innovate is often important for buyers as well, but it is possible that neither of the organisations have the capacity or expertise to develop innovations alone. This is why the co-development of innovations has become so important lately because it is mutually beneficial for both sides.

As with other categories of customer attractiveness, also with technological factors it is central how well the buyer can "sell" the supplier the idea of its technological capacity. Showing commitment to innovative technologies and products, being proactive in problem identification and solution, and allowing suppliers to participate in internal R&D activities have all been shown to impact suppliers' perception of customer attractiveness, even though these things do not necessarily mean that the buyer's technology really is at an advanced level. This means that besides the technology itself, the reputation of the technology also plays a vital role in attractiveness. (Jenkins & Holcomb, 2021) Moreover, the technology is directly related to the skills and capabilities of the customer. According to Fiocca (1982), the depth and type of customer's technological skills are often considered meaningful by the supplier even if the customer does not currently possess any ground-breaking technologies. High level of skills also increases the customer's ability to cope with changes, which is also listed as an important technological attractiveness factor by Fiocca (1982). Ability to cope with changes, or flexibility, is likely an even more decisive factor today, as the recent changes in the business environment have been so unpredictable.

2.1.4 Economic Factors

The economic factors of customer attractiveness are partly similar to the market growth factors. Margins, prices, volumes, and capacity utilisation are put under economic factors by Hüttinger et al. (2012), but they could also be seen as market growth factors. For suppliers the price/volume component corresponds to cost reduction and buyers that are willing to pay higher prices for more value or provide higher volumes at reduced unit costs, are more valuable and attractive (Hald et al, 2009). The overall profit is the most frequently referenced economic factor, since other factors fit well under it, and it is certain that suppliers will always require profit from the relationship. According to Ramsay (1994), some of the more specific components of overall profit include sales volume, sales impact, and payment

format. Furthermore, Fiocca (1982) mentions leveraging factors like economies of scale, customer's experience, and the cost elements as essential economic factors. All this implies that as with market growth factors, also with economic factors larger organisations have a clear advantage compared to smaller customers.

Notable economic factors are also customer's practice of paying on time, and customer's prospective readiness and ability to invest sufficient funds in an extension of the cooperation in the future. Both these are vital signs for the suppliers as investing highly on the relationship shows the customer's commitment and really stresses the customer's need for secure returns in the future, which is a positive sign for the supplier as well. (Windler, Juttner, Michel, Makland & Macdonald, 2017) The investments could be either financial or relational, so they do not necessarily only consider large organisations, although the investments are certainly easier to make for them. Still, the relational investments could also be a potential source of advantage for smaller organisations. However, relational investments belong to the attractiveness category of social factors, rather than to economic factors.

The significance of the economic attractiveness factors is widely taken for granted in the literature. Therefore, it is notable that much of the existing literature seems to focus on non-economic attractiveness factors or methods to enhance attractiveness through non-economic means. This is rather unsurprising though, since the economic factors are quite self-evident, and they are relatively difficult to change by the buyers themselves. Nevertheless, it could be argued that improving customer attractiveness across other categories also indirectly improves the economic dimension of attractiveness. For instance, a customer that is prominent technologically, has an innovative mindset, and communicates effectively with the supplier can be considered also economically attractive since these are desirable traits from an economic perspective too.

2.1.5 Social Factors

The role of social customer attractiveness factors is nowadays widely recognised in the literature. The social factors encompass diverse elements that are relevant in distinct ways. On one hand, social attraction may stem from simple affairs like familiarity, similarity, or

compatibility, which implies that customers with similar backgrounds to the supplier have a natural advantage (Harris et al., 2003). Ramsay and Wagner (2009) also claim that personal preferences, personal motivation, and favourable interorganisational relations have a significant impact, which means that the role of people is pivotal, and that the attractiveness is not only based on bare numbers. Possibilities for extensive face-to-face contact, long-term commitment to the supplier, jointly executed projects, and attentiveness from the customer are also meaningful to many suppliers since they foster a more personalised relationship (Christiansen & Maltz, 2002). In the long run, these interpersonal dynamics can also have a financial impact by facilitating smooth and cooperative interactions.

According to La Rocca and Snehota (2021), customer attractiveness is a relational concept, which means that customers are not objectively attractive, but they are only perceived as more or less attractive by individual suppliers. This refers directly to the social side of customer attraction, meaning that the role of the personal buyer-supplier relationship is significant. Similarly, Kragh et al. (2022) highlight the role of communication, supplier learning, and relationship maintenance. They mention trips to suppliers, constructive feedback, suggestions for improvement, and general proactiveness as concrete means to bolster the relationships. The use of social capital especially among low leverage organisations has also received some attention. According to Jenkins and Holcomb (2021), the effectiveness of relationship-building practices can be positively moderated by leveraging structural or relational social capital resources that even small organisations possess. In this case, leveraging structural social capital refers to giving suppliers access to a larger social network with potential new customers, and leveraging relational social capital refers to using the existing social ties and the trust between actors to build the relationship.

As implied earlier, social customer attractiveness is inherently subjective, and always tied to suppliers' perceptions (La Rocca & Snehota, 2021). While the same could apply to all areas of customer attractiveness and supplier satisfaction, with social factors it is more obvious. Given the diversity of supplier preferences, it can't be said that a certain way of communication, for instance, is always perceived as attractive by all suppliers. Therefore, it would be beneficial to identify social factors of customer attractiveness that are simpler to measure. Suggestions by Ramsay and Wagner (2009) are long-term interactions and

reliability. The length of interaction can be quantified through contract length, while reliability can be assessed by, for example, measuring how reliably the customer tends to pay its bills on time. Of course, these measurements are not entirely free of subjectivity either, but they do provide relatively clearer indicators. While these elements could also be placed under risk factors or economic factors, they also have the social elements in them, so mentioning them under social factors is justified.

2.2 Supplier Satisfaction

As with customer attractiveness, also with supplier satisfaction the literature has recognised the marketing perspective for much longer than the procurement perspective. The term customer satisfaction, which refers to the satisfaction of the buyers, has been relevant in business for decades (Anderson & Narus, 1990), while research on supplier satisfaction only began to appear around year 2000. A definition of supplier satisfaction by Schiele et al. (2012, 1181) is “a condition that is achieved if the quality of outcomes from a buyer-supplier relationship meets or exceeds the supplier's expectations”, so basically it is the buyer's ability to live up to the supplier's expectations. Hüttinger et al. (2014, 703) have a similar definition, which is “positive affective state resulting from an overall positive evaluation of the aspects of a supplier's working relationship with the buying firm”. Finally, to show the uniformity of the definitions, Essig and Amann (2009, 103) define supplier satisfaction as “supplier's feeling of fairness with regard to buyer's incentives and supplier's contributions within an industrial buyer–seller relationship”. A notable common aspect to all the definitions is the subjectivity aspect, which means that like customer attractiveness, supplier satisfaction is based on the opinions and perceptions of people rather than bare facts.

To separate supplier satisfaction from customer attractiveness, there is firstly the aspect of the phase of the relationship, which in customer attractiveness is either before or during the relationship, whereas in supplier satisfaction the focus is generally on ongoing relationships (Jääskeläinen et al., 2022). Another distinction is that while attractiveness of a customer can refer to all suppliers, satisfaction is derived from a specific single interaction. For example, a large buyer might be equally attractive to nearly all suppliers, but the outcomes of the interaction could turn out very different for two suppliers, in a way that one is satisfied with

the buyer and the other is not, despite having the same expectations in the beginning. Thus, a customer could be attractive, but the supplier unsatisfied, which proves that customer attractiveness and supplier satisfaction should be evaluated separately. (Hüttinger et al., 2012) To sum up the difference, Essig and Amann (2009) state that while attractiveness refers to the expectations of the relationship, supplier satisfaction refers to how the supplier perceives the actual behaviour of the buyer within the relationship.

As with customer attractiveness, the roots of supplier satisfaction lie in social exchange theory, which describes exchanges regarding both material goods and intangible value (Homans, 1958). SET is the most frequently used grand theory of supply management in the supplier satisfaction context (Schiele et al., 2012). SET addresses critical issues of relationship initiation, continuation, and termination (Kelley & Thibaut, 1978, cited in Schiele et al., 2012), which align with research on both customer attractiveness and supplier satisfaction. By implementing a social exchange perspective, it is also possible to establish links between customer attractiveness, supplier satisfaction, and preferred customer status (Schiele et al., 2012). A suggestion by SET is that partners only stay in a relationship as long as they can gain satisfactory rewards from it, and the level of satisfaction is relative, so it is perceived differently by different actors (Lambe, Wittmann & Spekman, 2001). Moreover, for supplier satisfaction, and also for preferred customer status, a key contribution of SET is the notion of reciprocity, which entails that the more satisfied the supplier is with the buyer, the more it reciprocates these feelings by making relational investments (Nyaga, Whipple & Lynch, 2010). This is confirmed by Weller, Pulles, and Zunk (2021), who also found supplier satisfaction to trigger reciprocal behaviour from the supplier, resulting to more favourable resource allocation to the buyer. However, Weller et al. (2021) also challenge their finding and SET by arguing that unmet supplier expectations do not always reduce satisfaction, and surpassing supplier expectations does not guarantee high satisfaction. This complexity highlights that no single theory can comprehensively explain supplier satisfaction.

Therefore, another relevant theory regarding supplier satisfaction is social capital theory (SCT). SCT was first applied to empirical supplier satisfaction and preferred customer status research by Jääskeläinen et al. (2022), who studied the impact of social capital on supplier satisfaction and preferred customer status. The key finding was that actions that increase

social capital both improve the operational performance of the relationship and make the suppliers more satisfied. Also, out of the three dimensions of social capital, (relational, structural, and cognitive capital), relational and structural capital are beneficial for supplier satisfaction, but cognitive capital does not have a significant impact. (Jääskeläinen et al., 2022) Based on the amount of conducted research on the theories, the role of social capital theory is not currently as remarkable as the role of social exchange theory, although it does have potential. Thanks to the potential, applying SCT can also be useful to broaden the current understanding.

As for the categorisations of drivers or antecedents of supplier satisfaction, several different ones have been identified. Firstly, Maunu (2003) divides the dimensions of supplier satisfaction into nine categories, which are further divided into business-related, and communication-related. The business-related dimensions are concrete and fact-based, and include profitability, agreements, early supplier involvement, business continuity, and forecasting or planning. The communication-related dimensions are more human-based and softer values, and they include roles and responsibilities, trust and openness, feedback, and buyer's values. (Maunu, 2003) Leenders, Johnson, Flynn, and Fearon (2006, 497-499) constructed an alternative framework of satisfaction, where the tools to improve satisfaction either from supply management or marketing perspective are (1) granting substantial volumes, long-term commitments, and exclusivity agreements, (2) sharing internal information and extensive communication, (3) showing willingness to change one's behaviour, and (4) responding rapidly and positively to requests. Essig and Amann (2009) in turn propose an index of three dimensions consisting of six factors and 36 indicators of supplier satisfaction. The dimensions are strategic, operational, and accompanying, and they include several factors that can be linked to different stages of the procurement process (Essig & Amann, 2009). Finally, the categorisation by Hüttinger et al. (2012) consists of four categories, that are the R&D-based technical excellence, the purchasing-based supply value, the production-based operational excellence, and the general mode of interaction. Even though none of these frameworks are used more extensively in this research, they needed to be presented because the framework that is used has been influenced by them.

The framework of supplier satisfaction that is used in this study has been developed by Vos et al. (2016). The direct drivers of supplier satisfaction by this framework are profitability, growth opportunity, relational behaviour, and operative excellence. Out of these, profitability and growth opportunity are regarded as economic factors and relational behaviour and operative excellence as relational factors (Weller et al., 2021). Additionally, innovation potential, support, reliability, involvement, and contact accessibility are listed as second-tier antecedents of supplier satisfaction, meaning that they positively influence one of the first-tier antecedents. (Vos et al., 2016) Similar findings have been made by Hüttinger et al. (2014), who list growth opportunity, reliability, and relational behaviour as the influencing factors of supplier satisfaction, but deny the direct influence of operative excellence, innovation potential, support, supplier involvement, or contact accessibility. The extension of the study of Vos et al. (2016) to the study of Hüttinger et al. (2014) is the context of indirect procurement, meaning that it also acknowledges the indirect second-tier antecedents of supplier satisfaction. These two studies have a lot in common and are both influential regarding this study. The first-tier antecedents of supplier satisfaction by Vos et al. (2016) are explained more profoundly in the following subchapters.

2.2.1 Profitability

Profitability is one of the economic factors of supplier satisfaction. The measure of profitability originates from the study of Ramsay and Wagner (2009), and it includes achieving higher margins and profitability for the buyer-supplier relationship, for instance. (Vos et al., 2016) Profitability as such is a self-explanatory concept and compared to the other categories of supplier satisfaction it does not encompass as many explaining factors. Still, the category of profitability can also be slightly expanded to concern a broader group of economic drivers of supplier satisfaction. Hüttinger et al, (2012) mention bargaining position during negotiations, using reward-mediated power sources, and dedicated investments as examples of supplier satisfaction drivers in the category of supply value, which is similar to the profitability category. Moreover, some of the essential economic satisfaction drivers found by Hudnurkar and Ambekar (2019) are related to price, payment terms, and finance policy, and include factors like win-win type of price negotiation strategy, being able to reduce cost without sacrificing on quality, and follow-ups for payment.

The interplay of economic and relational antecedents of supplier satisfaction has many variations. Aside from profitability and growth opportunity, the economic factors can include growth in supplier's turnover, buyer's size, order volumes, or level of dependence, for instance. Additional relational factors are listed in chapters 2.2.3 and 2.2.4. Occasionally, a supplier can be dissatisfied with the buyer's relational factors, but the buyer might still receive top priority from it, due to the high level of the economic factors, like high account volumes or high value perceived from the buyer's reputation. However, opposite cases have also been identified, meaning that low relational satisfaction has resulted in declining supplier performance despite supplier's high dependence on the buyer's volumes. This means that the weights of the economic and relational factors of supplier satisfaction are case-specific. (Weller et al., 2021) However, Glavee-Gleo (2019) emphasizes that both economic and non-economic supplier satisfaction are needed, and that the fit between them is critical for relationship continuity, even more critical than achieving a high level on only one of them. Many factors can potentially impact supplier satisfaction, and each factor's actual significance depends on the supplier and the relationship.

The case of the impact of profitability factors on supplier satisfaction resembles a lot the case of economic factors of customer attractiveness. The factors are relatively similar, and their role can't be denied, but much of the relevant literature is focused on other impacting factors. This is unsurprising since the most impactful things like volumes, size of the organisation, or levels of dependence are not easily alterable. Still, like with the economic drivers of customer attractiveness, also the profitability aspect of supplier satisfaction is influenced by the other categories. This means that improving the relational or operational factors of the relationship will likely have a positive impact on profitability too, which will then create a positive cycle and further improve the supplier satisfaction on multiple levels and enhance the overall satisfaction from both sides. Although this is a very idealistic scenario, it can be argued that this is what organisations should eventually aim for.

2.2.2 Growth Opportunity

The perceived growth opportunity for suppliers is the other economic factor of supplier satisfaction (Weller et al., 2021) and directly connected to the category of market growth

factors of customer attractiveness. This means that the market growth factors for customer attractiveness and the growth opportunity factors for supplier satisfaction overlap to a certain extent. According to Hüttinger et al. (2014), the perceived growth opportunity could be based on either growing together with the buyer, or having large customers that purchase high volumes. While the steady mutual growth is perhaps more related to attractiveness, Walter, Ritter, and Gemünden (2001) argue that large and prestigious customers can create value for suppliers through their valuable reference effects which enable suppliers to access new markets and new potential customers. Smaller organisations are unlikely to be able to provide this since they normally do not have the same contact networks as the large ones.

As for the drivers of growth potential, one of the positively impacting factors is innovation potential. Whereas perceived innovation potential does not directly enhance supplier satisfaction, it increases the growth potential of the buyer and the supplier, and therefore also improves supplier satisfaction, indirectly. (Vos et al., 2016) In other words, organisations that are more innovative are associated with a stronger market growth (Audretsch, Coad & Segarra, 2014). As mentioned earlier, means for buyers to demonstrate their innovation potential to suppliers are, for instance, showing commitment to innovative technologies and products, being proactive in problem identification and solution, and allowing the supplier to participate in internal R&D activities (Jenkins & Holcomb, 2021). Although the study of Jenkins and Holcomb was primarily focused on customer attractiveness, their findings are relevant for supplier satisfaction research as well.

Moreover, some supplier satisfaction drivers listed under technical excellence and the R&D function of an organisation by Hüttinger et al. (2012) could also fit under the category of growth opportunity. One of these is the early involvement of the supplier in the product development and R&D processes, which can be regarded as essential for securing future orders by suppliers especially in fast-changing, technologically complex product sectors (Ramsay & Wagner, 2009). The need for involvement depends a lot on the intensity of cooperation and the type of purchase though, since for example a supplier of standard parts or basic services is likely see extensive involvement in the development process as unnecessary (Essig & Amann, 2009). Related to involvement, according to Nyaga et al. (2010), joint relationship efforts like planning, goal setting, performance measurement, or

problem solving, increase trust and commitment between the parties, which lead to improved satisfaction. Finally, technical and business competence of the customer are also argued to have an impact on the functionality of communication (Essig & Amann, 2009). With some of these attributes, it is not straightforward which category they belong in. Because the categorisations in the literature have their differences and only the categorisation of Vos et al. (2016) has been applied, some factors could fit in other categories too, which should be noted going forward.

2.2.3 Relational Behaviour

Relational behaviour is the first of the relational factors of supplier satisfaction. The relevance of the relational factors has been widely recognised in the literature, and long lists of relational antecedents of supplier satisfaction exist. The role of relational behaviour for supplier satisfaction has been studied and confirmed by, for example, Nyaga et al. (2010), Hüttinger et al. (2014), and of course Vos et al. (2016). The significance of relational behaviour and other relational satisfaction factors is recognised also by Weller et al. (2021), although they also add that even poor relational behaviour and satisfaction can still result in the buyer receiving top priority from the supplier if the economic factors are at a high level. Still, Vos et al. (2016) argue that relational behaviour indeed is one of the first-tier antecedents of supplier satisfaction, and at the second tier, support, reliability, and involvement affect relational behaviour positively.

Regarding the second-tier antecedents, Hüttinger et al. (2014) argue that the impacts of customer's support for the supplier or supplier involvement are insignificant for supplier satisfaction, whereas reliability has a significant impact. Still, since their significance at the second tier is recognised by Vos et al. (2016), they can be considered as factors of relational behaviour. Additionally, two factors that fit under relational behaviour, are trust and social bonds. According to Morgan and Hunt (1994), trust in business context is reliability, credibility, and integrity of the partners involved in exchange relationships, and trust together with the partners' commitment and relationship bonds directly influence relationship satisfaction. However, Shanka and Buvik (2019) found that trust alone does not boost relationship satisfaction if the level of dependence is low, although with high

dependence the trustworthiness does influence satisfaction. Social bonds in turn, are personal ties or linkages that develop exchange relationships through interpersonal interactions, identifications, and friendships, which have a boosting effect on exchange relationships (Liang & Chen, 2009). According to Shanka and Buvik (2019), social bonds have a crucial role in enhancing supplier satisfaction, and the role only heightens over time in the later stages of the relationship. This finding highlights the significance of time and duration in relationships, which has also been confirmed by Yen and Barnes (2011), who say that both trust and social bonding are at higher levels in the more mature stages of the relationship.

Furthermore, Essig and Amann (2009) argue that the role of communication within conflict management and order process, for example, is significant for supplier satisfaction. Hüttinger et al. (2012) provide a long list of factors that they put under a category of “mode of interaction”, but which also fit under relational behaviour: politeness of employees, openness, reciprocity, feedback, constructive controversy, speed of reaction, and quality of reaction. Under the same category are information-related factors, which are level of information exchange, quality of information, and accuracy and timeliness of information exchange (Hüttinger et al., 2012). Further additions by Weller et al. (2021) include knowledge sharing routines, fairness of the relationship, availability, and personal relationships. The findings of Jääskeläinen et al. (2022) that emphasize the roles of structural and relational social capital in supplier satisfaction can also fit under relational behaviour. As mentioned earlier, the list of factors that can be put under relational behaviour is very long, and all factors certainly are not equally important. The key regarding relational behaviour is the big picture, that the overall perception by the supplier is positive.

Finally, relational behaviour is also where the role of boundary spanners is critical. Boundary spanners are the people who represent their organisations in an interfirm relationship and directly interact with their counterpart, the boundary spanner of the other organisation (Hald, 2012). Boundary spanners are critical for managing interfirm collaboration and they have a critical role in developing the relationship on a firm level (Dekker, Donada, Mothe & Nogatchewsky, 2019). Through their constant and repeated interactions, they come to share representations and information, develop knowledge, solve joint problems, and manage conflicts, so they need strong relational capabilities like communication skills, proactivity,

flexibility, adaptability, self-reflectiveness, and empathy (Tangpong, Hung & Ro, 2010; Walter, 1999). According to Dekker et al. (2019), the role of the boundary spanners is the most critical when the collaboration is not too complex and when the interaction takes place on multiple levels. Regarding supplier satisfaction, the role of boundary spanners varies. It can be critical, but it is also normal that the boundary spanner does not make any major decisions on the supplier's resource allocation. Even if the supplier's boundary spanner's satisfaction is low, the supplier's higher management could choose to prioritise the buyer if the volumes are high, for example. Therefore, a buyer can get a perspective on how to increase the satisfaction of a supplier by gaining knowledge about the internal dynamics and decision-making processes in the supplier's organisation. (Weller et al., 2021)

2.2.4 Operative Excellence

The final category of supplier satisfaction is operative/operational excellence. Operative excellence, or operational behaviour can be considered as a relational factor, or as a separate operative factor of supplier satisfaction (Vos et al., 2016). Operative excellence is a first-tier antecedent of satisfaction because it reflects the overall professional and cooperative supply chain strategy of the buyer (Nyaga et al., 2010). According to Essig and Amann (2009), low levels of operational excellence tend to hinder business transactions and can be detrimental to supplier satisfaction. Interestingly, the significance of operative excellence for supplier satisfaction is not confirmed by Hüttinger et al. (2014), although they do acknowledge its role regarding customer attractiveness and preferential treatment. This proves that the views of scholars on the antecedents of supplier satisfaction do not completely align. Moreover, customer attractiveness, supplier satisfaction, and preferred customer status are their own entities, and achieving one of them does not guarantee achieving the others.

While operative excellence also comprises many aspects, one of the central direct influencers according to Vos et al. (2016) is contact accessibility, meaning that perceived access to the contacts is considered a second-tier antecedent of supplier satisfaction. Otherwise, diverse components of operative excellence have been discovered by academics. Essig and Amann (2009) mention order processing, billing procedures, and delivery processes as parts of operational level satisfaction. They have also studied the roles of time scheduling, payment

habits, support, and business competence, which have been mentioned in other categories of satisfaction too, but which are put under the category of operational excellence by Hüttinger et al. (2012). Reliable forecasts and quick decision-making processes are also added to the list by Hüttinger et al. (2014). In general, the factors related to operative excellence often relate to the efficiency of the standard day-to-day operations of the company.

It can also be argued that operative excellence is largely based on the skills of the employees in an organisation. A relevant factor regarding the excellence of purchasing would therefore be the level of skills of the purchasers. Stek and Schiele (2021) have conducted a study on the kind of purchaser skillsets that are the most beneficial for achieving different objectives of purchasing. One of the studied objectives of purchasing was supplier satisfaction, and it was actually found to be the most challenging to achieve out of all seven studied objectives, in a sense that it requires the largest set of skills from purchasers. Necessary purchaser skills to achieve the objective of supplier satisfaction include (1) organisational insight and value adding, (2) result orientation, (3) supplier relationship management, (4) imagination, (5) sellership, (6) innovation sourcing, (7) analytics, and (8) networking. This means that a purchaser who succeeds in having satisfied suppliers is likely to be skilled in all these aspects, and a poorly trained purchaser that is not skilled in these is more likely to generate unsatisfied suppliers. (Stek & Schiele, 2021) This really proves the strategic level and the complexity of supplier satisfaction. Of course, not all the skills are required in all situations, but all these are likely beneficial. Finally, the main factors of both customer attractiveness and supplier satisfaction from each category are summarised on the next page in figure 4.

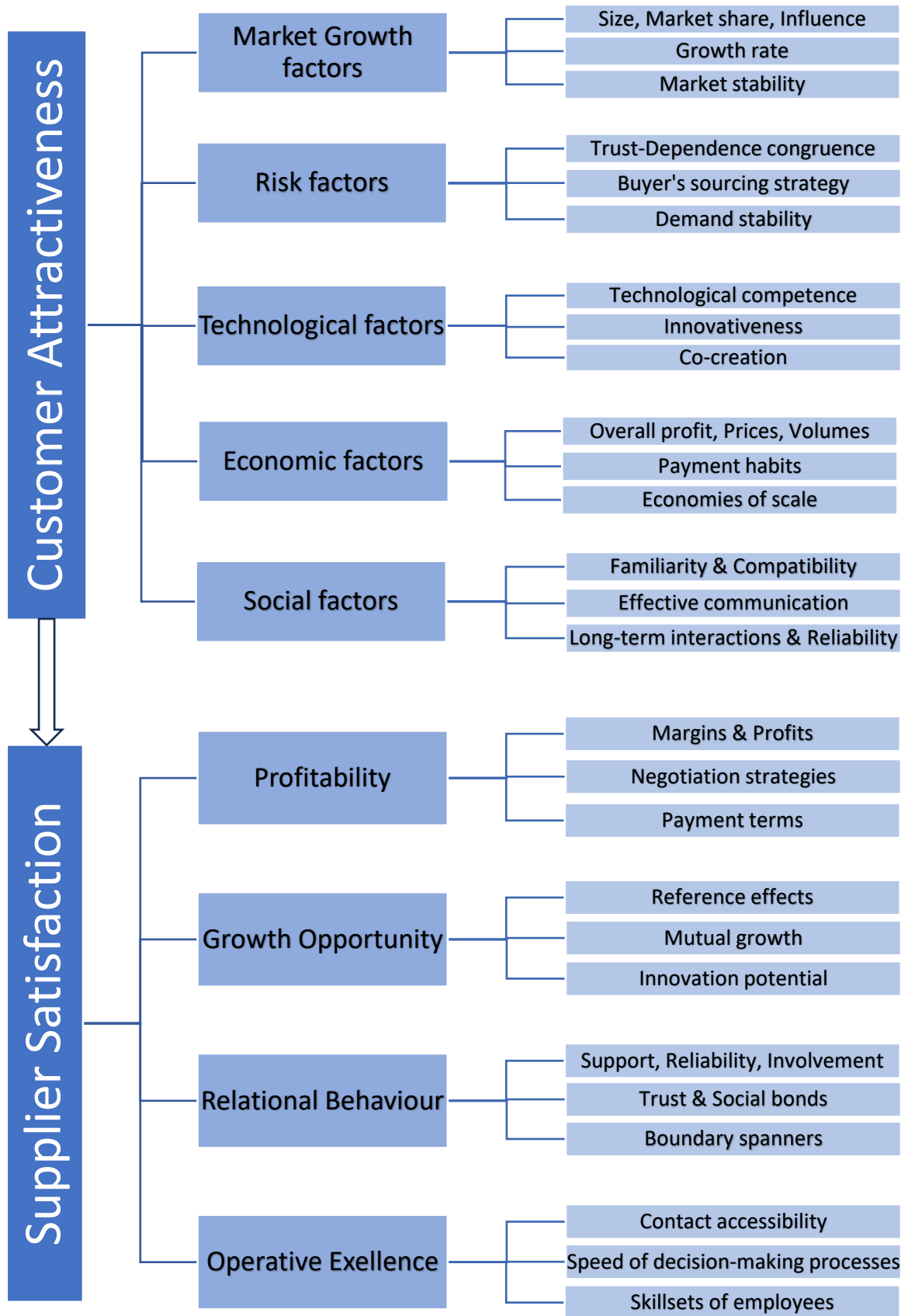


Figure 4: Summary of the Categories of Customer Attractiveness and Supplier Satisfaction

2.3 Preferred Customer Status and Preferential Resource Allocation

Perhaps the most desired reward for a high supplier satisfaction is being awarded preferred customer status. If a supplier is satisfied with a customer, it is more likely to reward it with a preferred customer status and give the customer preferential treatment (Hüttinger et al. 2012). According to Steinle and Schiele (2008, 11), a buying company is a preferred customer “if the supplier offers the buyer preferential resource allocation”. Hüttinger et al. (2012, 1195) add that preferred customers status “implies a strategic prioritization by suppliers and is expressed as the preferential behaviour towards the customer”. Jääskeläinen et al. (2022, 387) similarly define preferred customer status as “a relative status which is awarded by the supplying firm to its favourite customer(s)”. Therefore, preferred customer status itself is an abstract concept, and its true value lies in the benefits it offers. Some of the major benefits include increased availability of scarce materials, more competitive prices, and promotion of innovation (Nollet, Rebolledo & Popel, 2012; Patrucco, Moretto, Luzzini & Glas, 2020; Pulles, Veldman & Schiele, 2014). Aside from supplier satisfaction, four categories of drivers of preferred customer status identified by Hüttinger et al. (2012) are economic value, relational quality, instruments of interaction, and strategic compatibility.

As explained, preferred customer status and preferential treatment from suppliers are sort of outcomes or rewards from a successful management of customer attractiveness and supplier satisfaction. Although customer attractiveness and especially supplier satisfaction substantially increase the buyer’s chances of being awarded preferred customer status, it is also possible that the buyer’s status in the supplier organisation is not good enough for the supplier to allocate superior strategic resources towards it, despite high customer attractiveness and supplier satisfaction (Nollet et al., 2012). Weller et al. (2021), also argue that customers with poor relational behaviour and low supplier satisfaction can still receive preferential treatment if their economic value for the supplier is high, or if the supplier is dependent on them. Jääskeläinen et al. (2022) confirm this by claiming that supplier satisfaction is not always necessary for achieving preferred customer status, and it is rather just one of the several antecedents. Additionally, Pulles, Schiele, Veldman, and Hüttinger (2016) argue that supplier satisfaction is a significant mediator between customer

attractiveness and preferential resource allocation, meaning that attractive customers are less likely to become preferred customers if they fail to achieve supplier satisfaction.

So even though supplier satisfaction does not automatically guarantee preferred customer status, it is still shown to be a key factor in mobilising supplier resources. According to Pulles et al. (2016), buyer who is a preferred customer and receives preferential resource allocation from a supplier can gain significant competitive advantage compared to its competitors from its relationship with the supplier. Besides the ones already mentioned, major benefits of preferred customer status include cost and pricing benefits, delivery priorities, diverse operational benefits, and access to supplier innovations. (Pulles et al., 2019) Steinle and Schiele (2008) also mention joint new product development, product customisation, offering innovation to the buyer, or even exclusivity agreements as significant benefits of being a preferred customer. Also, in a situation of material or component scarcity, preferred customers are likely to be favoured so that the deliveries to them are prioritised over the deliveries to regular customers (Nollet et al., 2012).

The benefits of being a preferred customer can't be denied, and buyers normally want to become preferred customers of their key suppliers (Nollet et al., 2012). However, Piechota, Glas, and Essig (2021) argue that the supplier's perception of the comparison level of the outcomes received from the current relationship compared to the outcomes from other potential relationships, is equally if not more important for preferred customer treatment than supplier satisfaction. To clarify, the supplier is less likely to award preferred customer status to a customer if it perceives another alternative relationship to be more beneficial for it, even if the supplier is satisfied with the customer, according to Piechota et al. (2021). This implies that achieving preferred customer status also depends on factors external to the relationship. Still, no study seems to disregard the role of supplier satisfaction, so it is safe to say that achieving supplier satisfaction is necessary, although perhaps not alone sufficient for receiving preferential treatment.

Finally, it is integral to note that the cycle of supplier resource mobilisation (figure 3) does not end at achieving preferred customer status. Once a company is a preferred customer of

a supplier, it should capitalise on the competitive advantages of the status. This refers to supplier-oriented action for value creation, which further refers to supplier development actions. According to Holmen, Pedersen, Jansen, and Vagn Freytag (2007), to maintain supplier resource mobilisation over time, supplier-oriented actions and supplier development initiatives that set the structure for a collaborative and structured process are required. Finally, the last step of the supplier resource mobilisation cycle is integrating the supplier's resources in the organisation's own value-creating process. There, the focus is on the buyer's internal processes and factors, like getting support from top management, having adequate internal measurement and monitoring systems, and being able to remove internal barriers for supplier resource mobilisation. The internal processes need to be efficient enough to effectively mobilise the supplier resources. As for the cycle, the form is a cycle because the process of supplier resource mobilisation should be repeated regularly to be able to adapt to coming changes and maintain the competitive advantage that has been earned. (Pulles et al., 2019) The whole cycle is so essential because only by completing the whole cycle, the benefits of customer attractiveness and supplier satisfaction can truly be capitalised on.

The most central takeaways from chapter two are the listed categories and factors of customer attractiveness, supplier satisfaction, and preferred customer status. The categories were distinctly separated in this chapter, and all the mentioned factors were placed in a specific category. However, that does not mean that the categorisation is straightforward. Even the existing literature encompasses several differing categorisations of the influencing factors, and it is likely that the categorisation of the factors that this study discovers is not going to be straightforward either. Overlapping categories and the identification of previously undisclosed factors are expectable, especially since this study focuses on public procurement and the literature review was primarily based on private procurement. Before delving into the results of this study though, the following chapter addresses the domain of public procurement. As indicated in the introduction, public procurement differs from private procurement in several aspects. Notably, the goals and challenges are characteristic specifically for public procurement, and they are the reason why the influencing factors of customer attractiveness and supplier satisfaction are likely to differ from the ones of private procurement. Further details on all these aspects are covered in the next chapter.

3 Public Procurement

This second literature review chapter takes a closer look at the world of public procurement. The previous chapter primarily discussed customer attractiveness and supplier satisfaction from the private companies' perspective, due to the scarcity of literature on the topic from the public sector. However, this chapter turns the discussion towards public procurement by reviewing the main differences between private and public buyers, regarding the goals and challenges of the public sector. Weiss (1993), cited in Erridge and McIlroy (2002), defines public procurement shortly as acquisition for public consumption. Uyarra, Edler, Garcia-Estevez, Georghiu, and Yeow (2014) mention that principally public procurement is a vehicle that allows public sector organisations to perform their functions and deliver their key services effectively. The three strands of public procurement which can be achieved with different contract elements, are commercial, regulatory, and socio-economic strand (Erridge & McIlroy, 2002). The diverse strands indicate that public procurement's main goal is not necessarily to always get the economically best solution, which could appear as unappealing for some suppliers. Public buyers may also have certain advantages over private buyers, and a degree of variation is likely, depending on the country, industry, market, and organisation.

The World Bank (2022) has made a summary of the central statistics of public procurement in Finland in 2021. Annually, Finland's public procurement system spends around 35 billion euros, which is approximately 19,4% of GDP. Compared to other Nordic EU countries, the percentage is relatively high, which is due to the particularly large size of the public sector in the Finnish economy. Compared to the average, the Finnish public procurement system is more harmonised and decentralised, and the level of corruption is low. Corruption is not a systemic challenge in Finland, so there is not even a comprehensive anti-corruption strategy in place. This is mainly thanks to three things:

- high level of public confidence in institutions, administration, and civil servants
- functional control environment which is facilitated by decentralised legislative framework, tight financial monitoring and professional peer-control
- heavy regulation and a strong legalistic tradition of administrative culture at the frontline of the fight against corruption.

The lack of corruption and providing good value for money to taxpayers are considered the main strengths of the Finnish public procurement. On the other hand, lack of innovation, having few calls for tenders, and shortcomings in procurement expertise are considered the main weaknesses of Finnish public procurement. (The World Bank, 2022) This report further indicates that the regulatory aspect of public procurement works well in Finland, whereas customer attractiveness and supplier satisfaction are not, expectedly, at an ideal level. The challenge in Finland is therefore improving them while retaining the current success in the regulatory strand of public procurement.

According to Uyarra et al. (2014), SMEs and small organisations often do not participate in public tenders simply because the contracts are too large for them, which makes it difficult for them to meet the required quantities and pre-qualification criteria. This is, even if they would be otherwise interested in supplying for the public organisation. Although the large contract size can be an issue, it can also be an advantage. Large contracts and volumes are listed in the market growth factors and economic factors of customer attractiveness, and also in the profitability and growth opportunity categories of supplier satisfaction (Hüttinger et al., 2012; Ramsay and Wagner, 2009). Although the contract sizes and volumes in the public sector vary a lot, the commonly large size of contracts is a significant advantage for public organisations over private ones. This advantage is quite often overlooked in the literature, which is relatively strange. A potential explanation for this lies within the pooling challenges of public procurement, which originate from the small volumes of multiple objects that are purchased (Schotanus & Telgen, 2007). The pooling challenges are explained more thoroughly later in the paper, but simplified it means that the large size of contracts does not guarantee high volumes for single products, making the contracts less attractive in the end. Nonetheless, public procurement does also have significant advantages over private companies, especially in the economic and profitability related side of customer attractiveness and supplier satisfaction. These aspects can in many cases outweigh the more relational aspects, making public organisations more attractive than perhaps expected.

Despite the potential strengths of public procurement, the general lack of attractiveness of public buyers has been recognised a long time ago (Evans & Schulz, 1997). It is clearly a major issue, proven by the statistics of public procurement in EU. In 2021 for example, 25%

of public procurement contracts were awarded to single bidders, meaning that there was only one bid on the tender, and 6% of tenders received no bids at all (European Commission, 2022). Although Finland's rates beat the average, 14% for single bidder and 3% for no bids (European Commission, 2022), the proportion of tenders receiving few bids still seems alarmingly high. Such lack of competition does not encourage suppliers to innovate or develop their offerings, leading to decreasing quality and increasing cost of public purchases. This puts public procurement under a lot of pressure to appear as a more attractive and to tempt the most competitive suppliers in the market. This would be beneficial for citizens and taxpayers as well, since they expect a fair return for their taxes in the form of high-quality public services, which they can't get if public procurement is not working properly (Karttunen et al., 2022). This further highlights the importance of customer attractiveness and supplier satisfaction in the public sector, not only for the business perspective, but also for the average citizen. The challenges and disadvantages of public buyers compared to private buyers are reviewed more closely soon, but first the goals of public procurement are addressed, to properly grasp the underlying logic of public procurement.

3.1 Goals of Public Procurement

As mentioned, the goals of public procurement clearly differ from the goals of private procurement. Achieving the commercial, regulatory, and socio-economic goals requires relatively different actions, so compromises must be made in a way that none of the goals can be maximised. (Erridge & McIlroy, 2002) At the time of Erridge and McIlroy's article, the dominating strands were the commercial and regulatory strands, but lately the role of the social strand has been on the rise too (Grandia & Meehan, 2017). To decide which strands are prioritised, the needs of different stakeholders and the environment need to be considered (Erridge & McIlroy, 2002). If the suppliers were considered as the primary stakeholders, it would be a relatively obvious choice to invest in improving customer attractiveness and supplier satisfaction, which would primarily mean prioritising the commercial strand. However, the needs and interests of taxpayers are normally more important, so public procurement must ensure that it works according to the laws and standards (regulatory strand) and that the desired outcomes in society can be achieved (socio-economic strand).

Some of the key aspects of the commercial strand are maximising the value for money, reaching economically profitable outcomes, and being efficient in all actions. Competitive tendering is one of the main levers in this, since having multiple offers from multiple suppliers that must compete and keep improving their offers, is sure to improve the outcome. Furthermore, having closer relationships with suppliers and establishing longer contracts improves the quality of the buyer-supplier relationship, which is then likely to improve the profitability too. (Erridge & McIlroy, 2002) Precisely these are examples of pursuing the commercial goals of procurement, and at the same time improving customer attractiveness and supplier satisfaction, as stated earlier in the paper (e.g., Christiansen & Maltz, 2002). The problem with having closer relationships or longer contracts with suppliers comes at the regulatory strand of public procurement. Still, applying other relational elements that are allowed from the regulatory perspective and also improve the relationship quality, could be a way to improve customer attractiveness and supplier satisfaction.

The regulatory goals of public procurement, as outlined by Erridge and McIlroy (2002), encompass competition, transparency, equality, and compliance, which can be achieved by complying with EU directives, national laws of procurement, and organisational tendering rules. In the European Union, the EU procurement directive regulates public procurement for some part, with national laws, such as the law of procurement in Finland, adding their own influence as well (Pekkala, Pohjonen, Huikko & Ukkola, 2022, 18-21). The regulation concerning an acquisition depends directly on its financial value: the requirements are different for acquisitions that are 1) below the national threshold determined by the procurement law, 2) above the national threshold but below the EU threshold, and 3) above the EU threshold (Ministry of Economic Affairs and Employment of Finland, 2023). The acquisitions above the EU threshold are subject to stricter legislation, the acquisitions above the national threshold are subject to Finnish public procurement law, and the minor acquisitions are only subject to organisational rules. Moreover, according to Confederation of Finnish Industries (2022), the Finnish procurement law is mostly based on the EU-regulation. While some other regulations and agreements further influence the contracting authorities and public procurement in Finland, explaining all the details is not practical regarding the goals of this thesis. Still, the main regulatory factors influencing the attractiveness of public procurement should be reviewed briefly.

The guiding principles of the public procurement legislation in Finland are transparency, non-discrimination, and equality. The role of the procurement law is basically to ensure the efficient use of tax money in the acquisitions made by public organisations. An important notion is that the procurement law only dictates how the acquisitions are made, meaning what kind of procedures must be used to choose the suppliers. This means that the public organisations themselves decide what they purchase and what organisations they purchase from. The law can obligate, for example, to exclude an organisation that has received too much information on the future purchase in advance, or it can ensure that no single organisation has too much influence on the tendering process. Still, the aim of the law is to leave the final decision to the organisation and to keep the process simple. Increasing the simplicity and flexibility of public procurement was also the aim of the Finnish procurement law reform of 2017. The reform has allowed putting more emphasis on environmental and social criteria and innovativeness of the suppliers, while the monitoring of regulatory compliance has also been enhanced. (Confederation of Finnish Industries, 2022) Although the authorities clearly try give an image that the law would now be more flexible, the many challenges show that many private companies still find it restrictive.

Finally, there are the socio-economic goals of public procurement, also referred to as social goals. The list for socio-economic goals is particularly long since they can also vary between organisations more than the commercial or regulatory goals. Firstly, Erridge and McIlroy (2002) identify public interest, employment concerns, social exclusion, and environmental policy as social goals. Grandia and Meehan (2017) extend the list with partly similar goals, such as minimising unemployment, improving working conditions in the supply chain, stimulating innovation, increasing sustainability, and providing opportunities for small local businesses. The sustainability aspect is particularly broad, as the sustainability requirements are constantly evolving. The role of the public sector in sustainable procurement is crucial, and diverse sustainable procurement practices are applied across the procurement process. Although public procurement strongly focuses on environmental practices as well, its influence on sustainable labour and safety practices is considered especially impactful, throughout the entire supply chain. (Brammer & Walker, 2011)

Furthermore, common policy elements in public procurement involve using procurement as a tool to stimulate innovation and providing subsidies to support research and development (Edler & Georghiu, 2007). The notion of stimulating innovation is a relatively conflicting one though, since there are also claims that public procurement is often not able to reach its full innovation potential (Uyarra et al., 2014). This is further discussed in the section of challenges of public procurement. Nevertheless, the socio-economic role of public procurement is undeniably significant, as the social aspect has influence on both the society and the procurement process itself. Many of the goals of public procurement can also be interpreted as challenges, particularly from the suppliers' perspective. This is of course a negative issue regarding customer attractiveness and supplier satisfaction. The challenges are explored in greater depth followingly.

3.2 Challenges of Public Procurement

As mentioned, the key categories of differences between public and private buyers that are seen as disadvantages for the public side, are legal constraints, goal constraints, and pooling challenges (Harland et al., 2013). The legal aspect in Europe is largely based on EU Directive 2014/24/EU, which consists of 94 articles and 178 pages in total. The idea of the directive is to prevent corruption, but at the same time it prevents public buyers from establishing long-term relationships with suppliers because they can't award contracts to the same suppliers repeatedly like private companies. (Schiele, 2020) In practice, public buyers must organise new calls for tenders for all acquisitions at certain intervals. The selection criteria in the tender are pre-determined, so whoever submits the best offer is chosen as the new supplier, preventing the buyer from favouring anyone. Additionally, although EU Commission (2016) states that the new directives aim to diminish the administrative burden of public procurement, numerous barriers, some of which are regulatory, still prevent public procurement from achieving certain goals. This makes public organisations unattractive partners in the long-term perspective, especially if the suppliers would prefer customers who they could make long-term plans with and secure supply for an extended period.

The legal constraints also relate to public procurement's potential to drive innovation, which often can't be fully realised because of several legal and other barriers. One of the main

barriers of innovation is the public buyers' tendency to use overly specified tenders as opposed to outcome-based specifications. According to Geroski (1990), cited in Uyarra et al. (2014), tender specifications that are phrased in terms of performance or outcomes are seen as more effective at allowing the potential suppliers to propose innovative solutions. Correspondingly, when the specifications are too detailed, rigid, and narrow, suppliers are less likely to become interested because this prevents them from proposing new innovative ways of delivering outcomes. This is especially visible with more innovation-oriented suppliers since they might then perceive that the public organisations are unwilling to even consider different and potentially more innovative solutions. The problem of over-specified tenders also applies to small companies who simply do not have the resources to invest all the required time and effort in complying with the tender, if it does not match their expertise perfectly. Furthermore, even if the public organisation truly wants innovative solutions and demands innovation in the tender, it is still possible that innovation is not realised due to the lack of incentives to innovation, which is also relatively common in the. (Uyarra et al, 2014) This is all related to the laws that public procurement must comply with and proves that legal constraints really are a difficult challenge for public organisations.

The importance of customer's innovation potential for suppliers is evident. Innovation potential has an impact on nearly all areas of customer attractiveness and also on the growth opportunity category of supplier satisfaction. If suppliers perceive the innovation enablers in the public buyer's tendering process to be positive, they also perceive the customer attractiveness of the buyer more highly (Karttunen et al., 2022). Besides the overly specified tenders, there are other barriers in public procurement that hinder suppliers' innovation capability and thus reduce their interest in working with public organisations. Uyarra et al. (2014) identify these barriers as lack of interaction with procuring organisations, low competences of procurers, and poor risk management during the procurement process. All these are significant issues, and it is understandable why suppliers might prefer buyers that are more adept in these aspects, even if the contracts are smaller. Still, it is essential to note that the importance of innovation varies across organisations, and that barriers of innovation can be industry-specific, meaning that suppliers in different sectors have diverse views on the innovation aspect of public organisations (Uyarra et al., 2014).

The goal constraints of public procurement in turn, are related to the social strand of public procurement, and stem from the fact that public purchasing is viewed as a policy instrument in addition to the economic perspective (Harland et al. 2013). An objective of public procurement is to reach societal politically defined targets, which is not always possible by choosing the most economically suitable offer. The Directive 2014/24/EU states that public contracting authorities are allowed to not award the contract to the most economically suitable tender, which means that the contracting decision can be based on a more comprehensive assessment than only price. By basing the decisions on only economic factors, public institutions would be acting more like private organisations. However, since the emphasis on the societal politically defined targets has grown, the goals are fundamentally different to private procurement. Nevertheless, efficient use of available resources remains an important target of procurement, so it does matter despite not being the only goal. (Schiele, 2020)

As a policy tool, public procurement can at best highly powerful. Public organisations can use procurement for reducing long-term unemployment, improving working conditions internationally throughout the supply chain, providing opportunities for SMEs, or enhancing sustainability, just to name a few examples. Policy makers also see the potential of public procurement on influencing societal issues, which makes public procurement a relevant topic in politics too. (Grandia & Meehan, 2017) Nonetheless, the economic and societal goals of public procurement do not necessarily need to contradict each other. According to Lundberg and Bergman (2017) public organisations that wish to enhance the political impact of their procurement and use procurement as an effective policy tool, should focus more on the commercial and economic aspects of procurement, rather than trying to avoid legal conflicts with the suppliers. This tactic does include some risks, but the increase in both commercial and political success would likely make it worth it. Still, changing the focus is surely not straightforward, so it is understandable why the current situation is like it is.

Finally, the pooling challenges of public procurement originate from the small volumes of multiple objects that public organisations tend to purchase (Schotanus & Telgen, 2007). According to Schiele (2020), even though centrally negotiated contracts are sometimes used to mitigate this problem, not all public authorities comply with these contracts, which then

reduces the total volumes purchased from one supplier, and therefore decreases the attractiveness of public purchasers. The pooling challenges clearly depend a lot on the situation, and out of the three mentioned challenges, they seem like the ones that could vary the most. As mentioned earlier, the opposite situation can also occur, where the volumes that public organisations purchase are too large for some suppliers and they do not submit offers because of that (Uyarra et al., 2014). This proves that pooling challenges do not consider all public procurement, but only certain situations. Still, the problem is recognised in the literature to the extent that a potential solution for it has been discovered.

The proposed solution for pooling challenges is cooperative purchasing. Cooperative purchasing refers to “the cooperation between two or more organisations in a purchasing group in one or more steps of the purchasing process by sharing and/or bundling their purchasing volumes, information, and/or resources” (Schotanus & Telgen, 2007, 53). Potential advantages of cooperative purchasing include lower purchasing prices, improved quality, lower transaction costs, reduced supply risks and workloads, and the possibility to learn from each other. Although disadvantages exist as well, the advantages are considered to outweigh them, especially in the public sector. This is because public organisations rarely compete against each other, they have mutual trust and interests, and they have a common goal of maximising the value of taxpayers’ money, unlike private organisations. Furthermore, the purchasing needs of two public hospitals, for example, are relatively similar, as are the organisational structures and networks of many organisations, especially if they operate in the same region. (Schotanus & Telgen, 2007) Although cooperative purchasing is perhaps not applicable in all contexts, it can be one solution for pooling challenges of public procurement, and also a way to improve certain categories of customer attractiveness and supplier satisfaction.

All these constraints are major challenges for public organisations because their private competitors do not have to worry about them in the same extent. Suppliers that deliver to both private and public domains may have a choice of buyers to supply to, which means that they can also dictate the terms. Public organisations may be less flexible to comply with these terms and requirements than their private counterparts, which puts them at disadvantage. (Schiele, 2020) Suppliers do not have any obligations to choose public

organisations as their customers, so why would they do so if their capacity is limited, and more suitable and attractive private actors are also interested in their offerings? To address this issue, this study aims to find ways how public organisations can become more attractive customers and keep their suppliers more satisfied. Before that though, the research methodology is presented in the following chapter. A summary of the central concepts of public procurement is below, in figure 5.

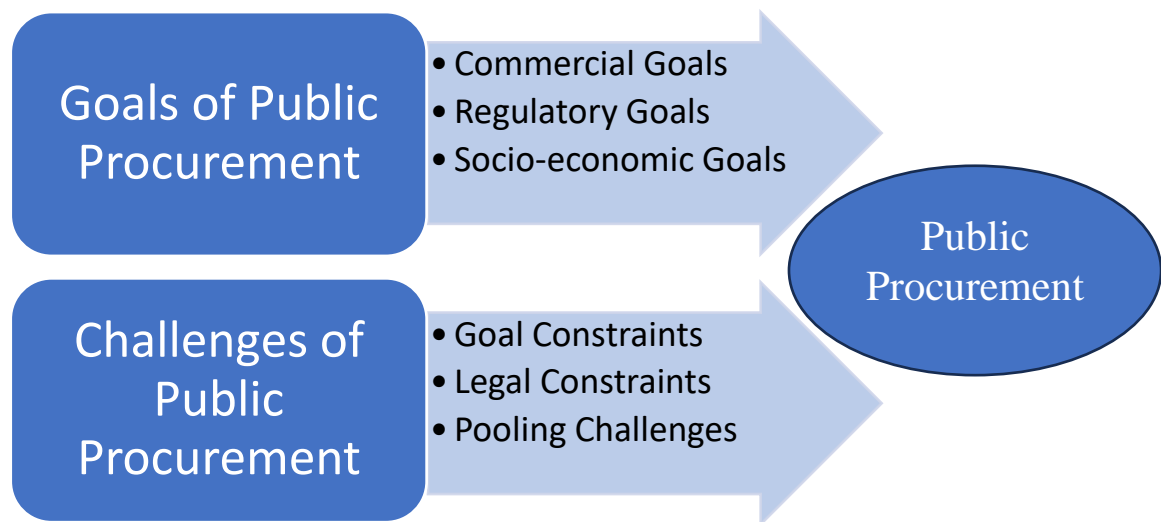


Figure 5: Summary of Public Procurement

As the summary in figure 5 suggests, the main point of this chapter three was demonstrating the most central goals and challenges of public procurement. As indicated earlier, these are the primary aspects that distinguish public procurement from private procurement, especially in terms of supplier satisfaction and customer attractiveness. Although it would be logical to simply view the challenges as weaknesses in comparison to private organisations, in order to investigate the actual stance, this study needs to be carried out first. Since supplier satisfaction and customer attractiveness have not been extensively studied in the public sector, the prior private sector literature may have missed or overlooked certain points that could potentially have a significant influence in the public sector. Before addressing the results of this study though, the subsequent chapter introduces how the study has been conducted by describing the research methodology.

4 Research Methodology

This research is conducted as a qualitative study with qualitative data. In business research, qualitative methods give the researcher an opportunity to focus on complex business-related phenomena within their specific contexts. Qualitative research generates insights into the functioning of real-world business environments, the underlying reasons for their specific dynamics, and how they can be understood in a way to potentially change them. Qualitative approaches are generally concerned with interpretation and understanding, so the data collection and analysis aim at a holistic understanding of the studied issues. (Eriksson & Kovalainen, 2008, 3-5) Holistic understanding of the studied phenomena is essential in this study, since only that can enable fulfilling the research objectives and making new relevant discoveries regarding potential improvements in the context of public procurement. Moreover, as Ghauri and Kronhaug (2005, 202) phrase it, “Qualitative research is particularly relevant when prior insights about a phenomenon under scrutiny are modest, implying that qualitative research tends to be exploratory and flexible because of ‘unstructured’ problems (due to modest insights).” Insights about customer attractiveness and supplier satisfaction may be relatively common in general business research, but in the context of public procurement, they are indeed modest. Therefore, qualitative research suits this study particularly well, and the nature of this study is rather exploratory.

The main qualitative approach chosen for this study is case study. A frequently used definition of case study by Yin (2014, 16) is the following: “A case study is an empirical inquiry that investigates a contemporary phenomenon (the “case”) in depth and within its real-world context, especially when the boundaries between phenomenon and context may not be clearly evident”. Case study research has a long history in several academic fields, and in the business research case study is one of the most popular qualitative research methods. The idea of a case study is always to solve a specific case and learn by studying it. Case study enables the researcher to study and present complex and hard-to-grasp topics in an accessible, personal, vivid, and down-to-earth format. (Eriksson & Kovalainen, 2008, 115-116) This suits this research project excellently since accessibility and understandability of the results are necessary to implement the found solutions in practice. With too abstract

or not clearly understandable results, the practical and managerial contributions of the thesis would be rather negligible.

There are two types of case studies, that are intensive and extensive case study research. While intensive case study aims to understand a unique case from the inside by providing a holistic and contextualised description, extensive case study aims to elaborate or generate generalisable theoretical constructs by comparing multiple cases. (Eriksson & Kovalainen, 2008, 118). This research falls more on the side of intensive case study research. Since only one case organisation is studied, it is likely that the results may not be fully transferable to other contexts, which would be a minor problem if the aim was to conduct an extensive case study. However, with intensive case study the goals of understanding the unique case inside-out and providing a holistic and contextualised description of it can be achieved much better, which is why intensive case study suits this thesis so well.

Moreover, a single case organisation has been chosen for this study due to similar reasons as the choice for an intensive case study. Generally, researchers tend to make a clear distinction between single-case studies and multiple case studies, usually preferring either one, depending on the context. According to Voss, Tsikriktsis, and Frolich (2002), one strength of single case studies is that they provide greater depth of analysis than multiple case studies. In addition, single case studies focusing on complex multidimensional relationships allow the researcher to develop an understanding of the case from multiple perspectives of different actors involved in the case. This means that the main interest is normally in the case itself and not as much in pre-given theoretical propositions. However, this does not mean that single-case studies could not be theoretically informed or that they could not be used to elaborate theory. (Eriksson & Kovalainen, 2008, 118-119) Instead, Dyer and Wilkins (1991) state that theoretical knowledge is strongly integrated into single-case study or intensive case study research, enabling the potential development of new theories. Multiple perspectives of the one case are well present in this study as well, since both EKHVA and the suppliers are asked largely similar questions. This allows the comparison of the results, which is central regarding the goals of the research. Finally, choosing only a single case organisation is adequate for this research because most of the limitations of a single-case study are successfully mitigated with the addition of expert interviews.

Conducting the case study effectively also requires a precise definition of what is the case that is studied. Since the context of the study is public procurement, the case is the selected case organisation that represents public procurement, which in this study is EKHVA. To better understand the starting point of the study, EKHVA is introduced more thoroughly in subchapter 4.1. However, since the aim is to understand the case from multiple perspectives, investigating exclusively EKHVA would be insufficient. EKHVA themselves can't reliably tell how attractive they are as a customer or how satisfied their suppliers are, but they can only give their own estimates, which are valuable as well, but they are not enough. The actual status of EKHVA's customer attractiveness and supplier satisfaction can only be determined by the suppliers and thus including the supplier perspective. This is why interviewing the suppliers is such an integral part of this case study.

Another reason why the supplier interviews are so valuable for this study is the expert interview method. As implied, the element of expert interviews is added to the case study method to enhance the generalisability of the results and to retain the explorative nature of the study. According to Meuser and Nagel (2009), expert interviews are based on a topical guide, and focus on the knowledge of the expert, which is characterised as specific knowledge in the expert's field of action. At best, the expert knowledge is seen not only as exclusive knowledge limited to the insights or a specific scenario, but also as practical knowledge that emerges from both professional and private experiences (Meuser & Nagel, 2009). Whereas the "case questions" in the interviews of this study are based on the specific relationship between the case organisation and the supplier, the "expert interview questions" have a broader perspective. Therefore, the focus with the expert interviews is on scenarios external to the case, or alternatively even theoretical or hypothetical scenarios. In practice, the interview questions are phrased like "how would you react if your customer acted in a certain way", assuming that the scenario has not necessarily occurred in the supplier's relationship with the case organisation. Adding the expert interview element to the case study mitigates the risk of the questions not being relevant in the specific relationship that is studied. Furthermore, it adds the explorative element to the study, which increases the study's relevance as qualitative research.

4.1 Case Organisation

As introduced earlier, the studied case is the organisation that is representing public procurement, which is the Wellbeing services county of South Karelia in Finland, (Etelä-Karjalan hyvinvointialue in Finnish, abbreviated as EKHVA). Basically, EKHVA organises and produces healthcare services, social welfare services, and emergency services in the South Karelia region of Finland. While these three are EKHVA's main responsibilities and perhaps the most significant ones, several other services such as dental care, mental health services, child protection, rehabilitation, elderly housing, and rescue services, are also included. Established at the turn of 2023, EKHVA is theoretically a novel organisation, but in reality EKHVA is merely a fusion of two of its predecessors: the South Karelia social and healthcare district (Eksote), previously responsible for social and healthcare services, and the Emergency Services Department of South Karelia, previously responsible for emergency services. This means that operations like procurement at EKHVA have remained mostly the same as prior to the merge. The South Karelia region consists of nine municipalities and a total population of approximately 127,000 people. (Etelä-Karjalan hyvinvointialue, 2023a) Although the population is not immense, the responsibilities include very complex and large-scale tasks, which means that a major organisation is needed to organise them all.

As for the procurement of EKHVA, one notable factor is that EKHVA carries out joint procurement projects with the Wellbeing services area of Helsinki and their logistics department, which is the largest wellbeing area in Finland. EKHVA also has several other partners in tenders, which lowers their own workload. For the procurements exceeding the national and EU thresholds, EKHVA uses the electronic notification channel HILMA, which is used in all public procurement in Finland. The procurement organisation of EKHVA consists of five people, one of which is the procurement manager and four are procurement specialists, each specialising in a certain category of products or services. (Etelä-Karjalan hyvinvointialue, 2023b) Partnering with other public organisations could potentially be hugely beneficial for EKHVA since it massively increases their negotiation power with suppliers. Although even alone EKHVA is a major operator, by joining forces with the wellbeing area of Helsinki, for instance, their size and influence increases even further.

EKHVA also has their own procurement guide, which is not publicly available, but it is largely based on the Finnish procurement law. In fact, the procurement guide is a secondary data source of the thesis besides the interviews, but more on that is explained in chapter 4.2. The guide contains all the mandatory procurement procedures that vary based on the value and subject of the acquisitions. By value, there are different requirements for purchases that are, 1) below the national threshold determined by the procurement law, 2) above the national threshold but below the EU threshold, and 3) above the EU threshold (Ministry of Economic Affairs and Employment of Finland, 2023). The acquisitions surpassing the EU threshold are subject to stricter regulations, the acquisitions above the national threshold are subject to the Finnish public procurement law, and the minor acquisitions are not directly subject to any of these. However, also the minor acquisitions must comply with the legislated principles of transparency and equal treatment of tenderers. As for the subject of the acquisition, social and health services are one of the categories with separately determined thresholds. While the EU thresholds are updated biennially, the national thresholds can only be changed through legislative changes. The latest changes to the thresholds came into effect in early 2022, with detailed thresholds outlined in sections 25 and 26 of the procurement law. (Julkisten Hankintojen Neuvontayksikkö, 2021) EKHVA faces an abundance of specialized legislation since a major portion of their purchases relate to social and health services. The extent to which EKHVA's procurement is regulated depends on the proportion of their purchases that exceed these various thresholds.

In addition to the thresholds, EKHVA's procurement guide outlines all the phases of their procurement processes. The descriptions for minor purchases are less detailed, but the processes for purchases that exceed the national or EU thresholds adhere to the Finnish procurement law, which necessitates formal tendering procedures. In practice, the first step of the process is the preparation of procurement documents. In the call for tenders and its annexes, everything essential about the subject of procurement and minimum requirements for the tenderer must be specified. After this, the contract notice is published, and the tendering phase starts. During the tender processing, only those questions and inquiries that are submitted through the official channels are allowed. For example, if a bidder calls or emails EKHVA about the tender, EKHVA can't give any answers that could give any advantage to the bidder. In the official channels (HILMA-website for national tenders and

TED-website for EU tenders), the questions and answers are published for everyone to see, ensuring fairness for all bidders. After the tender processing, the procurement decision is prepared and adopted, followed by its official notification to all tenderers. Then there are the chances to appeal or complain about the decision to the Market Court, and when all these are processed, the decision becomes probated. When the decision is probated, all mandatory eligibility requirements must be re-checked from the winner, the criminal records of the company's relevant management must be assessed, and any sanctions against the company must be considered. If everything is satisfactory, only after that the contract can be signed and finalised. It is a time-consuming and bureaucratic process, so leveraging any partnerships to reduce EKHVA's own workload does seem beneficial.

4.2 Data Collection and Analysis

The primary data collection method for this research is interviews. According to Voss et al. (2002), interviews are commonly one of the prime sources of data in case studies. Interviews are divided into structured, semi-structured, and unstructured interviews based on the planning that is done before the interview session. Unstructured interviews are almost completely unplanned beforehand and the topics that are discussed are largely decided and defined during the interview. Structured interviews on the other hand are fully planned beforehand and the interviewer knows exactly what questions will be asked and in what order. Semi-structured interview is a combination of the other two methods, which means that the outline and the questions are planned beforehand, but some changes can still be made during the interview. (Metsämuuronen, 2008, 40-41) This allows asking additional questions, reacting to surprising answers, and changing the formulation or setting of the questions if necessary. Therefore, the interviews in this research are semi-structured. All the interview questions are developed based on prior literature on customer attractiveness and supplier satisfaction in private procurement, and the challenges of public procurement. The interview structure aligns with the conceptual framework of the thesis. In total, the EKHVA interviews contain 25 questions, and the supplier interviews 20 contain questions.

As for the interviewees, the five chosen experts represent four different organisations. Two interviews are to EKHVA's employees and managers specialising in purchasing and supply

management. The interviewees from EKHVA are professionals with a lot of practical experience and a comprehensive understanding of the public procurement landscape. As such, they are likely to have a strong awareness of the organisation's weaknesses and realistic chances for improvement, the realism referring to the practicality and feasibility of the improvement ideas. The feasibility depends on the current barriers preventing EKHVA from implementing the changes. If the obstacles are related to legislation, external factors, or other permanent constraints, implementing any changes may be impossible. However, if they are related to relational factors, risk management, operative factors, or EKHVA's internal attitudes and capabilities, the practical implementation may be more realistic. The EKHVA interviews mainly focus on the current state of public procurement, and EKHVA's own perceptions of their customer attractiveness and supplier satisfaction. An interesting result is also in the differences between the two EKHVA interviewees.

Furthermore, interviews are conducted to EKHVA's suppliers. The main criterion for selecting the interviewed suppliers from EKHVA's supplier base was the purchase volume. The selected suppliers needed to be important for EKHVA and EKHVA had to be somewhat dependent on them, because only then it would be relevant for EKHVA to invest in the suppliers' satisfaction and their own attractiveness. With suppliers that EKHVA can easily find alternatives for, EKHVA does not need to care as much even if the suppliers are not satisfied, so including minor suppliers would not really make sense. Additionally, the suppliers with the highest purchase volumes from EKHVA would benefit the most from EKHVA's achieved improvements, meaning that the suppliers also have an incentive to participate in the study. Another supplier selection criterion was that the suppliers must be from different industries. This ensures that there is a degree of variation in the data.

As for the supplier interview questions, the suppliers are asked partly similar questions as EKHVA, and partly different ones. The supplier interviews contain two perspectives, of which the first is the case-specific perspective that is strictly related to the organisation's buyer-supplier relationship with EKHVA. In this perspective, the topics are related to EKHVA's customer attractiveness and the suppliers' satisfaction with EKHVA. Central results of the case questions are the nature and quantity of differences between the interviews. If multiple major differences are found between EKHVA and the suppliers, it

raises some concerns about EKHVA's awareness or control on their supplier relationships. On the other hand, high number of differences among the suppliers would be a sign of higher subjectivity of customer attractiveness or supplier satisfaction. The other broader perspective in the supplier interviews is the expert interviews, that also consider the suppliers' other customer relationships external to the studied case. The purpose there is to mitigate the limitations of a single case study, add the explorative element to the study, and broaden the perspective beyond the one case organisation that is under closer scrutiny. In practice, the expert interview element is included by formulating the interview questions in a way that the scenarios could include the suppliers' other partnerships, or even hypothetical scenarios. How all the interviews work in practice, is demonstrated in Appendices 1 and 2, where the exact interview questions of both the EKHVA interviews and the supplier interviews are listed. Specifics of all the interview sessions are also listed in table 1.

Table 3: Specifics of the Interviews

Interview	Length	Interviewee's Position
EKHVA 1	1 hour 18 minutes	Management*
EKHVA 2	1 hour 3 minutes	Procurement*
Supplier 1	58 minutes	Operative Director
Supplier 2	44 minutes	Executive Manager
Supplier 3	57 minutes	Regional Manager & Service Manager

* The position can't be further specified due to ethical reasons to retain anonymity

Besides the interviews, a secondary data source in the study is EKHVA's procurement guide. The procurement guide is an internal document of the organisation, which was received from the EKHVA interviewees. Saunders (2016, 316) describes secondary data as something that has originally been produced for another purpose but can also help reach the objectives of a new research. EKHVA's procurement guide has originally been composed to clarify the procurement processes and instruct the employees in different purchases, but it additionally helps in understanding the guidelines and principles according to which EKHVA must operate. Furthermore, it concretises the goals and challenges of public procurement, which were discussed from a theoretical perspective in chapter 3. More specifically, the procurement guide is document based secondary data in a text form (Saunders, 2016, 319). According to Lee (2012), cited in Saunders (2016, 319), document secondary data sources

“endure physically (including digitally) as evidence, allowing data to be transposed across both time and space and reanalysed for a purpose different to that for which they were originally collected.” Although the whole document is not relevant for this study, it contains several parts that support the purpose of the research, which is why it is a useful addition. A secondary data source also slightly mitigates the limitation of a low number of interviews.

Table 4: Summary of the Data Sources

Data	Topic	Perspective	Value
EKHVA Interviews	Goals and challenges of public procurement, EKHVA’s own views on customer attractiveness and supplier satisfaction.	Case organisation’s perception of suppliers’ views, feasibility of the improvements.	Organisational self-awareness, internal dynamics, expertise of the public sector.
Supplier Interviews	Suppliers’ perceptions of EKHVA’s and general-level customer attractiveness and satisfaction.	Case-specific & expert interview perspective, comparisons with each other and with EKHVA.	EKHVA’s actual status, broader expert interview perspective, level of subjectivity.
Procurement Guide	Goals and challenges of public procurement, organisational tendering processes.	Finnish procurement law, EKHVA’s organisational rules.	Provide additional internal data, mitigate the limitations.

Following the data collection, the subsequent phase involves the data analysis. In case studies, the analysis strategies have traditionally been divided into inductive and deductive strategies. In inductive research, the goal is to develop a foundational case to shape the research questions and the study’s framework. Conversely, deductive research employs pre-formulated existing theoretical propositions to construct the framework and organise the research process. (Eriksson & Kovalainen, 2008, 129) In an inductive approach there is no clearly defined theoretical framework to commence the study and build the research on, which makes an inductive approach unsuitable for this research. A deductive approach in turn, involves the risk of the theoretical framework being too restrictive in relation to the findings, which is why its suitability for qualitative research is often questioned as well. (Saunders, 2016, 570-571) Therefore, a third strategy that combines features of both inductive and deductive approaches has been chosen. That is an abductive strategy, where data is collected to explore a phenomenon, identify themes, and explain patterns, to either generate a new theory or modify an existing theory, which is subsequently tested through additional data collection (Saunders, 2016, 145). This study aims to modify and expand the existing theory of customer attractiveness and supplier satisfaction, by testing and applying

it in the new context of public procurement. There is an existing theory that the research is built on, but there is also the aspect of the new context and theory modification, so an abductive research strategy fits the research flawlessly.

The specific analysis technique that is used is content analysis. According to Saunders (2016, 608), content analysis codes and categorises qualitative data in a way that it can be described in an objective, systematic, and quantitative manner. Qualitative content analysis suits all inductive, deductive, and abductive research strategies, and all the processes comprise three main phases: preparing, organising, and reporting of the results. In short, the preparing means collecting and making sense of the data, whereas the organising involves the development and utilisation of the categorisation matrix to review and code the data within the identified categories. In the reporting phase, the results are described by the content in the specified categories. (Elo, Kääriäinen, Kanste, Pölkki, Utriainen & Kyngäs, 2014) The initial categorisation matrix of this paper is presented in chapter 1.1.2, and it is further analysed along chapters 5 and 6. The goals of this study can generally be well achieved by using content analysis, so its use is justified.

In practice, the data analysis of this thesis comprises several phases and actions. Firstly, the interview data is transcribed automatically with Microsoft Teams and followingly, the transcripts are studied to discover similarities and differences between them. Since some of the interview questions are open by nature, being able to interpret the responses correctly is crucial. For example, in the start of a new section in the interviews, when the interviewees are asked the general questions about the influencing factors of customer attractiveness and supplier satisfaction (questions 3b & 4b in appendix 1, and questions 2b & 3b in appendix 2), the responses are not directed to any particular category of customer attractiveness or supplier satisfaction. There, being able to link the answers to the correct category is central, and it can be done with the adequate application of the categorisation matrix. Fitting the responses within the categories is an integral part of the data analysis, and the results of the process are described in chapter 5. Furthermore, the data analysis includes the comparison of the different interviews. The comparisons are made in several directions – the EKHVA interviews are compared with each other, the supplier interviews are also compared with each other, and finally, EKHVA interviews are compared with the supplier interviews. All

these steps together provide a thorough understanding of the case, which then sets a solid foundation for further analysis and discussion.

4.3 Validity and Reliability

Three concepts that provide a basic framework for evaluating business research are reliability, validity, and generalisability. Reliability describes the extent to which a procedure is repeatable, so how likely it is that another researcher can replicate the study and come up with similar findings. (Eriksson & Kovalainen, 2008, 292) Although the measure of reliability might suit quantitative research better, regarding this study, there are no major issues with reliability. The interviews were conducted consistently, all with the same setting and environment, within a span of two weeks. All the interviewees received the list of the interview questions at least two weeks in advance to give them time to prepare their responses. A reliability concern could be the suppliers not being completely honest in the interviews due to not wanting EKHVA to know their true views in case of identity leakage. However, this limitation is minimised by keeping the identities of the supplier companies and the interviewees as well hidden as possible, reducing the risk of any major harm.

Validity in turn, refers to the extent to which the conclusions of a research give an accurate description of what has happened. Validity in qualitative research, somewhat distinct from its meaning in quantitative research, is essentially a guarantee that the report or description is correct. (Eriksson & Kovalainen, 2008, 292) Besides the mentioned reliability issue, there is little reason to doubt the correctness and therefore the validity of this study. The interviewees are all experts in their fields, the risk of misunderstandings is low, and they are familiar with the case organisation. However, a notable factor is that some of the results are not fully transferable to other cases besides this one. This is due to having only a single case and a rather small sample size of only five interviewees, and it means that the generalisability of the study is not ideal. The expert interview perspective in the supplier interviews significantly mitigates this limitation, as does the procurement guide as secondary data, but they do not completely remove it. Since this study does not prioritise generalisability or transferability and the limitations can be mostly mitigated, these are not major issues, but they should still be acknowledged and mentioned.

5 Results of the Study

This fifth chapter presents the results of the empirical study. The manner of presenting is descriptive, which means that the goal is mainly to explain and describe the results and not so much to analyse their meaning in the larger context, since that will be the theme in the following chapter. The five interviews are shortly described one by one, and additionally as an entity where the responses from EKHVA are mostly compared with the responses of the suppliers. In detail, the first subchapter of this section mainly focuses on the EKHVA interviews, the second one centres on the supplier interviews, and the third one is dedicated for the comparison of all the interviews. The suppliers are referred as Supplier A, Supplier B, and Supplier C. From all the suppliers, the interview representatives were people who work closely with EKHVA and are frequently in contact with them. Additional information of the suppliers is not shared to ensure their anonymity.

Overall, the findings from the interviews were in many ways alike. The two EKHVA interviews yielded relatively similar results, which indicates that there is a degree of congruence among people who occupy different roles within the organisation. This is not to be taken for granted, since it could also be that people in different departments have highly diverse goals and ideas about the organisation's functioning. However, that does not seem to be the case at EKHVA, at least not in the procurement department, which is of course a positive sign. As for the supplier interviews, more differences were discovered although there were still many similarities as well. This aligns with the expectations since the suppliers operate in different fields, deliver different products or services to EKHVA, and have people with different expertise and experience as EKHVA's contact persons. As an example, all the suppliers agreed that EKHVA is a sizable and stable customer with respectable values, but distinctions emerged in how the suppliers see the continuity of their relationships with EKHVA. Further elaboration of this is presented in the upcoming sections.

5.1 The Goals and Challenges of Public Procurement

The goals of procurement at EKHVA are primarily based on the whole organisation's broader objectives. Because EKHVA is a wellbeing services area whose purpose is to

arrange and produce social and health services to its residents, this overarching mission guides all aspects of their operations, including procurement. In essence, procurement contributes to the strategic objectives of the wellbeing region and there are no explicitly defined objectives for procurement. However, general principles and strategic guidelines for procurement have been clearly defined, resulting in a highly strategic and systematic approach to procurement, despite not being at the core of the organisation's objectives. These guidelines can be divided either similarly as in the theoretical section of this paper, into commercial, regulatory, and socio-economic goals, or according to EKHVA's own framework, into the four following principles:

- 1) Procurement and tendering in the Well-being Area will contribute to the strategic objectives of the region and its services.
- 2) Procurement contributes to ensuring the seamless provision of services in the well-being area.
- 3) Procurement is carried out in an economical, high-quality, and systematic manner.
- 4) Procurement takes advantage of existing conditions of competition and considers environmental and social aspects. (Etelä-Karjalan hyvinvointialue, 2023c)

Regardless of the final definition of the principles, the commercial, regulatory, and socio-economic aspects are all evident in the objectives. A clear consensus within EKHVA is that all the aspects are equally important, and it is impractical to try to prioritise one over the others. The objectives are described as inseparable by both EKHVA interviewees, which also indicates that they reinforce one another, and there is no conflict between them. Therefore, it is not even necessary to put the objectives in any order. For instance, addressing the socio-economic goals also contributes to achieving the commercial and regulatory goals.

In more detail, the commercial goals of EKHVA's procurement are based on the budget, so the procurement ensures that the budget and the financial framework are adhered to. The commercial and economic goals are inherently intertwined, with cost-effectiveness serving as a central driving force in procurement decisions. The Finnish public procurement law emphasizes overall economic inexpensiveness as the key supplier selection criterion, which may be based on price, or sometimes best value for money or life-cycle costs. If price is not the sole selection criterion, it still plays a significant role, ranging from 50% to 100% influence. Of course, the potential suppliers also must meet the other requirements regarding

the products and services to be purchased, but for those suppliers that meet all the other requirements, the one offering the lowest price is very often selected. Price is a fair and objective criterion, leaving no room for disputes or ambiguity in the supplier selection.

The role of price as a selection criterion also advances the fulfilment of the regulatory goals of public procurement, ensuring transparency, equal treatment for all, and openness. It eliminates any personal biases or ambiguities in the decision-making process and emphasizes strict adherence to the procurement law and regulations in all EKHVA's procurement-related actions. Additional means to ensure this are keeping the procurement calendar and calls for tender publicly accessible and demanding the suppliers to meet the given specifications regarding the purchase. The basis of all the regulation is the EU-directive, which governs all acquisitions above the EU-threshold. The Finnish public procurement law, largely based on the EU-directive, must also be complied with for all acquisitions exceeding the Finnish threshold. In reality "*the EU-directive sets the minimum level of regulation, and on a national level it is then possible to make additional regulations*". This means that often the national law is even stricter than the EU-directive. It also changes frequently with political decision-making, which always impacts public procurement as well. Like the commercial goals, the regulatory goals are self-evident and non-negotiable, serving as pillars of the procurement process.

While the socio-economic goals are perhaps not quite as self-evident as the others, their role is just as necessary. At EKHVA the socio-economic goals are mostly based on their Code of conduct, which concerns the whole organisation and includes procurement as an integral component. EKHVA is the first and so far, the only wellbeing area in Finland to have a certified environmental programme in place, which is a clear advantage in terms of customer attractiveness, especially since the Code of conduct has proven to be integral for many suppliers too. The Code of conduct ensures the integration of sustainability, environmental concerns, and societal issues, including employee welfare, into EKHVA's procurement practices. Moreover, a notable aspect of the Code of conduct is that its conditions are attached to EKHVA's supplier contracts, particularly for purchases that involve sustainability risks. Overall, these socio-economic goals are well in line with the commercial and regulatory goals since sustainable business is nowadays often economically profitable

too. The legislation also frequently evolves in the direction of more stringent environmental requirements, so staying on track with the progress is likely to be beneficial in the long run.

As implied, the objectives of public procurement at EKHVA are well-defined and seamlessly align with the organisation's mission. However, numerous challenges and constraints are always involved in public procurement as well. At EKHVA, possibly the most significant procurement challenges are related to resource limitations. The budget and the funding set by the Finnish government are perceived to be insufficient, which results in "*high and continuous financial pressure on the acquisitions*". There is little time to process all tenders, as the process is very time-intensive, especially for purchases that exceed the EU or national thresholds in terms of value. Moreover, a shortage of procurement experts presents another formidable challenge. The shortage is partly due to lack of finances, and partly to the relatively remote location of South Karelia. New experts may be difficult to find and a great deal of training is required for new recruits, which further intensifies the hectic schedule.

In terms of legal constraints, the Finnish procurement law is the main source, as indicated in the paragraph about the regulatory goals of procurement. The legislation regulates all procurement procedures quite strictly which affects especially the tendering process. For purchases that exceed the specified thresholds, the tendering process is time-consuming, due to obligatory steps like board proceedings, preparation of documents, and final decision-making by the board. For the largest acquisitions, the process may take several months, sometimes even half a year, which can be perceived as consuming and bureaucratic by suppliers. While suppliers are generally aware of these procedures, it can still discourage some suppliers from participating in the tenders. Especially when the acquisitions are particularly large for the suppliers, having that uncertainty for several months might be something that they do not want. At EKHVA this is not seen as a major challenge as the tendering process is "*such a natural and integrated part of operations*". Still, from suppliers' perspective, it might diminish EKHVA's customer attractiveness, at least to some extent.

Regarding goal constraints, EKHVA faces fewer challenges than with legal constraints. The socio-economic goals of public procurement could theoretically conflict with the other goals,

but EKHVA does not see this as an issue, since all their goals form such a coherent and harmonious entity. However, at times the purchases are very specific, so only few suitable suppliers exist nearby. In such cases, there might only be one bidder, which results in a lack of real competition, and the potential selection of a less competent supplier. The same concerns the legislative requirements, which are sometimes too strict and thus unrealistic. As an example, an interviewee mentions the procurement of clean vehicles, as *“so few electric vehicles that comply with all the regulation are available in the South Karelia region, and the production of new ones has long been stalled due to component shortages”*. This implies that the regulatory and environmental objectives of procurement halt the commercial objectives. It appears that the time for such strict regulation for electric vehicles may still be too early, and it might work better in a few years, but not presently.

The pooling challenges also play a major role at EKHVA, but rather than being challenges, they are substantial advantages. As mentioned earlier, a large portion of EKHVA's acquisitions is carried out as joint procurement projects, often in collaboration with entities like the wellbeing area of Helsinki (HUS), or the city of Lappeenranta, which is one of the major municipalities in the region. Even without the joint procurement, EKHVA would be a major customer for almost any supplier in terms of the purchase volumes, but the joint procurement projects amplify the volumes even further. Especially most of the bulk products with less specification are executed as larger joint projects where EKHVA is not responsible for the tendering process. The volumes in these contracts are substantially large, so the suppliers also strive to make better and better offers to secure these contracts and the new customers. Mostly the joint procurement projects concern exactly these high-volume products, so the more regional purchases, such as construction contracts or security services, are handled independently by EKHVA. Out of all purchases, more than half are joint projects, highlighting the impact of these partnerships. Generally, the advantages of the joint projects outweigh the challenges that they cause, so they are primarily seen as a positive thing. While certain issues related to communication and lack of own influence do exist, they are not deemed particularly significant. Therefore, it can be concluded that pooling challenges are actually more of an advantage for EKHVA than a challenge. In addition, the higher volumes and higher influence on the market significantly enhance the customer attractiveness of all the organisations involved in the joint procurement.

5.2 Buyer-Supplier Dynamics in Public Procurement

This subchapter provides an overview of the supplier interviews and the main insights from them. The three suppliers operate in highly diverse fields, have highly distinct customer bases, and have various unique characteristics in their relationships with EKHVA. Nonetheless, they share a common factor of being among EKHVA's major suppliers in terms of value, so they can all be regarded as key suppliers. All the suppliers' contracts clearly surpass the EU threshold for public procurement, so they have all gone through the longest tendering process and proved themselves able to fulfil all the requirements regarding both the organisations and the products or services they deliver. It is also worth noting that all the suppliers were selected through EKHVA's independent tendering process, i.e., none were selected through joint procurement projects. The main (although not all) factors of customer attractiveness and supplier satisfaction recognised in the supplier interviews are listed in table 3, and further elaborated after that. Since the table does not place the factors in any specific category, a central aspect is to determine the categories.

Table 5: Determinants of Customer Attractiveness and Supplier Satisfaction by Suppliers

Supplier	Main factors of customer attractiveness	Main factors of supplier satisfaction
Supplier A	<ul style="list-style-type: none"> - Scale and volumes of customer - Stability and certainty of public sector - Payment reliability and no risk of bankruptcy - Value perspective of the healthcare industry - Future growth prospects - Customer's reference effects - Trust and dependence - Customer's willingness for co-creation - Functionality of interaction 	<ul style="list-style-type: none"> - Mutually beneficial relationship - Customer's attitude and commitment - Functionality of communication - Interaction on multiple levels - Co-creation willingness - Long-term relationships - Proactive relationship development - Overall profitability - Expertise of employees
Supplier B	<ul style="list-style-type: none"> - Customer's share of the whole supply - High dependence - Price as supplier selection criteria - Public tenders in general - Expectations of relationship continuity - Communication and interaction 	<ul style="list-style-type: none"> - Contact accessibility and reachability - Openness, trust, and flexibility - Functionality two-way communication - Changes in customer's personnel - Operative excellence and expertise - Ways of reacting to feedback
Supplier C	<ul style="list-style-type: none"> - Profit and revenue - Stability and trustworthiness - Contract terms and duration - Solvency, payment reliability, and credit ratio - Size, visibility, and reputation - Employee satisfaction at customer's sites - Safety and technological standards - Mutual dependence - Length of relationship and compatibility 	<ul style="list-style-type: none"> - Contract flexibility - Future growth prospects - Two-way interaction and feedback - Proactivity and co-development - Familiarity and personal relationships - Compatibility and level of expertise - Understanding of supplier's offering - Technological competence - Profitability and volumes

Firstly, Supplier A is a large and well-established organisation, and it describes the relationship with EKHVA as follows: *“EKHVA is one of our major clients. For our local unit, they have constituted almost half of the turnover.” “Using a metaphor, if they were not our client, it would be pretty much a death blow for the local unit. As for our whole Finnish organisation, they are also definitely a major customer.”* In terms of capacity, Supplier A is in a good position since they have always been able to respond to customer demands, even by expanding their capacity if necessary. Supplier A generally considers EKHVA’s customer attractiveness to be high, and to be based on factors like the large scale and volume of the customer, the stability and reliability of a public actor, and the value perspective of serving a client that operates in the social and health sector. Given the aging population of Finland, it is easy to see that the healthcare sector will keep growing in the following decades, which means that EKHVA’s purchases are likely to increase. So even though as a public organisation EKHVA does not have growth ambitions, the changing demographics in Finland are likely to drive its growth anyway. This major positive market growth factor for EKHVA’s customer attractiveness was recognised by suppliers B and C as well. As for supplier satisfaction, Supplier A does not expect inquiries about satisfaction from their customers but does expect the relationship and communication to work both ways and to be profitable for both. For establishing deeper long-term partnerships, the customer’s attitude, communication, and co-creation willingness become even more pivotal. Specifically in the long-term partnerships, the role of supplier satisfaction is more meaningful for Supplier A.

Supplier B describes the relationship with EKHVA in the following ways: *“They are our biggest client and make around 60% of our sales.” “The relationship has lasted for tens of years.” “EKHVA purchases the same service from about ten different suppliers and still even the combined capacity is not sufficient to meet the whole demand.”* Therefore, Supplier B expects to win EKHVA’s future tenders as well and the relationship to continue for much longer. Because EKHVA is by far the largest customer for Supplier B and they would likely have to downsize their operations if they lost EKHVA as a customer, other factors of EKHVA’s customer attractiveness matter less for Supplier B. EKHVA is attractive simply because their share of the whole supply is so crucial for the supplier. As for supplier satisfaction, the supplier has mostly been content with EKHVA, but room for improvement was found too, particularly in terms of accessibility of EKHVA’s personnel, or

communication from EKHVA's side in certain instances. At times, Supplier B has encountered difficulties with getting responses for their questions, either due to EKHVA's lack of clarity about responsibilities, or plain ignorance. Although the issues were not major and they improved over time, they affected Supplier B's satisfaction to some extent. Whether EKHVA should be overly concerned about Supplier B's satisfaction is worth questioning though, as the likelihood of losing the supplier or receiving bad service from them would still be low, given their reliance on EKHVA. The power dynamic between these two organisations seems to be somewhat uneven.

Supplier C's relationship with EKHVA has similarities with Supplier A's and is described followingly: *"In the South Karelia region, EKHVA is our largest customer, and for the whole organisation, it is also significant and considered a major customer."* *"The relationship has lasted for more than 15 years, so we have won a couple of tenders in a row."* Supplier C's delivered service involves Supplier C's employees working at EKHVA's sites, so it can almost be seen as EKHVA being their employer. While Supplier C's capacity typically meets the demand well, they are more selective with submitting bids. EKHVA is an ideal customer for them, but they do have certain requirements for potential customers. A remote location or shortcomings in safety standards are potential reasons to not accept a customer since both these aspects are critical for Supplier C. EKHVA's customer attractiveness in the eyes of Supplier C is relatively high and influenced particularly by market growth and economic factors. Regarding supplier satisfaction, the key considerations are relatively different, encompassing many relational factors as table 3 indicates. When the supplier is about to submit an offer for a client, the relational factors do not matter as much, but in the long-term development of the relationship their impact becomes much more powerful. This implies that Supplier C prioritises the financial factors in customer attractiveness, and the relational factors in supplier satisfaction.

5.3 Organisational Self-awareness in Customer Attractiveness and Supplier Satisfaction

This subchapter compares the views of EKHVA and the suppliers. It systematically presents the similarities, differences, and areas of uncertainty between these perspectives. Perhaps

the main discovery is that the similarities clearly outweigh the differences. This indicates that EKHVA has a relatively keen awareness of their own strengths and weaknesses in the eyes of their key suppliers. This awareness is a positive sign as it indicates that EKHVA understands their suppliers and recognises areas for potential improvement. This is not to be taken for granted, particularly given the vast size of EKHVA as an organisation, their huge supplier base of hundreds of suppliers, and the fact that so many different individuals are responsible for different suppliers and acquisitions. When assessing the perceptions of EKHVA and their suppliers, the comparison is also a good way to study how well the suppliers understand the operation of a public organisation. It sheds light on the suppliers' awareness of the regulation and other constraints governing public procurement, that may prevent EKHVA from acting in certain ways that might please the suppliers more.

In terms of their views on customer attractiveness, EKHVA and the suppliers share many similarities. Like the suppliers, also EKHVA sees certain economic factors as a key source of their attractiveness. As stated by EKHVA *"It is our large size together with the stability and business continuity that perhaps have the highest impact. Also the reliability, meaning that when a supplier gets the deal for the contract period, they can be sure that it will hold."* The roles of stability and certainty become even more pronounced during economic downturns, such as the current situation in Finland and Europe. EKHVA is well aware of the importance of these factors to suppliers, and they also understand their own influence and how much it means for most suppliers to win their tender and get EKHVA as a customer. EKHVA's market growth factors of customer attractiveness are exceptional compared to an average public organisation, due to their natural and predictable growth driven by the aging of the Finnish population and the whole healthcare section's expansion. While EKHVA does not need to prioritise this, it significantly increases their attractiveness in the eyes of suppliers seeking to increase their sales and profits. As for the risk factors, a statement from EKHVA shows that they recognise the potential problems with the public tendering process: *"The perceived bureaucracy of public procurement, inflexibility of contracts and the potential sanctions may discourage some suppliers from submitting bids."* That could lead to a lack of competition and rising prices, which then cause a problem with the budget. The suppliers, however, do not see the inflexibility or bureaucracy as major issues, but rather as natural aspects of dealing with the public sector. Perhaps consequently, in most cases EKHVA still

receives a healthy number of bids for tenders, and issues with the lack of competition mainly exist with purchases that have very specific and strict requirements, or in markets with only few available suppliers.

Regarding technological factors of customer attractiveness, neither EKHVA nor the suppliers see them as particularly significant. While there are certain technological requirements for purchases, they are mostly quite standard and not too differentiating factors. The same concerns the innovativeness of procurement, which EKHVA acknowledges is not their main strength. A statement by EKHVA regarding their innovativeness is *“It could be emphasized more, but a challenge is that innovation requires having a lot of market dialogue and investing high resources. How much time and resources there is per an acquisition, varies a lot. Often, it is not possible.”* Still, some efforts are made to allow the development of new solutions. The contracts have clauses that allow introducing new equipment or solutions during a contract period, so at least the innovations are not restricted, although they are not really encouraged either. The suppliers see the willingness for co-creation rather as a bonus than as a necessity, so EKHVA’s limited innovativeness does not significantly hinder their customer attractiveness. The social factors have a similar status, with EKHVA recognising that they are somewhat inflexible, and acknowledging the suppliers’ occasional difficulties with, for example, finding the right contact person. However, in the big picture they see their social attractiveness as decent and emphasize the significance of long-lasting relationships where the sides become more familiar over time, thus making the cooperation more efficient. All the suppliers share relatively similar thoughts, as they also emphasize the significance of a long-lasting relationship, recognise the occasional communication challenges due to EKHVA’s size, but are still overall satisfied with the interaction. Finally, none of the suppliers see the social factors as a priority regarding customer attractiveness, but rather as an essential for supplier satisfaction in longer partnerships.

More specifically, supplier satisfaction is the area where more differences were found between EKHVA’s perceptions and suppliers’ opinions. Firstly, EKHVA has not specifically investigated their suppliers’ satisfaction, so no official data is available in that sense. They estimate is that their suppliers are relatively satisfied, but that some variation exists. Supplier satisfaction factors that EKHVA emphasize are, for instance, maintaining

mutual trust in the relationship, pursuing win-win outcomes in the negotiations that are beneficial for both sides, having effective communication, and being able to reach people to get answers to questions. These factors indicate that EKHVA places more importance on supplier satisfaction factors related to relational behaviour and operative excellence, compared to factors related to growth opportunity or profitability. However, it is also possible that EKHVA considers factors related to growth and profitability to be taken for granted, and therefore does not emphasize them more.

The suppliers also have slightly varying opinions on supplier satisfaction. Firstly, all the suppliers emphasize the factors related to relational behaviour and operative excellence the most. Since EKHVA is a major customer for them, the suppliers have allocated more time and personnel to serve EKHVA's needs compared to smaller customers. This is why they emphasize the need for effective two-way communication across all levels and channels. The cooperation takes place in multiple operative and strategic levels, so the suppliers see it as essential to have a clear conception on who to contact in which situations. Furthermore, suppliers see longstanding relationships as beneficial because the different people and their responsibilities become more familiar over time. Since all the suppliers have had long relationships with EKHVA, they are familiar with the people, but still occasionally find it difficult to reach the right contact persons. This is perhaps one of the biggest issues the suppliers have had with EKHVA that have negatively affected their satisfaction. In practice this means that the instructions from EKHVA could be clearer, and EKHVA's responsiveness to feedback could be better. As an example, when a supplier told EKHVA about an issue related to continuous difficulties in finding the right people to contact, EKHVA did not react to this feedback despite receiving it. The supplier's comment on this was *"EKHVA do not usually react to feedback from suppliers. They accept the feedback, but they do not tend to react unless the magnitude is so big that it would have a major impact on their own operations."* Although the issue was eventually resolved, there was a delay in addressing it, which could be due to EKHVA's superior power in the relationship. This means that EKHVA does not need to please all their suppliers, since they still will not lose them, due to their financial importance for the suppliers.

Additionally, a major positive in EKHVA's operative excellence is that their people generally know the suppliers' products and services well and understand the specifics in the suppliers' offerings. This makes it easy for the suppliers to develop their offerings, and for EKHVA to find areas for development. It also helps in forecasting the future demand and preparing for the upcoming changes. Statements from Supplier C demonstrates the benefits of EKHVA's operative excellence very well: *"You could say that we benefit each other, since the customer is so well informed about our offering."* *"We value the customer's expertise, and they value ours, so the organisations are compatible with each other"*. In addition to understanding the suppliers' portfolios, something that the suppliers find respectable is that EKHVA is a major player and an expert in their own field. This is especially valuable because the social and health sector is held in such a high regard.

Finally, profitability and growth opportunity do also have roles in supplier satisfaction, but all the suppliers clearly agree that their roles are relatively more significant in customer attractiveness. This is in line with EKHVA's own expectations. It is considered positive that the customer grows rather than diminishes, especially if the contract enables the growth, but the growth rate does not influence the treatment that the customer receives. Furthermore, the more satisfied the supplier is in the relationship in terms of profitability, the more eager it is to develop the relationship to the direction of a partnership, which could potentially yield additional benefits for both sides. As with this aspect, also with several other factors it is hard to determine whether it considers more customer attractiveness or supplier satisfaction. This further highlights the close connection between the concepts. All in all, EKHVA is relatively well on track regarding their attractiveness and their suppliers' satisfaction. However, the next question is what do all these findings mean in a broader context. That is analysed in the subsequent chapter, with thorough and detailed discussion.

6 Discussion

This chapter finally links the empirical findings to the framework that was constructed in the theoretical section of the paper. In contrast to the preceding, more descriptive chapter, this adopts a more analytical and critical stance towards the findings. Customer attractiveness and supplier satisfaction are discussed in separate subchapters, while one subchapter is also dedicated for analysing the applicability of the theoretical framework in the context of this thesis. Since a key objective of the thesis is also to discover ways to improve customer attractiveness and supplier satisfaction in public procurement, one subchapter focuses specifically on the potential improvements. While the previous chapter mainly discussed the specific case of EKHVA, this chapter takes a broader perspective by discussing the whole realm of public procurement, rather than just public procurement of EKHVA.

While the existing literature extensively outlines the challenges and disadvantages of public procurement, including those linked to customer attractiveness and supplier satisfaction (e.g., Harland et al., 2013; Uyarra et al., 2014), the strengths and advantages have received significantly less scholarly attention. However, the findings of this study suggest that the strengths have a prominent role as well, potentially even outweighing the weaknesses. In EKHVA's case, the strengths are likely more influential than with an average public organisation, due to the attractive nature of social and healthcare industry and the remarkable size of the organisation. Nevertheless, some suppliers emphasized that many of the positive factors of EKHVA's attractiveness and the suppliers' satisfaction would also be applicable to other public organisations. This implies that public buyers in Finland are quite attractive customers, and they can keep their suppliers relatively content, and therefore willing to continue engagement with the public sector. Despite the strengths, one goal of this thesis was to identify areas for improvement, and those were also found in significant quantity.

6.1 Profit, Reliability, and Stability as Main Drivers of Customer Attractiveness

As the previous chapter indicated, this study highlights that the financial categories of customer attractiveness, which encompass market growth and economic factors, have

greater significance for suppliers compared to risk, technological, and social factors. In comparison, the existing literature provides a range of factors with potential influence on customer attractiveness but does not extensively address which factors have the highest influence (e.g., Hüttinger et al., 2012). Given that much of the existing literature is based on private companies, some distinctions in the public sector are sure to exist. Especially with the pre-relationship customer attractiveness, public buyers rarely emphasize or promote their social or technological attractiveness, for example. The economic or market growth factors in turn, are often publicly accessible as the calls for tenders and the contract details are published online, ensuring visibility to all interested parties. Moreover, factors like the public organisation's size or the industry's development expectations can also be figured with simple research, obviating the need for public organisations to make special efforts to increase their attractiveness in these aspects.

More specifically, key customer attractiveness factors that were highlighted by the suppliers include customer's size, large purchase volumes in relation to the supplier's overall supply, contract duration, solvency, payment reliability, visibility, and stability. All these align with previous research by, for example, Fiocca (1982) or Ramsay and Wagner (2009), falling under either market growth factors or economic factors of customer attractiveness. The customer's growth rate holds significant importance as well, although it is viewed as a bonus rather than as necessity by the suppliers. With EKHVA, the growth rate is one of the main strengths, which is quite exceptional with public organisations since they do not normally aspire to grow. EKHVA's growth is stable, sustainable, and inherently based on the growth of the social and healthcare industry, meaning that the causes of growth are external to the organisation. The role of the external factors, such as market growth or market stability, can be underestimated due to their unalterable nature, but for suppliers, they often hold great importance (Hüttinger et al., 2012). Finally, regarding financial attractiveness factors, customer's reference effects are also considered essential. The reference effects mean that the customer can help the supplier acquire new customers, for example through its network or through positive recommendations (Hald et al., 2009). The references from customers are like a résumé for the supplier, so positive evaluations from influential organisations like EKHVA are extremely valuable for any supplier. It also works both ways, so agreeing to give references also increases the attractiveness of a customer.

The risk factors of customer attractiveness function differently in public organisations compared to private ones, but their significance remains substantial. The dependence between suppliers and EKHVA, which is one of the most central risk factors, varies in different stages of the relationship. Primarily, mutual dependence would be a positive sign, since increasing levels of perceived dependence increase the willingness of both sides to maintain and develop a long-term relationship (Hald et al., 2009). In the public sector, a notable aspect is that dependence diminishes when the contract ends. If a public buyer receives a better offer in a new tender, it will change suppliers even if the switching costs are high and the switch would not be economically feasible. This means that the suppliers can never be certain that they will be reselected with a new tender, which slightly hinders their willingness to make long-term investments into the relationship. In case the relationship ends, EKHVA tends to find new suppliers easily, while the suppliers are more likely to struggle to replace a customer of EKHVA's calibre. In fact, even currently EKHVA have multiple suppliers for many of their purchases, which according to (Christiansen and Maltz, 2002), could reduce their attractiveness, but also reinforces their dominant position in the relationship. However, during the contract period, the dynamics of dependence shift. EKHVA becomes equally dependent on suppliers, as conducting a new tender process would be very consuming for them. In the mid-contract period, the role of mutual trust is essential, as both parties must be confident that the contract will be fulfilled. Since this has never been an issue, there seems to be an ideal congruence between trust and dependence (Yang et al., 2021). In summary, the risk factors of customer attractiveness work quite differently during the relationship, and in new tenders. Improving the risk factors may be quite challenging, though, since they are largely based on the legal regulations governing the tender processes.

As for technological factors of customer attractiveness, the role in public sector is comparably smaller than in private sector. While technological factors could be a potential source of advantage for smaller organisations with lower attractiveness in other areas (Kragh et al., 2022), for large public buyers the main point is that the technology, or the lack of it, does not extensively restrict procurement. Public organisations are rarely any sort of forerunners in technology, and it is not expected from them either. Customer attractiveness would be enhanced if the customer encourages the supplier to innovate, offers incentives for

innovation, or is willing to develop innovations jointly with the supplier (Christiansen & Maltz, 2002). While EKHVA does not particularly encourage suppliers to develop new solutions, it still attempts to enable it, or at least to not prevent or restrict it. The suppliers did agree that EKHVA does not stand out in terms of technology or innovativeness, but they still found EKHVA's technological attractiveness to be sufficient, so at least not restrictive. They also found that higher willingness for co-creation would further increase attractiveness, but its weight compared to other attractiveness factors was considered rather minimal.

The social factors of customer attractiveness share similarities with the technological factors. In the private sector, multiple social factors influence attractiveness, but with public buyers, the social factors play a bigger role in supplier satisfaction. Still, social factors that do have an impact in the public sector are, for instance, the satisfaction of employees in the customer's sites, and the functionality of communication and interaction. These are mentioned for example by Ramsay and Wagner (2009), who specifically emphasize the role of favourable interorganisational relations. In addition, factors like length of the relationship, familiarity, and compatibility, which are considered crucial by Harris et al. (2003), were found to potentially enhance attractiveness, though limitations in them would not pose a major problem for suppliers either. This implies that like with technological factors, sufficiency in social factors is enough for public organisations, and excellence is not a necessity. However, a distinct social factor with significant importance which has not been mentioned in the prior literature, was found in the value perspective of suppliers in terms of the industry. Even if other attractiveness categories had deficiencies, suppliers may view it almost as a responsibility to contribute to the social and healthcare of people, making them willing to serve organisations like EKHVA, even if they were not that attractive economically. While not to the same extent as EKHVA, all public procurement is eventually meant to serve the citizens and taxpayers (Schotanus & Telgen, 2007). Therefore, the value perspective could be applied to all public procurement, although its relative importance for all suppliers may not be as high. Table 4 summarises the main findings of the study regarding customer attractiveness. Compared to table 3 in the preceding chapter, in table 4 the categories of the factors have been determined, and only the most important factors of each category are listed. Additionally, table 4 points the relative importance of each category, as well as the levels of EKHVA's current prowess in them.

Table 6: Main Findings of Customer Attractiveness

Category	Importance for Customer Attractiveness in Public Procurement	EKHVA's current level	Examples of main factors
Market growth factors	High	High	Growth rate, Organisational & Market stability, Size
Risk factors	Medium	Medium-High	Power, Dependence, Trust
Technological factors	Low	Medium	Innovativeness, Co-creation willingness
Economic factors	High	High	Share of purchase volumes, Contract duration, Payment reliability
Social factors	Medium-Low	Medium	Functional interaction, Relationship length, Sustainable industry

6.2 The Central Role of Mutual Benefits and Functional Communication in Supplier Satisfaction

While supplier satisfaction and customer attractiveness comprise many similar aspects, supplier satisfaction has several distinct characteristics too. Whereas customer attractiveness is based on the time before the relationship or during the relationship, supplier satisfaction, like customer satisfaction, does not exist and can't be measured before the relationship has begun (Jääskeläinen et al., 2022). This means that customer attractiveness must first be sufficient to initiate the relationship before the study of supplier satisfaction becomes valid. Hence, customer attractiveness is also one of the antecedents of supplier satisfaction. Based on the identified customer attractiveness factors, it is expected that the public organisations' suppliers would be more satisfied with the economic factors, meaning profitability and growth opportunity, than with the relational factors, meaning relational behaviour and operative excellence. While the public sector is indeed stronger in terms of the economic satisfaction factors, the importance of factors was found to differ significantly from customer attractiveness, with relational factors carrying greater weight in supplier satisfaction. This suggests that large public buyers like EKHVA may have more to improve in terms of supplier satisfaction. Moreover, as Hüttinger et al. (2012) imply, a buyer-supplier interaction can turn out very differently for two different suppliers, even if they perceive the buyer's attractiveness equally. In fact, this study suggests that supplier satisfaction is more subjective

than customer attractiveness since the suppliers' responses to the satisfaction-related questions had more animosity between them. In general, EKHVA's suppliers are relatively satisfied, but each of them still had some ideas for improvement.

In terms of the factors related to profitability and growth opportunity, suppliers had very few complaints about EKHVA. In general, it is considered essential that the relationship is profitable for both sides and that the profit margin is sufficient (Vos et al., 2016). EKHVA's suppliers have specific target levels for profitability, and if it falls below that, there either must be a specific reason, or the supplier must raise its prices to maintain a satisfactory profit margin. Since raising prices during a contract period is often not allowed in contracts with public buyers, the satisfaction is negatively affected if the supplier feels it is not benefitting adequately from the relationship. As for growth opportunity, EKHVA's strong position is evident. As per Hüttinger et al. (2014), suppliers' satisfaction with growth opportunities can be based on two perspectives: mutual growth together with the buyer or selling high volumes to one buyer and thus being able to invest in growth with other customers. While EKHVA's purchase volumes are high to begin with, they also increase more as their own demand increases. Furthermore, EKHVA's reference effects and their willingness to give positive references, the role of which was highlighted by Walter et al. (2001), help suppliers access new markets and customers, thus positively impacting satisfaction. Moreover, EKHVA's suppliers perceive as important that the contracts allow increasing or decreasing purchase volumes during the contract period. This flexibility is not always present, as some contracts only cover a certain number of units, and after that is fulfilled, a new tender must be organised even if the old contract has not run out in terms of time. This kind of lack of flexibility occasionally restricts the attractiveness of public procurement (Schiele, 2020), but in EKHVA's case the contract changes are allowed to a certain degree, which is deemed reasonable, although not ideal by suppliers. Generally, EKHVA's economic supplier satisfaction is at a desirable level, as it likely is with most large public sector buyers.

The category of relational behaviour stands out as possibly the most prominent out of all supplier satisfaction categories. Factors like effective two-way communication, mindset of pursuing mutually beneficial outcomes, and trustworthiness are clearly among the most influential supplier satisfaction factors of EKHVA's suppliers. Firstly, the effectiveness of

communication comprises various small actions and details, highlighting its subjectivity (Hüttinger et al., 2012), which is why it is no surprise that the suppliers' opinions of EKHVA's communication also differ. One supplier praised EKHVA's communication and constructive feedback, stating that it helps them maintain and develop their quality standards with other clients besides EKHVA too. Conversely, another supplier brought up difficulties in reaching the right contacts within EKHVA, citing the instructions and communication as unclear. The supplier also criticised EKHVA's lack of responsiveness to feedback, seeing that their feedback was not taken seriously, which had a minor negative impact on the supplier's satisfaction. Further issues with EKHVA's attitude or trustworthiness were not experienced, besides the lack of guarantee on the relationship continuity caused by the regulations, which is beyond EKHVA's control. Nevertheless, the importance of the trust-related factors for supplier satisfaction is evident. Given that EKHVA is a key customer for the suppliers and the suppliers are relatively dependent on EKHVA, the high level of trust is bound to improve the satisfaction (Shanka & Buvik, 2019). Finally, the familiarity of the partner due to long-lasting relationships was found to enhance the communication and thus the satisfaction. Notably, the roles of boundary spanners were not deemed critical, possibly due to the complexity and company-wide significance of the relationships, which means that the higher management of the company is likely to make the crucial decisions regarding the customer, leaving little say to the boundary spanners (Weller et al., 2021).

Finally, EKHVA's operative excellence received many compliments, but also some criticism. Compatibility and similarity between organisations, highlighted also in social factors of customer attractiveness by Harris et al. (2003), were found to ease the communication. They allow both sides to understand the terminology around the purchases, suggest improvement ideas, and help each other. Operative excellence also links to relational behaviour in terms of contact accessibility (Vos et al., 2016), as it is affected by both the attitude (relational behaviour) and the skillset (operative excellence) of the customer. With EKHVA, the contact accessibility issues were likely related to both. On one hand, there might have been slight attitude issues, but on the other hand, EKHVA could have just lacked the resources and personnel to address the issues. The lack of resources was acknowledged by EKHVA as well, so the emergence of these issues is no surprise. Additionally, the suppliers noted the negative impact of EKHVA's slow decision-making processes, which is

often a sign of poor operative excellence (Hüttinger et al., 2014). However, the suppliers were aware that the main reasons behind the slowness are the size of the organisation and the bureaucracy of public procurement. While EKHVA themselves may face limitations in improving their flexibility or agility, adjustments to procurement legislation could enhance the expected supplier satisfaction of public organisations. Table 5 below summarises the main findings of the study regarding supplier satisfaction. Table 5 is comparable to table 4 in the preceding subchapter, also presenting the categories of the factors, the relative importance of each category, and the levels of EKHVA's current prowess in them.

Table 7: Main Findings of Supplier Satisfaction

Category	Importance for Supplier Satisfaction in Public Procurement	EKHVA's current level	Examples of main factors
Profitability	Medium-Low	High	Contract flexibility, Overall profit
Growth opportunity	Medium-Low	Medium	Growth prospects, Customer's reference effects
Relational behaviour	High	Medium	Effective communication, Mutually beneficial outcomes, Compatibility
Operative excellence	Medium-High	Medium-High	Understanding of suppliers' portfolios, Contact Accessibility, Decision-making processes

6.3 Practicality of Categorising the Factors of Customer Attractiveness and Supplier Satisfaction

Numerous determinants of customer attractiveness and supplier satisfaction have been identified throughout the thesis, both from the existing literature and from the empirical study. The private sector factors of customer attractiveness and supplier satisfaction were first categorised in the conceptual framework of the thesis, which was based on the articles of Hüttinger et al. (2012) and Vos et al. (2016) and presented in the introduction. The first chapter of the literature review was structured according to this framework, as were the interviews in the empirical study. The framework and the categorisation matrix thus played an integral part in the whole thesis, which is why it stands to reason to evaluate their

suitability for studying customer attractiveness and supplier satisfaction in the public sector. If the framework is found to be suitable, it could also be applied in the future studies.

Firstly, customer attractiveness was categorised into market growth factors, risk factors, technological factors, economic factors, and social factors (Hüttinger et al., 2012). While the categories overlap to a certain extent in the private sector too, the overlapping was found to be particularly evident in the public sector. For instance, market growth factors and economic factors were referred to as almost the same thing, consisting largely of the same factors, like purchase volumes, market share, influence on the market, profitability, and stability. According to Hald et al. (2009), all these factors can all fit under either category, and while customer's growth rate is more of a market growth factor, it is clearly related to the economic or side of attractiveness as well. The fact that the interviewees could not really tell the two categories apart is understandable due to their high overlapping. It is also not a problem, because the same phenomenon exists in the prior literature as well, and because improving the categories can be done with relatively similar actions, as will be explained in chapter 6.4. Combining market growth and economic factors in public procurement could therefore be reasonable, given also their shared high importance for attractiveness. Moreover, the risk factors are essentially centred around the power, dependence, and trust between the parties. While they do overlap partly with social factors, they are still a relatively distinct category, especially when trust is viewed through the risk-perspective. In contrast, while the technological and social attractiveness factors differ from each other, they share the limited significance for attractiveness in the public sector. Also, neither of them necessitates an outstanding level, as long as they are sufficient. Thus, technological and social factors could both be regarded as supplementary factors of customer attractiveness.

With supplier satisfaction, the economic categories encompassing profitability and growth opportunity follow a similar logic as those in customer attractiveness. While the economic satisfaction categories were also found to comprise similar aspects like profit, contract duration, and growth prospects, a difference compared to the economic side of customer attractiveness is that the significance is substantially lower. While these factors are crucial in the tendering phase of the public procurement process, during the relationship their influence decreases since they are already known and have already been considered in the

tendering, in terms of attractiveness assessment. The categories of relational behaviour and operative excellence also overlap slightly, for example with contact accessibility (Vos et al., 2016), but they also have obvious distinctions, which is why they function best as separate categories. Relational behaviour mainly concerns the interorganisational interaction (e.g., Hüttinger et al., 2012), while operative excellence relates more to the functionality of the customer's internal operations and its skillset (e.g., Stek & Schiele, 2021).

Finally, the distinction between customer attractiveness and supplier satisfaction is not entirely flawless either. The main distinction is that customer attractiveness is primarily associated with the pre-relationship phase, which in public procurement means the tendering phase, whereas supplier satisfaction refers to the mid-contract period (Jääskeläinen et al., 2022). In addition, customer attractiveness refers to the expectations of the relationship, whereas supplier satisfaction concerns the actual perceptions of the supplier (Essig & Amann, 2009). Still, the boundaries between the two concepts can occasionally be somewhat blurred due to their close interconnection. Some factors have an impact on both concepts, the concepts influence each other, and it is not always clear whether certain factors impact attractiveness, satisfaction, or both. Nevertheless, this lack of absolute clarity should not be considered as an issue, as it is normal that factors like purchase volumes, or on the other side, the functionality of interaction, have an impact on multiple levels.

6.4 There Is Still Room for Improvement

The goal of the thesis was not only to discover the determinants of customer attractiveness and supplier satisfaction in public procurement, but also to find how they can be improved. The expectation based on the previous literature around the subjects was that public procurement would have more weaknesses and development areas, due to the differing goals and various constraints associated with public procurement (Erridge & McIlroy, 2002; Harland et al., 2013). However, the empirical study also highlighted public procurement's numerous strengths and advantages compared to private procurement, portraying public buyers as more attractive and their suppliers more satisfied on average than expected. Although this can't be stated with full certainty because only one case organisation was studied, the results do indicate that the overall situation is not all negative. Importantly, this

nance does not undermine the validity of this study. Proficiency should not hinder the pursuit of further improvement.

Regarding customer attractiveness, many of public procurement's strengths are related to the financial side of procurement. The financial factors could be further enhanced by, for instance, increasing the joint procurement projects, maintaining the reliability and stability of operations, and promoting the financial attractiveness of public buyers to improve the image that suppliers might have of it. Increasing joint procurement, or cooperative purchasing, would help the public buyers too by reducing their workload (Schotanus & Telgen, 2007). However, the parties involved in joint procurement should ensure that they retain their independence, so that the decisions are aligned with their own interests, and not the coalition's. As for the risk factors, maintaining the suppliers' high trust and dependence is clearly beneficial. The attractiveness in this sense could be enhanced if it was possible to give any guarantees on the relationship continuity beyond the one tender. Due to constraints imposed by the procurement law, this is currently impossible, and will likely remain so since the tendering regulations play a pivotal role in corruption prevention (Schiele, 2020). Therefore, the risk factors may not be the primary source of attractiveness improvements.

Although the significance of the technological and social factors for public organisations' customer attractiveness is limited, improving them could still yield positive outcomes. For technological factors, a slight weakness is the lack of innovativeness in procurement, so encouraging innovations more would likely improve that. Giving incentives for developing better solutions or dedicating time to co-create and test them together with suppliers have been proven to enhance attractiveness (Christiansen & Maltz, 2002), and they were also mentioned by the suppliers as potential areas for development. As for the social factors, improving the communication or the suppliers' employee satisfaction at the buyer's sites may have some impact, but probably not extensive. However, one of EKHVA's main attractiveness factors was found to be the value perspective and the sustainability aspect, particularly in serving the social and healthcare sector, which is indispensable for the society. Since all public procurement eventually aims to serve the society and the taxpayers (Schotanus & Telgen, 2007), emphasizing this aspect to suppliers could potentially enhance their interest. Additionally, serving such important customers would improve the suppliers'

own sustainability image, which is always a positive thing in the current times. Implementing these improvements to the technological and social factors would also be relatively simple, and it would not require extensive effort or resources. However, if the resources are already insufficient as the EKHVA interviews proved, it could be more challenging. Nevertheless, at least exploring these options would be worth considering.

As for supplier satisfaction, the impact of the financial factors is limited. While improving the financial factors is absolutely recommended, the achievable benefits relate more to customer attractiveness, and less to supplier satisfaction. To enhance supplier satisfaction, the most effective way is to focus on relational behaviour and operative excellence. Generally, some concrete and feasible ways for public organisations to improve their relational behaviour include focusing increasingly on support, reliability, and involvement (Vos et al., 2016). Mutual trust and social bonding have been proven to boost satisfaction as well, especially at the more mature stages of relationships (Yen & Barnes, 2011). Since the roles of communication and mode of interaction have also been mentioned multiple times, a factor that should be re-emphasized is the subjectivity of supplier satisfaction. It was clearly identified that different suppliers perceive actions differently, and there is no single way to keep all suppliers satisfied. Therefore, the guideline is to assess each supplier relationship individually, resources permitting of course, and tailor the decisions of appropriate relational behaviour to maximise the benefits for each specific relationship.

Finally, supplier satisfaction can also be improved in terms of operative excellence. While contact accessibility is one of the main areas to improve, a central factor is also maintaining the high standards with payment habits, understanding of the suppliers' offerings, and skillsets of the purchasers. Maintaining high levels of expertise is no easy task, especially if the personnel changes frequently, so continuous training for new and old employees is needed (Stek & Schiele, 2021). The planning for responsibilities and tasks should be at top level, which highlights the role of competent leadership. Still, everything is eventually dependent on the available resources. With wellbeing areas like EKHVA, the procurement resources are based on the whole organisation's goals and budget, which are determined by the wellbeing area's government (Etelä-Karjalan Hyvinvointialue, 2023c). Budgets in public sector tend to be quite tight, so all changes or improvements that might be needed, can never

be executed. Given the already decent levels of EKHVA's operative excellence and overall supplier satisfaction, investing heavily in improvements might not be a priority for the organisation. Therefore, the suggested improvements should be kept realistic. Table 6 below summarises the potential improvements that have been discussed. The table also lists which categories of customer attractiveness or supplier satisfaction the improvements are directed at, as well as the things that should be considered before starting to implement the changes.

Table 8: Summary of the Improvements

The improvement	What it mainly impacts?	Things to acknowledge before implementation
Increasing joint procurement projects and cooperative purchasing	Market growth and Economic factors of Customer attractiveness	Must ensure that independence is retained, so that decisions align with own interests.
Maintaining the current stability + suppliers' high trust and dependence	Risk and Economic factors of Customer attractiveness	Does not require massive effort but has a significant impact.
Giving more incentives for innovation or co-creating new solutions and innovations	Technological and Social factors of Customer attractiveness	Resources and time allowing.
Emphasizing more the value and importance of serving the healthcare industry	Social factors of Customer attractiveness	Suppliers could also take advantage of this, by improving their sustainability.
Maintaining the reliability and increasing contract flexibility	Profitability and Growth opportunity of Supplier satisfaction	Might be somewhat restricted by the procurement law.
Focusing even more on support and involvement, building trust by enhancing the interaction	Relational behaviour of Supplier satisfaction	Subjectivity, depends highly on the supplier how much is needed.
Improving contact accessibility	Relational behaviour and Operative excellence of Supplier satisfaction	Resources and time allowing. Very subjective.
Maintaining high standards with employee expertise and understanding of suppliers' offerings	Operative excellence of Supplier satisfaction	Might be challenging if the personnel changes frequently. Competent leadership is crucial.

7 Conclusions

The primary objective of this thesis was to study the ways for improving customer attractiveness and supplier satisfaction within public organisations. While there is extensive research on customer attractiveness and supplier satisfaction in the private sector, a public procurement perspective has generally been overlooked in the literature, apart from a few studies. To bridge this gap in research and study the concepts in the public sector, a framework derived from private sector literature was developed, dividing the drivers of customer attractiveness and supplier satisfaction into categories. The framework provided the structure for the literature review and helped in constructing the interviews, which were conducted to five persons to build the empirical case study. Two interviews were conducted to the case organisation EKHVA, and three interviews to the case organisation's suppliers. Supported by secondary data, content analysis was then employed to analyse the case, followed by discussion with the previous literature in the subsequent chapters.

The prior literature suggested that public procurement would have significant weaknesses regarding customer attractiveness and supplier satisfaction compared to private companies, primarily related to goal constraints, legal constraints, and pooling challenges. (e.g., Harland et al., 2013; Schiele, 2020). This study, however, provides an alternative narrative, indicating particularly that customer attractiveness in public procurement is highly positively influenced by market growth factors and economic factors. Risk factors also influence customer attractiveness moderately, while technological and social factors were found to have a limited, though not negligible impact. Whereas customer attractiveness is close to equal for all suppliers, supplier satisfaction has more variation among suppliers, indicating a more subjective nature. For supplier satisfaction, relational factors encompassing relational behaviour and operative excellence were found to be more influential than financial factors, which encompass profitability and growth opportunity. Whether the impact of these factors on supplier satisfaction is more positive or negative, highly depends on the occasion. In the specific case studied in this thesis, the impact is primarily positive, although areas for improvement were discovered as well. Notably, many of the potential improvements are also feasible for public organisations if they are deemed worth pursuing.

7.1 Answering the Research Questions

Regarding the research questions of the thesis, the conclusion was that the sub-questions should be answered first, before being able to thoroughly address the main research question. The first sub-question was “What are the current factors impacting customer attractiveness and supplier satisfaction in public procurement?”. This question has been extensively addressed throughout the whole thesis. Firstly, customer attractiveness in public procurement is significantly impacted by market growth factors and economic factors, such as customer’s size, share of purchase volumes, contract duration, payment reliability, growth rate, and organisational and market stability. Moreover, risk factors, such as power, dependence, and trust in the relationship, have a moderate impact on customer attractiveness, while technological and social factors, like innovativeness, willingness to co-create new solutions, functional interactions, length of the relationship, familiarity, and compatibility, contribute to a minor impact. Also, as an exception, a social factor with a significant impact on customer attractiveness is operating in a sustainable and socially valuable industry. As for supplier satisfaction, the most influential determinants are related to relational behaviour and operative excellence. These include effective two-way communication, trustworthiness, pursuing mutually beneficial outcomes, compatibility, understanding of suppliers’ portfolios, contact accessibility, and decision-making processes. A minor impact to supplier satisfaction is also possessed by factors related to profitability and growth opportunity, such as growth prospects, customer’s reference effects, contract flexibility, and overall profit.

The second sub-question was “What are the means and practices to solve the main challenges of public procurement regarding customer attractiveness and supplier satisfaction?”. While the existing literature classifies the main challenges of public procurement into legal constraints, goal constraints, and pooling challenges (Harland et al., 2013), this study suggests a slightly different classification. In the studied case, legal constraints seem to impose certain restrictions on procurement, but goal constraints and pooling challenges seem to have a much lower impact. The goal constraints are not seen as problematic because the differing goals are such a natural part of procurement, and the pooling challenges are mitigated by the frequent joint procurement efforts. However, major challenges for public procurement are instead caused by the strict budget and limited resources, which

considerably limit the opportunities to invest in improvements. Still, some means and practices to solve these challenges, and concurrently improve customer attractiveness and supplier satisfaction, can be listed. The first key action is identifying the challenges, which has been provisionally done in this paper, but should also be done by the public organisations themselves, since the exact challenges are likely to vary. Furthermore, focusing increasingly on issues like innovativeness, co-creation of solutions, image of sustainability, contact accessibility, individualised treatment of suppliers, and high level of employee expertise, is likely to yield positive outcomes. Finally, while all these are potential areas for improvement, just as essential is to maintain the high standards in the areas that presently enable the high levels of customer attractiveness and supplier satisfaction.

Finally, the main research question of the thesis was “How can customer attractiveness and supplier satisfaction be improved in public procurement?”. Although this question has been under investigation throughout the thesis, this paragraph presents the one concluding answer. The overall improvement consists of simultaneously maintaining the current strengths and mitigating the impact of current weaknesses. For customer attractiveness, the priority is maintaining high standards with market growth and economic factors since their impact is the most significant. Secondary are maintaining the high standard of risk factors, and improving the technological and social factors, in those areas where it is feasible. For supplier satisfaction, the priority is making specific minor improvements to factors related to relational behaviour and operative excellence, as these factors have the highest overall impact. Therefore, secondary aspects are maintaining satisfactory levels of profitability and growth opportunities. As a final note, while a high supplier satisfaction might not be of paramount importance for many public organisations, a high customer attractiveness is imperative for all. Having deficiencies in supplier satisfaction may not have dramatic consequences in the short term, but a lack of customer attractiveness could result in not receiving offers from suppliers. That would be nearly catastrophic, which means that if one of the two concepts must be prioritised, customer attractiveness should prevail.

7.2 Theoretical, Managerial, and Policy Implications

The theoretical implications of this thesis can potentially be remarkable. The study plays a part in building a foundation for further examination of customer attractiveness and supplier satisfaction in the context of public procurement. Given the limited existing research on the subject, the significance of just one study is considerable. Therefore, the main theoretical contribution of the study is precisely to the customer attractiveness and supplier satisfaction literature, which in a broader scale belongs to the realm of purchasing and supply management. More evidence regarding the determinants of customer attractiveness and supplier satisfaction is given, which mostly compliments the prior research, but also extends the current understanding by considering a novel perspective of public procurement. Notably, the private sector categories of customer attractiveness and supplier satisfaction determined by Hüttinger et al. (2012) and Vos et al. (2016), are validated with this study, and deemed as relatively suitable for public sector research as well. This leads to the other theoretical contribution of this study, which is to the public procurement literature. The study sheds light on procurement objectives and proposes potential solutions to associated challenges. Additionally, the study questions the relevance of some of the listed challenges of public procurement, (e.g., Harland et al., 2013), suggesting that goal constraints and pooling challenges may not always be that as restrictive as thought. Recognising the central differences between private and public procurement and providing different viewpoints about them can potentially fuel further comparative research, through both differentiation and mutual learning.

Managerial implications of this study primarily concern the procurement management of public organisations. The lack of offers and interest from suppliers is one of the widely recognised challenges of public procurement globally. Therefore, identifying solutions for that issue would not only benefit the organisations, but indirectly, entire societies by ensuring a more effective spending of taxes and thus enhancing public services. Although the lack of interest from suppliers was not a significant issue in the specific case organisation of this study, it generally exists in Finland and across Europe. (European Commission, 2022) Since lack of customer attractiveness is evidently one of the causes of the lack of offers and interest from suppliers, improving the customer attractiveness of public organisations would be a

potential solution. For the management of public organisations, this would first require recognising the correlation, and then implementing the attractiveness-enhancing practices. When more and more suppliers start to see the public organisations as attractive, more offers will start to come in, competition between the suppliers will increase, and improved offers will be received. Although increasing the attractiveness may not entirely resolve the issue of having few offers, it is likely to help significantly. As supplier satisfaction is also directly linked to customer attractiveness and the two concepts can be improved with somewhat similar means, having better tools to implement the improvements would be a valuable asset for public procurement. Therefore, the managerial contribution of this thesis is noteworthy.

Finally, given that public procurement is a central policy instrument, a study that considers public procurement inherently has at least some implications for policy (Grandia & Meehan, 2017). The policy implications of this study are related to the public procurement legislation, the tendering obligations of public buyers, and the legally mandated phases of the public procurement process. While relaxing the regulations could increase the supplier interest towards public sector customers, it would also jeopardise the other objectives of public procurement and increase the risk of corruption. Adjusting the regulations would also be a meticulous process, even at a national level, but especially at the EU level. However, the changes would not have to be major, as even minor reliefs could prove to be impactful. For example, in certain occasions this study's case organisation only demands extensive documentation in the tendering process at the point where a supplier has already won the tender, meaning that sole participation in the tender is less resource-demanding, and thus more accessible for suppliers. Allowing more policies like this could increase the number of received offers, and thus enhance the effectiveness of public procurement and the spending of public funds. Therefore, contemplating some minor relaxations to the law might be worth considering. Even though modifications to legislation are unlikely, presenting proposals backed by research is beneficial.

7.3 Limitations

This study is also not without limitations. The main limitations are based on two things: the single case study method and the relatively small sample size of only five interviews. Single

case studies always have the issue of generalisability, as understanding a single case inside-out is not enough to make generalisable theoretical constructs that would automatically apply to other industries or markets besides the one that is studied (Eriksson & Kovalainen, 2008, 118). A similar issue is with interviewing only three suppliers, as they do not represent the whole supply base of the case organisation. However, mitigating the sample size limitation was possible by adding the expert interview element to the case study method, which was done by making the interview questions more general instead of focusing solely on the case of EKHVA. Further help was gained from introducing the procurement guide as secondary data to complement the interviews. Despite the mitigations though, the generalisability issue means that the results of this study are not necessarily fully applicable to other industries, and further research on the topic is needed.

From a broader perspective, an inherent limitation of the study is also based on the author. The study has only one author, possessing limited experience in conducting studies of this magnitude. Generally, having only one person who reviews the literature, conducts interviews, and interprets the results, increases the risk of subjectivity and personal biases. Additionally, combined with time restrictions, this slightly limits the available resources to potentially conduct a more extensive study. Although the inclusion of more authors was not possible in this type of study, it is still fair to acknowledge the limitation, especially considering potential future researchers. Efforts to mitigate these limitations were primarily related being as objective and thorough with all the phases as possible. That being successful, the impact of the author limitation on reliability or validity of the study is likely not major. Therefore, out of the three concepts of evaluating business research, reliability and validity of this study are on a satisfactory level, while generalisability is the primary limitation.

7.4 Future Research

Finally, the limitations of this study, as well as the findings, set the foundation for future research. The topics of customer attractiveness and supplier satisfaction are likely to remain relevant in the future, since the number of scientific publications about them has been on the rise lately, and many businesses have only recently started to realise the extra value they could bring (Jääskeläinen et al., 2022). Whether customer attractiveness and supplier

satisfaction will be extensively studied in the context of public procurement in the future, depends a lot on their perceived importance by public organisations. The suggestion of this study is that customer attractiveness in particular should be emphasised much more, whereas the role of supplier satisfaction might be more secondary. Having more studies and knowledge would eventually lead to the implementation of the suggested improvements, and thus higher customer attractiveness and supplier satisfaction. These could then potentially result in receiving improved bids for the tenders, and better treatment from the suppliers. Therefore, to continue building the foundation for advancement, one direction for future research is measuring quantitatively the importance or value that customer attractiveness and supplier satisfaction as procurement objectives currently hold for public buyers. The result of such study could be, for example, a scale that quantitatively presents the relative importance of all the public procurement's objectives. A similar scale could also be constructed for the influencing factors of customer attractiveness and supplier satisfaction that were studied in this thesis, to see the relative importance of each category of factors.

Another promising avenue for future research would be conducting a topic-wise similar study than this, but with different methodologies and samples. For instance, conducting a multiple case study would facilitate the comparisons between public organisations that operate in different industries. This would enhance the generalisability of the results and possibly provide insights into some novel perspectives. A multiple case study would not result in as profound understanding of the influencing factors in a single case, as the level of detail and the depth of analysis are normally better in single case studies, such as this one (Voss et al., 2002). Instead, it would result in a longer list of potential influencing factors, and therefore an improved categorisation matrix. Moreover, studying public buying organisations that differ in terms of industry, market, size, location, culture, or even objectives, would be a key contribution to the academic literature. Such diversity is likely to result in highly varying levels of customer attractiveness and supplier satisfaction, and in a wide range of influencing factors. From such a diverse sample, the identification of factors that are shared by majority of the organisations, would allow us to state with confidence that those are the absolute key factors for customer attractiveness and supplier satisfaction in public procurement. Although this study provides a solid foundation for that, further research is still needed to eventually reach the optimal outcome.

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Appendix 1. Interview Questions: EKHVA

1. Goals of public procurement:

1a) What are the goals of procurement at EKHVA? How do the goals guide your procurement?

1b) How do the following goals guide procurement at EKHVA?

- Commercial goals?
- Regulatory goals?
- Socio-economic goals?
- Which goals are the most important, and which goals should be emphasized to increase EKHVA's customer attractiveness or supplier satisfaction?

2. Challenges of public procurement:

2a) What are the main challenges and constraints of procurement at EKHVA?

2b) How do the following constraints/challenges impact the procurement at EKHVA?

- Legal constraints?
- Goal constraints?
- Pooling challenges?
- Innovation issues?

3. Customer attractiveness:

3a) Do you think your suppliers see EKHVA as an attractive customer, in general?

3b) What kind of practices could increase EKHVA's attractiveness as a customer in the eyes of your suppliers?

- Which market growth factors do you think impact EKHVA's customer attractiveness?
- Which risk factors do you think impact EKHVA's customer attractiveness?
- Which technological factors do you think impact EKHVA's customer attractiveness?
- Which economic factors do you think impact EKHVA's customer attractiveness?
- Which social factors do you think impact EKHVA's customer attractiveness?

4. Supplier satisfaction:

4a) Do you think your suppliers are satisfied with EKHVA as a customer, in general?

4b) What kind of practices could increase your suppliers' satisfaction with EKHVA?

- Which factors related to profitability impact your suppliers' satisfaction with EKHVA?
- Which factors related to growth opportunity impact your suppliers' satisfaction with EKHVA?
- Which factors related to relational behaviour impact your suppliers' satisfaction with EKHVA?
- Which factors related to operative excellence impact your suppliers' satisfaction with EKHVA?

5. Preferred customer status:

5a) Do you think you are a preferred customer of your suppliers?

5b) How would you benefit from being a preferred customer?

Appendix 2. Interview Questions: Suppliers

1. Introduction: Recap on the current situation:

- 1a) Briefly describe the relationship between your organisation and EKHVA.
- 1b) How large are the volumes that EKHVA purchase from your organisation, and how large are their shares of your total supply, approximately?
- 1c) How do you usually choose which organisations you “accept” as your customers, or do you accept all organisations that are willing to purchase from you?
- 1d) How well does your capacity meet the demand from all the potential customers?

2. Customer attractiveness:

- 2a) How attractive customer do you see EKHVA as, in general?
- 2b) What kind of practices could increase the attractiveness of your customers?
 - Which market growth factors impact EKHVA’s (or any customer’s) customer attractiveness?
 - Which risk factors impact EKHVA’s (or any customer’s) customer attractiveness?
 - Which technological factors impact EKHVA’s (or any customer’s) customer attractiveness?
 - Which economic factors impact EKHVA’s (or any customer’s) customer attractiveness?
 - Which social factors impact EKHVA’s (or any customer’s) customer attractiveness?

3. Supplier satisfaction:

- 3a) How satisfied are you with EKHVA as a customer, in general?
- 3b) What kind of practices could increase your satisfaction with a customer?
 - Which factors related to profitability impact your satisfaction with EKHVA or other customers?
 - Which factors related to growth opportunity impact your satisfaction with EKHVA or other customers?
 - Which factors related to relational behaviour impact your satisfaction with EKHVA or other customers?
 - Which factors related to operative excellence impact your satisfaction with EKHVA or other customers?

4. Preferred customer status:

4a) Do you treat all your customers equally, or are some customers more important than others?

4b) Based on the previous answers, would you consider making EKHVA your preferred customer? Why?