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## Rules or Rapport?

### On the governance of supplier-customer relationships with initial asymmetry

Steller, Frank

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Frank P. Steller



# RULES OR RAPPORT?

On the governance of supplier-customer relationships with initial asymmetry



# Propositions accompanying the dissertation **Rules or Rapport?**

*On the governance of  
supplier-customer relationships with initial asymmetry.*

by Frank P. Steller

1. Dominant customers and opportunistic suppliers each endanger their emerging relationship (this dissertation).
2. In 'tender = transaction' parties hold each other hostage (this dissertation).
3. 'Double U' interaction leads to rapport (this dissertation).
4. In public tendering parties should only offer/ award after congruence is reached (this dissertation).
5. In Regulated tenders 'formal bargaining' (Ring & Van de Ven, 1994) is 'mute', 'blind', and 'deaf'.
6. Regulated tendering authorizes monopolistic behaviour.
7. In public tendering it is equally important to treat each prospective supplier as equal, as it is to treat all equally.
8. "Rules of bureaucracies to regulate in detail [...] will not work" (Macneil, 1980, p. 77).
9. Attitudes are more important in governance than regulations.
10. Je roeit met de riemen die je hebt, met je team maak je het verschil.



# **Rules or Rapport?**

*On the governance of  
supplier-customer relationships with initial asymmetry*

Frank P. STELLER

Keywords: supplier-customer relationship, relationship governance, public procurement, regulated tender environment, rapport

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# Rules or Rapport?

*On the governance of  
supplier-customer relationships with initial asymmetry*

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**Voor Caroline**



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## GLOSSARY

In this dissertation the terms supplier and customer are preferred over the usual ones (seller and buyer), to signify the processes and duration of the interaction between parties instead of just the transaction. Whereas using ‘buyer-seller’ often implies the use of only the customer’s point of view, this dissertation uses the altered sequence of the two parties: supplier-customer, to emphasize the dyadic character of the relationship.

Supplier: (instead of seller) is the organization supplying goods and/or services during a prolonged period of time to the customer.

Customer: (instead of buyer) is the organization requisitioning these goods and/or services.

Supplier-customer relationship (SCR), or Relationship: covers all aspects of the relationship between two independent and autonomous organizations for the exchange of goods and/or services rendered by the supplier to the customer; from its emergence through to dissolution.

Regulated tender environment (RTE) and Regulations: is used instead of public procurement. The Regulations are European Union (EU) directives and subsequent country specific legislation, regulation, and jurisdiction stipulating how governments should award contracts to suppliers. The Regulations include both duties for the procuring entities and rights for (potential) suppliers. When the customer is a governmental entity, the relationship falls within the RTE.

Directive 2004/18/EC: of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts, and public service contracts; as of 2016 succeeded by 2014/24/EC.

Directive 2004/17/EC: of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport, and postal services sectors; as of 2016 succeeded by 2014/25/EC.

The cases studied were subject to directive 2004/17.

Special sector companies: (also called public utilities) are government-owned companies with a concession for public service; these companies are subject to the Regulations (2004/17/EC, now 2014/25/EC). When the customer is a special sector company, the relationship falls within the RTE.

Actors and organizations: this study takes the organizational level of investigation. Although organizations don't act, only actors/people do (Rousseau, 1985), this dissertation attributes acts, and human constructs (e.g. attitude, expectations, rapport, governance etc.) to organizations as a short hand for: e.g. the representatives of this organization enact a dominant attitude, jointly have expectations x, establish rapport with their counterparts in the other organization to their SCR.

Attitudes: the expectations and assumptions about each other's prerogatives and obligations (Section 4.4).

Matching attitudes: dominant/submissive or both 'as equals' (Section 3.6.1).

Expectations: supply chain expectations are categorized as 'basic', 'approved', 'preferred', 'performance-based', and 'vested'. 'Vested' is only meant as expectation category, not to describe the registered trademark for a method to arrive at such a relationship. Expectations are identities in relation to the other (Section 3.6.2).

Congruence: when supplier and customer have matching attitudes and the same expectations (Sections 3.6.1 and 4.5.5).

This dissertation develops a definition for relationship governance. Starting from:

Relationship governance: actions by parties to control, influence, or regulate the policy and affairs of a [supplier-customer relationship] (New Oxford Dictionary, 1998) (Pearsall & Hanks, 1998), the concept is developed - while based on literature - and split into contractual and relational governance (Section 3.3).

Contractual governance: comprises the actions parties take to control, influence, or regulate the policy and affairs of their SCR, using roles, obligations, responsibilities, contingency adaptation, and legal penalty as specified or adapted in formal agreements. (Section

3.3.3).

Relational governance: comprises the action parties take to control, influence, or regulate the policy and affairs of their SCR, using trust, flexibility, solidarity, information exchange, fairness, and informal rules and procedures as embedded in the relationship (Section 3.3.4).

As a result of the case study findings, the combined definition is extended with 'attitudes' (Section 6.3.5).

*Relationship governance: governance comprises the attitudes and actions suppliers and customers take to control, influence, or regulate the policy and affairs of their supplier-customer relationship. Parties use roles, obligations, responsibilities, contingency adaptation, and legal penalty (as specified or adapted in formal agreements) to reach their goal, in addition to trust, flexibility, solidarity, information exchange, fairness, and informal rules and procedures (as embedded in the relationship).*

In Section 4.6 a specific form of governance is determined.

Customer-led process governance: is the governance for the regulated tender phase. This regulated form of governance focusses on the process of the tender phase, and is unilaterally executed by the customer. The details of this form of governance are based on the case study findings (Section 6.5.2).

The customer sets the scene when initiating an SCR through its call for competition. The customer defines the SCR through substance specification, contract type and duration, and the number of contracts on offer. For the tender phase, the customer further specifies in the call for competition the type of regulated procedure, the number of episodes, the tender planning, the interaction configuration, and the selection and awarding criteria.

Formal interactions: are defined as: information exchanges limited to aspects of contractual governance: substance, understanding of the customer's specification, detailing of specifications, performance details, obligations, roles, planning, (renewed) offer, negotiations,



meeting the awarding criteria, and acceptance. Always (finalized) in writing (Section 4.6).

Informal interaction: two-way, 1:1 interaction related to elements of relational governance: e.g. trust, flexibility, solidarity, information exchange, fairness, and informal rules and procedures; and related to making acquaintance, building rapport, and establishing congruence.

Regulated interactions: interactions during a regulated tender. (Sections 4.4, 5.4, 6.4 and 7.4).

Interaction configuration: the total of all planned regulated interactions, specified in type, sequence, and allocation to the tender episode.

Rapport: “a close and harmonious relationship in which the people or groups concerned understand each other’s feelings or ideas and communicate well” (New Oxford Dictionary, 1998) (Pearsall & Hanks, 1998).

Rapport building: combination of all the following interaction attributes: (1) reciprocal and affective information disclosure, (2) extended sequences of affiliation, (3) needs, understandings, interpretations exchanged in recurrent, face-to-face meetings, and (4) questions and answers in a process of real-time turn-taking (Sections 3.4.4, 5.4.10, 6.6.6, and Section 7.4)

# 1. Introduction

As a practitioner in public procurement I have experienced that supplier-customer relationships (SCRs) are often not as successful as anticipated when signing the contract. As an independent researcher I am currently investigating how suppliers and customers cooperate in the business-to-government market. Successful business-to-business relationships are governed by customers and suppliers jointly (Cao & Lumineau, 2015) whereas governing is “conducting the policy, actions, and affairs of [the relationship]” (New Oxford Dictionary, 1998) (Pearsall & Hanks, 1998). My research explores whether and how such governance can be achieved in public procurement. Procurement by governments and public utilities in all European Union (EU) countries is regulated by EU rules. This study elaborates the relationship governance theory for the regulated environment. It advances the scientific debate through better understanding of the conditions for building relationship governance.

## 1.1. Public procurement

Public utilities have to offer a reliable and economical service. For this, they are dependent on the goods and services bought from their suppliers. For example, electricity grid operators buy smart meters, airport operators buy IT and security services. The production processes of public utility operators are interwoven with those of their suppliers. For instance, all cleaning of trains is done by suppliers. As public utilities are 24/7 operators, they require reliable products, dependable service quality, and round the clock availability of their suppliers. As for the suppliers, the relationship should serve their goals as well, otherwise their service will deteriorate or come to a halt. Therefore, mutually beneficial, and close working relationships between public utilities and their suppliers are important. The start of these working relationships - the tender phase - is regulated by European tender rules.

These European Regulations have been devised to promote competition among suppliers and transparency in government spending. They also apply to public utilities. The Regulations prescribe

the way parties should interact during the start of their relationship. The principles of equal treatment, non-discrimination, mutual recognition, proportionality, and transparency are leading for the way customers treat all prospective suppliers. Suppliers' offers have to be unconditional and irrevocable. Furthermore, the Regulations prescribe the sequence of activities during the tender, while offering some alternative procedures. Finally, "all interaction and information exchange [...] are performed using electronic means of interaction" (art.40.1, Directive 2014/25/EU). And: "Notwithstanding paragraph 1, oral interaction may be used [...] provided that the content [...] is documented to a sufficient degree" (art.40.2, Directive 2014/25/EU). Therefore, interaction during the tender is limited, if happening at all (Telgen, Harland, & Knight et al., 2007).

These Regulations form a specific environment for supplier-customer relationships (Csáki & Adam, 2010; Schapper, Malta, & Gilbert, 2006; Soudry, 2007; Telgen et al., 2007; Wang & Bunn, 2004). This dissertation refers to this context as the regulated tender environment (RTE). Both governments and public utilities must initiate and develop their supplier relationships within this environment. The forming of relationships under public procurement Regulations is sparsely documented in literature; as are the development and governance of these relationships (Wang & Bunn, 2004). Under the Regulations a choice can be made from a range of tender procedures. The effect of the different procedures has not been studied. Csáki & Adam (2010, p. 439) conclude: "public procurement creates a highly regulated setting for decision makers that goes well beyond simple constraints in how to select suppliers".

Governments and their suppliers might learn from supplier-customer relationships in private business when inter-organizational relationships are studied extensively (Cao & Lumineau, 2015; Clauß, 2013). Supplier and buyer companies have considerable two-way interaction in the pre-contractual phase in order to understand each other's goals, and establish mutuality and reciprocity. Further, these business-to-business relationships are governed by suppliers and customers together (Cao, Mohan, Ramesh, & Sarkar, 2014; Cao & Lumineau, 2015; Huber, Fisher, Dibbern, & Hirschheim, 2013; Poppo & Zenger, 2002).

## **1.2. Problem statement**

In the business-to-business environment it is common practice to start building a supplier-customer relationship in the pre-contractual stage. Contrary to this practice, the Regulations on public procurement set particular limitations to pre-contractual interaction during the public tender phase. In their procurement procedure governments often focus on adherence to Regulations. In doing so they sacrifice a more relationship-building approach from the start of the tender and endanger the future success of a project or service delivery. The most restrictive procedure - without face-to-face interaction during tender - is chosen in more than 80% of the tenders. Moreover, governments are monopolists by nature and the Regulations empower them to dominate the tender process. This means that SCRs in the RTE have initial asymmetry. This affects attitudes and behaviours from both sides of the relationship. Instead of requesting suppliers to devise a solution to the best of their ability, tenders specify in great detail the goods and services, while at the same time no form of interaction is allowed. For instance, train operators specified the sulphur content of diesel because of which suppliers had to adapt their production process. Later it turned out that the supplier's standard diesel could be applied, at a lower price and to better availability.

Suppliers have mostly had unsatisfactory experiences participating in public tenders. No influence on the procedure, no 'Dialogue', and parties cannot negotiate during the tender. Lengthy procedures and much paperwork increase their cost of participating, while the numbers of competitors decrease their chances of winning. Minor administrative flaws in the offer can lead to a rejection. Moreover, suppliers may also behave opportunistically and focus on winning the contract. Once the contract is awarded, suppliers try to get paid for work that, in their opinion, is outside the specified scope.

Whereas in practice successful business-to-business SCRs have joint governance, which development started from a pre-contractual two-way interaction, in public procurement the detailed Regulations can cause parties to treat the tender as a discrete transaction (Dwyer, Schurr, & Oh, 1987; Macneil, 1980). The resulting incomplete information disclosure can trigger adverse selection (Williamson, 1985). And, post-contract parties can hold each other hostage through their tender investment. This can trigger morally hazardous behaviour (Williamson, 1985). Above mentioned attitudes and

behaviours affect the interaction and building up of a relationship and its governance.

### 1.3. Research outline

Whether the forming of supplier-customer relationships under public procurement Regulations evolves with the consequences as mentioned above, is not well documented; the same goes for the development and governance of these relationships. This leads to the research question of this dissertation:

#### **How does the supplier-customer relationship governance emerge and develop in the regulated tender environment?**

This dissertation develops a model to answer this question. Relationships between governments and their suppliers form a specific kind of inter-organizational collaboration. The literature on inter-organizational collaboration is extensive. To build the model based on this literature, first the question must be answered: How does the supplier-customer relationship governance emerge and develop? Second, the implications of the Regulations need to be understood. This requires analysis of the Regulations and a positioning of the first findings in this Regulated context. Together, this gives a first answer to the research question. Most literature on SCRs and relationship governance is variance based: “what are the antecedents and consequences of the issue” (Van de Ven, 2007). However, the research question (“how does the issue emerge and develop” (Van de Ven, 2007) necessitates a process research methodology. This process research answers this research question through a (quasi) real-time, comparative process case study. Summarizing, for answering these questions this dissertation uses following three methods (Chapter 2).

A. Literature and desk research. First, literature research on SCR and governance as a form of inter-organizational collaboration (Chapter 3). Second, desk research regarding the Regulations and literature research for SCR and governance within the RTE (Chapter 4).

B. Inductive process research. Due to the Regulations and customer's position, the interaction processes in SCRs are different from those described in literature. These processes are analysed first

(Chapter 5).

C. Real-time, comparative process case study. For theory elaboration (Fisher & Aguinis, 2017) a qualitative research method of comparative case study is applied. This includes using and checking findings from previous chapters and resolving unanswered questions (Chapter 6).

The methods described above are used to explore in detail the elements of a conceptual model introduced in Chapter 2. Each chapter concludes with findings regarding these elements. In Chapter 6 the theoretical model for emergence and development of SCR governance in the RTE is presented. The research question, research approach, and findings are discussed in Chapter 7. Combined, this leads to following structure for this dissertation, Figure 1.1. In ‘Appendix to Rules or Rapport’ additional supportive evidence is presented. In the main text this is referenced as: (Appendix, Section number). For the Appendices contact the author at [steller@transforma-consulting.nl](mailto:steller@transforma-consulting.nl).

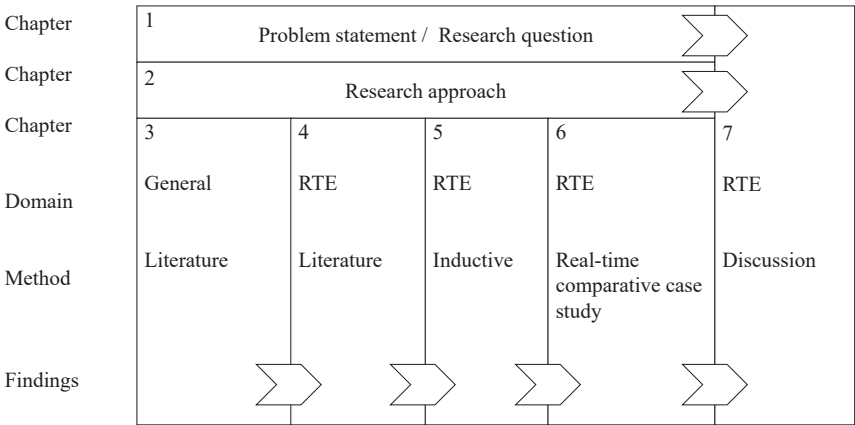


Figure 1.1. Structure of this dissertation.

### 1.4. Aim and relevance

The practical and societal relevance of this study is fourfold. First of all, increased value for customers. Based upon the expert opinions of procurement officers the value received from external spend could substantially improve through better SCR governance. This

dissertation offers guidance for the development of relationship governance in the RTE. Secondly, there are advantages regarding improved selection of partners for suppliers and customers alike. Better understanding of the dynamics in emerging SCRs in the RTE can benefit both suppliers and customers in selecting the right partner. Next, the findings in this dissertation can be beneficial to the EU economy in terms of government spending. The findings could well be generalizable to all government spend, in all EU countries a market worth 10 to 15% of GDP. The final group to benefit from the outcome of this dissertation are the regulators as the findings of this dissertation could be used to establish more effective and satisfying Regulations for public procurement.

In addition, this dissertation aims to elaborate the relationship governance theory by studying the emergence and development of SCRs and their governance within a regulated environment. It advances the scientific debate through a better understanding of the conditions for building relationship governance. From an academic point of view, this dissertation contributes four elements to theory elaboration through its choice of subject and method. First because the unit of analysis is the dynamic relationship, using both parties' perspectives, whereas most studies see governance as static (Cao & Lumineau, 2015; Clauß, 2013; Heide, 1994; Macneil, 1980; Poppo & Zenger, 2002; Williamson, 1985), and take only one (the buyer's) point of view (Binder & Edwards, 2010). The combination of my current independent position and my working experience enables me to objectively understand the goals, processes, and results relating to both parties. Secondly, as this study uses process research, it enables a grasp of the emergence, transitions, and developments of the relationship governance. Thirdly, a real-time comparative case study using both parties' perspectives, for emerging relationships and their governance is new. And finally, this dissertation aims to produce a comparative study on different procedures used in public tendering. This is unique in the sense that the business-to-government market has only been studied sparsely whereas the effect of different procedures has not been studied at all.

The research is performed within Delft University of Technology, Industrial Design Engineering, where amongst other fields,

networked innovation and designing in networks are studied. The

research strategy of the chair Network Design & Innovation includes cooperation within these networks as well as inter-organizational cooperation. Examples are:

- Seneca's error, An affective model of cognitive resilience. (De Boer, 2012)
- Learning to collaborate. (Ter Wiel, 2012)
- Why didn't we ask the supplier? (Kopecká, 2013)
- How to achieve availability in the MRO&U triad. (Kaelen, 2014)
- Innovating across boundaries. (Deken, 2015)
- An action repertoire for the collaboration in innovation networks. (Bergema, 2016)
- Trust unravelled. (Smolders, 2019)

This research contributes to the above mentioned body of knowledge through the exploration of the governance during the relationship building process in the typical situation of public tenders.





## 2. RESEARCH APPROACH

### 2.1. Introduction

In this chapter the research approach is positioned in theoretical fields that have proven to be fertile for studying the SCR development and its governance. For designing the research approach, a framework with three interrelated components is used: the research question, the research domain, and research methodology. Central in this framework is the object of investigation. For this the unit of analysis, perspective, and level of observation are determined. The research domain is limited to service relationships of special sector companies in the Dutch RTE. For the research methodology a conceptual model is introduced, process research is chosen, and a real-time, comparative process case study is used.

### 2.2. Theoretical fields: the relational exchange theory, social exchange theory and transaction cost economics.

Both the SCR and its governance have received ample scholarly attention (Cao & Lumineau, 2015; Clauß, 2013). Clauß shows that the discourse is being held in the scientific fields of operations and production management, marketing, and (strategic) management. Cao & Lumineau (2015) observe, that for understanding relationship governance scholars mainly use three theories. The theoretical lenses applied are the relational exchange theory (Macneil, 1980), social exchange theory (Blau, 1964), and transaction cost economics (Williamson, 1985). In literature on relationship governance “these three main theories are often used jointly” (Cao & Lumineau, 2014, p. 18). Although attempts have been made to integrate these theories, the focus was not on the governance of relationships but rather on their performance (Palmatier, Dant, & Grewal, 2007). Given the research question, a combination of the relational exchange theory, social exchange theory, and transaction cost economics lenses is used to understand how the supplier and the customer interact in their emerging relationship and develop their governance.

### 2.3. Research question

The research question for this study as developed in Chapter 1 is:

**How does the supplier-customer relationship governance emerge and develop in the regulated tender environment?**

### 2.4. Object of investigation

Central in the research question are the dynamic relationship between the supplier and the customer and the emergence and development of the relationship governance. Together they constitute the object of investigation. To enhance construct validity, this object of investigation needs specification (Gibbert, Ruigrok, & Wicki, 2008). Details of three aspects (unit of analysis, perspective, and level of observation) are discussed below, including the choices made.

#### 2.4.1. *Unit of analysis: the relationship*

In this dissertation the relationship, including its governance, is chosen as unit of analysis. In SCR research the units of analysis are either the transaction (i.e. just the exchange) or the relationship. Macneil (1980) and Dwyer et al. (1987) refer to these different units as ‘discrete transaction’ and ‘relational exchange’. In this study the relationship (short for the supplier-customer relationship, SCR) is defined to cover all aspects of the relationship between two independent and autonomous firms for the exchange of goods and/or services rendered by the supplier firm to the customer firm; from its emergence through to dissolution. The relationship includes (the stream of) transactions and its governance. For now, relationship governance is defined as “conducting the policy, actions, and affairs of [the relationship]” (New Oxford Dictionary, 1998). In this dissertation this definition is developed further.

#### 2.4.2. *Perspective: dyadic*

In this research the focus is on relationships between two firms and the dyadic perspective is chosen. In literature, the perspectives for this unit of analysis are either the focal firm, the dyad, or the network. In their study on inter-firm relationship governance Binder & Edwards (2010) note that of the 160 studies 39 have a dyadic perspective, while

10 take a network point of view. The other 111 studies used a focal firm unit of analysis, 92 of these use the buyer firm as focal firm (Binder & Edwards, 2010). In the conceptual model (introduced in Section 2.6.5) governance is an attribute of the relationship, not exclusive for one party or the other. This necessitates that the perspective of each party is taken into account. Therefore, this dissertation takes the dyadic perspective as its premise. In this study dyadic is understood to include the perspectives of the customer, the supplier, and of the dyad, i.e. the parties operating as one virtual entity.

#### *2.4.3. Level of observation: organization*

The purpose of this research (theory elaboration on the emergence and development of relationship governance within the RTE) is at the inter-organizational level. In this study the analysis is at organizational level. Rousseau (Rousseau, 1985), Hitt et al. (Hitt, Beamish, Jackson, & Mathieu, 2007) and others point to the complications of the multi-level character of most (inter-) organizational phenomena being analysed at only a single level. Given the theory elaboration nature of the research, and the real-time process character of the case study, investigating the interpersonal level would not be commensurate (Van de Ven, 2007). This study is limited to observing the (inter-) organizational level, be it from a dyadic perspective. Section 5.3.2 elaborates on how the organizational level of observation is attained. See Glossary Actors and organizations for the wording used in this dissertation.

## **2.5. Research domain**

For the research domain the following choices have been made. First, the Netherlands as jurisdiction; second, the regulated tender environment; third, 'special sector companies'; and fourth, service relationships. These choices are made to enhance external validity within the domain (Gibbert et al., 2008).

#### *2.5.1. Context: regulated tender environment in the Netherlands*

Cao & Lumineau (2015) have shown that - amongst other factors - the institutional environment can have a substantial effect on governance.

In their research institutional environment is the country where the relationship is situated. Ménard (2014) distinguishes three types of institutional environment: (1) formal and informal institutions (general rules), they form the 'global embeddedness', (2) meso-institutions (specific rules and their enforcement), they constitute the 'Sector Governance', and (3) organizational arrangements, which relate to 'transactions'. In Ménard's terms, the Cao and Lumineau institutions are the formal and informal institutions. For this study the chosen formal and informal institutional context is the Netherlands. Although the Regulations are applicable within each of the European Union member states, each country has converted these to its specific legislation, embedded in its legal system. For practical reasons the researcher's home country is chosen. When it comes to SCR research, so far no meso-institutional level - nor specifically the RTE - has been studied. In this study the RTE is seen in a meso-institutional context. By choosing such a specific context the problem of cross-sectional research design - as noted by Narayandas & Rangan (2004) - is avoided.

#### *2.5.2. Special sector companies*

The Regulations apply to both governments and 'public utilities'. At the moment of research the design and case selection involving the Regulations were detailed in Directive EU/2004/18 for governments and Directive EU/2004/17 for public utilities. In the Regulations the latter are identified as 'special sector companies'. Special sector companies are government-owned companies with a concession for public service; in practice, all are public utility companies (Chapter 4). Under Directive 2004/17 special sector companies had more procedural options than governments did under Directive 2004/18. Especially, the 'negotiated' procedure allows more interaction during the tender (Chapter 4). Interaction between the customer and the supplier is at the heart of this study (Section 2.2). For enabling a comparative case study (Section 2.6) it is essential that the various procedures, which differ in the intended interaction, are within the research domain. Moreover, the 'negotiated' procedure needs to be studied for two other reasons. First, this option is relevant for the special sector companies, as it is chosen in over 40% of the cases (Chapter 4). Second, this procedure is now available to governments as well (Directive EU/2014/24) (Chapter 4), increasing the potential

relevance of this study. However, at the moment of case selection only the special sector companies could apply this procedure. The research domain should encompass special sector companies. Yet, confining the domain improves generalizability (Gibbert et al., 2008). For following additional reasons the domain is limited to special sector companies. First, business-to-government-owned- business resembles business-to-business more closely than business- to-government does (Section 4.2.4), so the business-to-business literature is more relevant and applicable. Second, the effect of the various procedures within the Regulations has not been studied. Third, although the Regulations do differentiate between governmental bodies and special sector companies, no studies are known that involve special sector companies. On these three counts this study adds to the knowledge on SCR and governance development in the RTE. Finally, by choosing this domain, the researcher can use his contacts in this field in search of cooperation and cases.

### 2.5.3. *Service relationship*

The substance of the relationship in the Regulations is differentiated between goods, services, and works (EU/2004/17). Cao & Lumineau (2015) have shown that substance of the relationship has an effect on governance: “The contractual-relational governance relationship is also moderated by industry type: the contracts-trust relationship and the contract-relational governance relationship [are both] higher in service than in manufacturing industry” (Cao & Lumineau, 2015, p. 28). The reason not to choose works is that such SCRs are more a one-off exchange instead of a prolonged relationship over a number of years; in public procurement the normal contract duration for goods and services is four years. In the case of services, though, the supplier and the customer have intensive and prolonged interaction in their - simultaneous - production and consumption of services (Axelsson & Wynstra, 2002; Grönroos, 1982; Wynstra, Axelsson, & Van der Valk, 2006). It is, therefore, more likely that both the SCR and its governance will develop further after initiation. Because services require a more intensive and prolonged interaction it can be assumed that for both of the forms of governance to emerge, the opportunities are better for service relationships than those for goods.

## 2.6. Research methodology

### 2.6.1. Introduction

The aim of this dissertation is to contribute to theory. For this the theory-building research approach (Dul & Hak, 2008) is taken. Using the known concepts of the SCR and its governance, a model is built to display the relation between these concepts, in the specific Regulated environment. Further to Dul & Hak (2008), a comparative case study is used. In this section, first a conceptual model as starting point is introduced. On top of that, a number of elements concerning process research are highlighted (Section 2.6.3). And the expected dynamics of governance are discussed (Section 2.6.4). Then, the different research methods to be employed are chosen (Section 2.6.5). In the Chapters 3 - 6 the model will be further detailed, based upon the findings of each of the research methods employed.

### 2.6.2. Conceptual model

For answering the research question this dissertation develops a model. The first step is a conceptual model based on the following elements: (1) initial condition, (2) phases, (3) conditions, (4) end condition, (5) governance, (6) the RTE. The basis for each of these elements is also given. (1) The Regulations prescribe how to start a supplier-customer relationship, this means there is an *initial condition*. Condition in this study can mean two things: either 'the state of something' or 'the state of affairs that must exist before something else is possible' (New Oxford Dictionary, 1998) (Pearsall & Hanks, 1998). (2) Further, the Regulations prescribe the processes for selecting and awarding a supplier, in what is called the *tender phase*. (3) Finally, the Regulations set the *conditions* to be fulfilled, for closing the tender phase and for the relationship to enter a next phase. For these reasons, 'emerge and develop' in this dissertation is conceptualized as a *series of phases and conditions*, with *interaction* during phases designed to meet the next condition. The number of phases and conditions is not known, nor is known whether there is a strict sequence. For now the conceptual model assumes an alternating sequence of conditions (A-D) and phases (1-3) (Figure 2.1). (4) What is known though, is that the Regulations further describe that supplier-customer relationships have an *end condition*, due to the regulated contract duration. (5) *Governance* - being the conductor of

policy, actions, and affairs of the relationship - can manifest itself in conditions and phases. Governance can emerge and develop during the relationship. (6) The regulated tender environment (RTE) can have an influence on all interactions and conditions of the SCR and its governance.

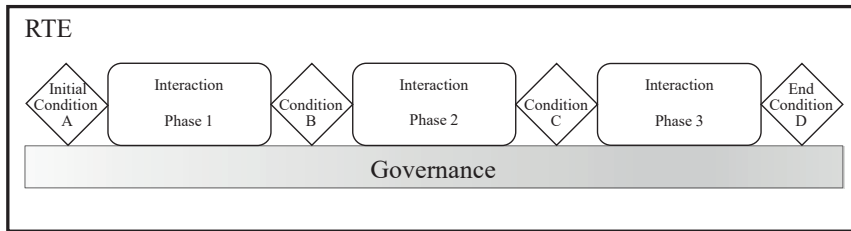


Figure 2.1. Conceptual model of emerging and developing SCR and its governance within the RTE.

### 2.6.3. *Process research*

In this dissertation process research is chosen as the methodology because of the process (events-based) character of the research question (Van de Ven, 2007). The processes for each of the phases and mechanisms for all conditions will be investigated. Likewise, governance consists of processes with potential dynamics. The method to study the research question should enable identifying these processes and dynamics (Van de Ven, 2007). Designing process research is an iterative process, as is stipulated by authors who used it to formulate the research methodology: Eisenhardt (1989), Langley (1999), Poole et al. (Poole, Van de Ven, Dooley, & Holmes, 2000), Van de Ven (2007). The design of this research is conceived iteratively as well.

When the emergence and development of the relationship and its governance are viewed from a dyadic perspective (as is done in this study, Section 2.4.2), it is important to differentiate between manifestations of the SCR as one unit (either the dyad, or the dominant company) from SCRs showing two sides (the customer and the supplier separately). Moreover, when researching SCRs with initial asymmetry (like this research does, Section 1.2) the changes in the SCR are either ‘prescribed’ (by the Regulations, or by the dominant party), or changes are constructive, caused by reciprocity between the parties (Chapter 3). Van de Ven & Poole’s model for process theories (1995) uses the same dual dichotomy. Their model



is formed by two dimensions (mode of change and unit of change), each with two options: either 'prescribed' or 'constructive' mode of change, and either single or multiple units of change. The model describes for each of the four combinations a cyclical process mode. These process modes are: 'Evolution' (multiple units, prescribed change), 'Life cycle' (single unit, prescribed change), 'Dialectic' (multiple units, constructive change), and 'Teleology' (single unit, constructive change). For instance, the 'evolution process mode' resembles the process of partner selection (multiple parties involved, process is regulated ('prescribed')). While at the same time the 'life cycle process mode' could describe the contract delivery phase of a SCR with a dominant party 'prescribing' the SCR development. For modelling the dynamics of SCR and governance development the process modes of Van de Ven & Poole (1995) might prove to be helpful, especially if cyclical patterns arise.

The debate on governance is struggling with the process character of governance. The debate so far is mainly in dualistic terms of either contractual or relational (Section 3.3.2). Further, relational exchange theory, social exchange theory, transaction cost economics, and scholars like Poppo & Zenger (2002), and Cao & Lumineau (2015) regard relationship governance as static. However, Dyer & Singh (1998), Cao et al. (2013), Huber et al. (2013), and Dyer, Singh, & Hesterly (2018) have shown that governance is dynamic (Chapter 3). The duality and dynamics of governance should be incorporated in the definition to be developed (Chapter 3). Finally, all these authors report the governance during delivery to be bilateral, involving both the customer and the supplier. However, based on the Regulations, the governance during the EU tender phase is analysed to be unilateral (Chapter 4). For understanding the relationship governance in the RTE six statements are investigated: (1) whether the governance is unilateral at first; (2) whether the governance then transitions to become bilateral; (3) which type of bilateral governance is being employed (contractual, relational, or both); (4) whether the governance shows other dynamics; (5) which actions and factors influence the relationship governance; and (6) which circumstances or external events trigger changes in the governance. In the case study findings (Chapter 6) these statements are addressed.

#### 2.6.4. *Research methods*

Literature research is chosen to embed this dissertation in the existing body of knowledge. First, to learn from the literature on inter-organizational relationships, this study looks for answers to the question: ‘How does the supplier-customer relationship governance emerge and develop?’ (Chapter 3). Next, desk research regarding the Regulations is imperative to comprehend the context (Chapter 4). Finally, the literature is specifically studied to learn about the effect of the RTE on emergence and development of a SCR and its governance (Chapter 4).

#### 2.6.5. *Real-time, comparative process case study*

The main method for theory building process research is the case study approach (Dul & Hak, 2008; Eisenhardt, 1989). Most research on the governance of SCRs has been on the attributes, constructs, and various modes of governance, taking governance as a ‘fait accompli’ and a constant (Chapter 3). In this study the insights obtained from literature are used to focus on the emergence and development of governance. This adds ‘the freshness in perspective’ (Eisenhardt, 1989, p. 548). To enhance construct validity in this study data are collected from three types of sources: documents, observations, and interviews. To enable the study of emergence, special care is taken not to intervene in or influence the relationship processes. Only direct observation (‘fly on the wall’) is practised; and interviews are planned right after conditions for the next phase have been met.

In order to study how the relationship governance develops, it is important to encompass the sequence of initiation, phases, and conditions of SCRs in the RTE. In the case study the time-window observed is from initiation, through tender, start-up, and (a first episode of) delivery. Besides establishing dynamism, a fine grained, rich description of what is happening is needed. This requires a (quasi) real-time approach, for each of the three phases. Therefore a real-time method with multiple moments of data collection is ‘preferred’ over retrospective one-time data collecting. The regulated environment enables this. Whereas in literature the start of the relationship is unclear, in the RTE emerging relationships have a defined start: customer’s call for competition (Chapter 4). At that moment case selection can take place. As a result, also the first phase

can be studied real-time, including observations. This will minimise retrospective bias. What is more, access to all key representatives is safeguarded. In literature a number of qualitative governance studies has been identified (Cao & Lumineau, 2015), to this some studies within the RTE have been added. Only two out of the nine studies encompass three phases, however these studies are retrospective (data collection takes place in the performing phase). As illustrated in Table 2.1, this research encompasses three phases, and three data collection moments, one for each phase.

Table 2.1. Overview of qualitative studies on emerging and developing SCRs and their governance.

Legend: X and O marking the timing of data collection moments (X = interviews and document study, O = real-time observation; shaded area = phase studied.

Authors	Within the RTE?	Pre-contractual	Contracting	Performing	Termination
Blomqvist et al. (2005)	-		X		
Cao et al. (2013)	-			X	
Duan (2012)	-			X	
Huber & Fisher (2013)	-			X X	
Mahapatra et al. (2010)	-			X X	
Vanpoucke et al. (2014)	-			X X	
Klein Woolthuis et al. (2012)	-			X	
Batonda & Perry (2003)	-			X	
Roehrich (2009)	√			X X	
Volker (2012)	√	O X O X O			
Altemirano (2010)	√			X	
Hoezen (2012)	√			X	
This dissertation	√	X O	X O	X O X	

The aim of this study, to carry out research into the emerging and developing SCR and its governance both from the supplier's and the customer's perspectives, coincides perfectly with the process model using a comparative case study (Eisenhardt, 1989; Eisenhardt &

Graebner, 2007; Yin, 2013). The two perspectives on each case enable within-case juxtaposing (or contra posing), adding to the richness of the cases. For replication it is necessary to do cross-case analysis. In Barley's terminology the research is designed through parallel cases, each taking a diachronic view (Barley, 1990, p. 223-4). Although the cases do not actually have to be parallel in time, they are being studied in parallel terms by using the same time-frame, taking the call for competition as start point and the start of phases as timestamps. Multiple cases and the diachronic view enable pattern matching, which promotes internal validity (Gibbert et al., 2008).

For using the process view, two pieces of advice are taken into account. First, Thompson (2011) advises to ensure construct clarity. Suddaby (2010) advises a framework to align the construct definition, its context, and semantic relationships into one coherent set; in this case portraying a conjunction from entitative to process ontology and epistemology. For instance, supplier-customer relationships - when not studied from the focal company's point of view - are often referred to as dyads. However, few authors - when taking a 'dyadic point of view' - make explicit what is meant: the perspectives of both parties, or the point of view of the relationship (the dyad), or all three (Chen, Su, & Ro, 2016; McEvily, Zaheer, & Kamal, 2017). In this study all three perspectives are taken into account (Section 2.4.2). Second, Poole et al. (2000) further elucidate the Van de Ven & Poole model for process theories (1995). In their 'Phasic Analysis' they differentiate "macro-level events [phases] from micro level events [episodes]" (Poole et al., 2000, p. 230). They then link the unitary and multi-level developmental sequences of events to the developmental models or 'change motors' of the 'Process Theory Framework' (Van de Ven & Poole, 1995). For this the fine-grained data of micro level events is necessary. This is being facilitated by primarily looking for (changes in) processes and actions through multiple moments of investigation, real-time observations, and interviews shortly after each phase and condition is met.

Summarizing, the research method chosen is a (quasi) real-time, comparative process case study. Further details of the case study (case selection, data collection guideline, measuring at the organizational level, and data analysis) are discussed in Chapter 5.

### **3. LITERATURE REVIEW EMERGENCE AND DEVELOPMENT SCR GOVERNANCE**

#### **3.1. Introduction**

To build the model, first the literature is consulted with the question: how does the supplier-customer relationship governance emerge and develop? In this study the supplier-customer relationship (SCR) is defined as: all aspects of the relationship between two independent and autonomous firms for the exchange of services rendered by the supplier firm to the customer firm, from its emergence through to dissolution. In this chapter the focus is on answering the question how SCRs and their governance emerge and develop, irrespective of their context. Answers to these questions are sought in the relationship development, relationship initiation, and relationship governance literature. Each of the elements of the conceptual model (Section 2.6) are discussed. The literature regarding phases is reviewed in Section 3.2 and regarding the governance in Section 3.3. How parties initially interact, is presented in Section 3.4. The initial condition is discussed in Section 3.5, the specific condition of congruence in Section 3.6, and other conditions in Section 3.7. The onward development of the SCR and its governance is reviewed in Section 3.8. The findings are summarized in the 'literature-based model for SCR and governance emergence and development' in Section 3.9.

#### **3.2. Phases**

SCRs belong to the family of inter-organizational relationships. In the chosen theoretical fields (Section 2.2) of the social exchange theory (Blau, 1964; Scanzoni, 1979), relational exchange theory (Macneil, 1980), and transaction cost economics (Williamson, 1985) developments and governance of inter-organizational relationships are described predominantly in stages or states, although with a difference in number of stages (Batonda & Perry, 2003; Dwyer et al., 1987; Ford, 1980; Heide, 1994; Kanter, 1994; Larson, 1992; Wilson, 1995), see Table 3.1. Also, D'Aunno & Zuckerman (1987), Achrol, Scheer, & Stern (1990), Forrest & Martin (1992), and Murray &

Mahon (1993) present such life-cycle models. There is a remarkable similarity between the various models (Mandják, Szalkai, Neumann-Bódi, Magyar, & Simon, 2015). All stage models assume the stages to be sequential, incremental, predictable, irreversible, cumulative, and relationships to be successful (Aaboen & Aarikka-Stenroos, 2017; Batonda & Perry, 2003; De Rond & Bouchikhi, 2004). However, other authors show that SCRs can develop unpredictably between the states (Batonda & Perry, 2003; Edvardsson, Holmlund, & Strandvik, 2008). Batonda & Perry reconcile the stages approach with the states theory by viewing change as an “evolution of unpredictable states” (Batonda & Perry, 2003, p. 1465). Moreover, they synthesize the stage models (with varying number of stages) into one with five states, and - from empirical research - add a sixth state: Dormant/re-activation (Aldrich & Pfeffer, 1976; Rao & Perry, 2002). Their conceptual model shows six states, with an unpredictable evolution between the states (Batonda & Perry, 2003). Table 3.1 summarizes the overview of these authors.

Before reconciling these findings in a first extension of the conceptual model, the literature findings for these phases are presented. For this the phase labels of Dwyer et al. (1987) are applied. Regarding the awareness phase, all authors (Table 3.1) assume “a lack of pre-existing business exchanges between future partners” (Mandják et al., 2015) and of no interaction between parties, except Wilson (1995). Parties might be aware of each other’s existence, however actions are unilateral (Dwyer et al., 1987), no commitments are given (Ford, 1980). Parties ‘position and posture’ (Dwyer et al., 1987) to increase attractiveness (Kanter, 1994). Gulati & Gargiulo (1999) and Mandják et al. (Mandják, Szalkai, Neumann-Bódi, Magyar, Simon, 2016) emphasize the information search process, triggering awareness. “Awareness can stimulate companies to initiate a relationship with a potentially feasible partner” (Mandják et al., 2015, p. 34). Edvardsson et al. (2008, p. 343) describe this period as a ‘recognized’ status where parties have “awareness of mutual business possibilities”. Triggers at organizational level in the transition from awareness to initiation are attractiveness, goodwill, and visibility (Mandják et al., 2015). In the exploration phase, one party initiates the relationship (Larson, 1992), a positive response marks the start of bilateral interaction (Dwyer et al., 1987), with information exchange and social exchange (Håkansson, 1982). Information exchange can be either impersonal,

factual - for instance to set specifications (Ford, 1980) -, or “personal, [with] ‘soft data’ [like] supportive information about either party” (Håkansson, 1982, p. 42), and reputation for performance (Wilson, 1995). Social exchange i.e. interpersonal contacts between the boundary spanning representatives, reduces uncertainties between the parties (Håkansson, 1982). Batonda & Perry report this as “establishing rapport, testing of personalities, and compatibility of partners” (Batonda & Perry, 2003, p. 1478), although they do not elaborate on this (see further Section 3.4.4). Further, the parties invest time and effort (information and social exchange), gauge goal compatibility (Dwyer et al., 1987), manage their interdependence (Ford, 1980), and “close the deal” (Kanter, 1994, p. 99).

Edvardsson et al. (2008) and Rosson & Ford (1982) view this latter act as the “demarcation between relationship initiation and the relationship” (Edvardsson et al., 2008, p. 341). In the expansion phase the parties adapt and plan jointly (Ford, 1980), increase benefits and interdependence (Dwyer et al., 1987), build trust, commit resources and develop informal rules (Wilson, 1995). In the commitment phase parties adapt and resolve conflict (Dwyer et al., 1987) through trust, performance, and satisfaction (Wilson, 1995), and increased mutual benefits (Ford, 1980). In the dissolution phase, “the cost of continuation outweigh the benefits [and] dissolution is more easily initiated unilaterally” (Batonda & Perry, 2003, p. 1462). In the dormant (and re-activation) phase the “relationship goes inactive due to change in business, project completion, or failure to meet requirement; re-activation of relationship [takes place] due to resumption of business” (Batonda & Perry, 2003, p. 1479). In Section 3.8 the development of SCR and governance is discussed from expansion onward. Criticism on these models entails that they only describe dyads in a single cultural environment (Batonda & Perry, 2003). For this study, this is not a disqualifier. Other criticism regards (1) “the assumption, development processes occur in [...] sequential, incremental, and irreversible stages” (Batonda & Perry, 2003, p. 1463); (2) the lack of explanation “for the transition from one stage to another” (Porter, 1980, p. 164); (3) the assumption of success; (4) De Rond & Bouchikhi (2004) add to this criticism that the sequence is predictable, and the characteristics are cumulative (path dependent). These issues are addressed through discussing the conditions (Sections 3.5 -3.7).



Table 3.1. Relationship stage and states models.

Based on Batonda &amp; Perry (2003), and other authors mentioned.

Type	Authors	Various stages or states						Assumed relation between stages/states
Stages	Ford (1980)	The pre-relationship stage	The early stage	The development stage	The long-term stage The final stage			
Stages	Dwyer et al. (1987)	Awareness	Exploration	Expansion	Commitment	Dissolution		
Stages	Larson (1992)	Preconditions for exchange	Conditions for building		Integration and control			
Stages	Kanter (1994)	Courtship	Engagement	Housekeeping	Compatibility	Dissolution		Sequential, incremental, predictable, irreversible, cumulative, successful.
Stages	Heide (1994)	Relationship initiation	Relationship initiation (continued)		Relationship maintenance	Relationship termination		
Stages	Wilson (1995)	Search and selection	Defining purpose	Boundary definition Value creation	Hybrid stability			
States	Batonda & Perry (2003)	Searching	Starting	Development	Maintenance	Termination	Dormant/ re-activation	Unpredictable

The concept of development in phases (Chapter 2) is supported by literature. However, the presumed sequence from beginning to end is not validated for SCRs in general (Jap & Anderson, 2007). These findings represent an extension of the conceptual model (Figure 2.1) and the results are integrated in the model as illustrated in Figure 3.1. Instead of stages or states, this dissertation uses phases, and adopts the labels of Dwyer et al. (1987), extended with Batonda & Perry's (2003): awareness, exploration, expansion, commitment, dissolution, and dormant. The sequence (identified with the horizontal arrows) from awareness to exploration, expansion, commitment, can be interrupted (vertical arrow, up) to the dormant phase (identified with the 'pause' button), the dissolution phase (identified with the 'stop' button), or - with 'fast forward' or 'fast backward' - to any other phase transition (vertical arrow, down). In line with Batonda & Perry (2003), making of initial contact is positioned as the start of the exploration phase, like the start of bilateral interaction is positioned in the exploration phase, as Dwyer et al. (1987) do.

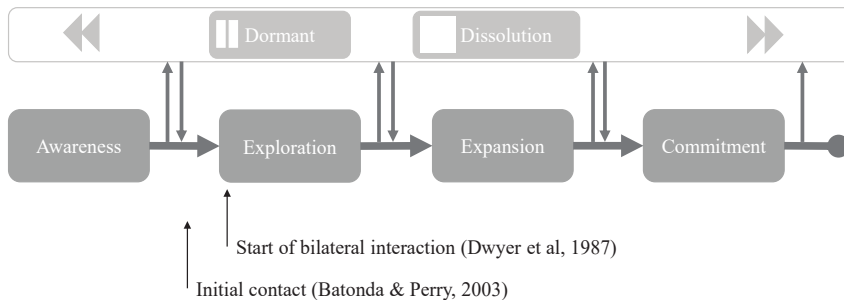


Figure 3.1. SCR development: six phases, unpredictable evolution.

Based on Dwyer et al. (1987) and Batonda & Perry (2003).

### 3.3. SCR governance

#### 3.3.1. Introduction

Oxford's generic definition for SCR governance reads: "Governance is the actions the parties take to control, influence, or regulate the policy and affairs of a SCR". Many authors stipulate the need and value of governing the relationship, as its mechanisms both safeguard the relationship and influence its success (Cannon, 2000; Fryxell,

Dooley, & Vryza, 2002; Jap & Ganesan, 2000). Nullmeier, Wynstra, & Van Raaij (2016) show that governance is more than the framework of roles and responsibilities, but definitely includes the way parties assume their roles and execute their responsibilities. In literature there is widespread agreement about the existence of two types of governance: contractual and relational (Dyer & Singh, 1998; Li, Xie, Teo, & Peng, 2010; Uzzi, 1997). To start off, the governance debate is summarized in Section 3.3.2, then each governance type is analysed further, and a definition is developed in Sections 3.3.3 and 3.3.4. Together this leads to the definition used in this dissertation:

Governance consists of all actions the parties take to control, influence, or regulate the policy and affairs of their SCR, using roles, obligations, responsibilities, contingency adaptation, and legal penalty as specified or adapted in formal agreements, and using trust, flexibility, solidarity, information exchange, fairness, and informal rules and procedures as embedded in the relationship.

The formerly mentioned group of instruments together form contractual governance, the latter group relational governance. Whereas precursors for governance are established in the exploration phase (Section 3.4.3), governance of SCRs only starts in the expansion phase. See Figure 3.2.

After the exploration phase SCRs have governance.

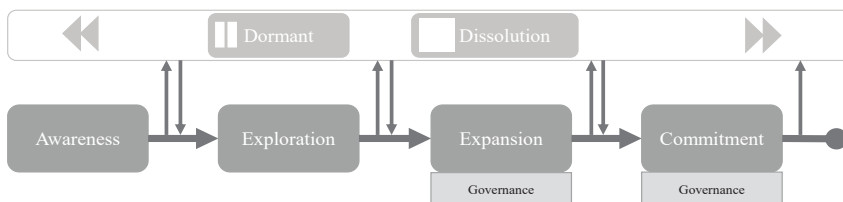


Figure 3.2. SCR governance as of the expansion phase.

### 3.3.2. *Governance debate*

The relationship governance debate is predominantly positioned in the fields of transaction cost economics (Williamson, 1985), social exchange theory (Blau, 1964), and relational exchange theory (Macneil, 1980) (Cao & Lumineau, 2015). This debate is summarized here. Transaction cost economics differentiates between the governance options market, hierarchy (or unilateral), and hybrid (or bilateral) and (occasionally) trilateral governance (Williamson, 1985). For the bilateral structure transaction cost economics posits the contractual governance as source of real economic value (Williamson, 1985). Other scholars (Dwyer et al., 1987; Heide & John, 1992; Morgan & Hunt, 1994) have developed the concept of relational governance, based upon the social exchange theory (Blau, 1964) with its concepts of trust and commitment, and relational exchange theory (Macneil, 1980) with its concept of relational norms. The relational governance is positioned as an alternative mechanism within bilateral governance. One school of thought positions relational governance as a substitute to contractual governance (Dyer & Singh, 1998). Another school of thought questions this, and advances the argument of the two modes of governance being complementary (Poppo & Zenger, 2002). “Relationship performance is improved more significantly when both contracts and relational norms are used jointly than when used separately” (Liu, Luo, & Liu, 2009, p. 294). The debate on contractual and relational governance being either substitutes or complements has been on-going (Cao & Lumineau, 2015). L. Cao et al. (2014) shift this discussion from ‘either substitutionary or complementary’ to ‘both substitutionary and complementary’. They show that over time the governance focus in a SCR can change from initially relational to between contractual, relational, and a balanced mix: parties learn together which forms are most effective, in which circumstances. Clauß (2013) advances the argument for distinguishing plural governance as a separate bilateral type. In plural governance both contractual and relational governance are present, without one being dominant over the other. By applying both forms of bilateral governance, relationships are better off: “contracts, trust, and relational norms jointly improve satisfaction and relationship performance and jointly reduce opportunism” (Cao & Lumineau, 2015, p. 15). Next, the details of contractual and relational governance are elaborated on.

### 3.3.3. *Contractual governance*

In contractual governance the contract takes up a central position. The roles, functions, and elements of contracts are manifold. Zheng, Roehrich, & Lewis (2008) describe the functions of contracts as: “providing a legally bound, institutional framework in which each party’s rights, duties, and responsibilities are codified; and goals, policies and strategies underlying the relationship are specified” (Zheng et al, 2008, p. 44). Other authors highlight additional aspects like “Align parties’ expectations with regard to each other’s obligations” (Argyres, Bercovitz, & Mayer, 2007), “Facilitate observation of performance (‘monitoring’)” (Ryall & Sampson, 2009), and “Provide incentives for the parties to fulfil these obligations” (Argyres et al., 2007). Further, contracting is seen as a process: learning to contract (Mayer & Argyres, 2004); contract structures do evolve significantly over time (Argyres et al., 2007); contracts as knowledge repositories (Mayer & Argyres, 2004). Based on Abdi & Aulakh (2012) and Luo (2005), Cao and Lumineau (2015) define contractual governance as: “The extent to which roles, obligations, responsibilities, contingency adaptation, and legal penalty are specified or well-detailed in formal agreements” (Cao and Lumineau, 2015, p. 24). This definition is developed further, for use in this process study. This definition comprises the instruments of contractual governance, whereas the definition of the same authors for relational governance (see below) details the process of governing. Next, because of the recurrent nature of processes, ‘adaptation’ (of the instruments) is added. This results in the next process definition of contractual governance.

Contractual governance is the actions the parties take to control, influence, or regulate the policy and affairs of their SCR, using roles, obligations, responsibilities, contingency adaptation, and legal penalty as specified or adapted in formal agreements.

Because SCR is the unit of analysis, with a dyadic perspective, actions of both parties are taken into account. What is implicit in most governance literature is made explicit here. Unless mentioned otherwise, it is presumed that contractual governance is bilateral, i.e. both parties can take actions to control, influence or regulate. And what is more, the spirit of this formal governance allows for the parties applying it jointly. Several authors make this aspect of contractual governance explicit: “Discourage short-term opportunism and

promote long-term cooperation”(Li, Xie, Teo, & Peng, 2010), “Enhance performance by facilitating smooth collaboration and avoiding costly misunderstandings” (Ryall & Sampson, 2009), “Mechanisms to facilitate joint adaptation” (Mayer & Argyres, 2004, p. 395), and “Articulate terms, remedies, and processes of dispute resolution (Baker & Gibbons, 1994)” (Zheng et al., 2008, p. 45). However, contractual governance could turn out to be or become unilateral. The formal agreement not only specifies different roles, obligations, and responsibilities for each of the parties, but also specifies different instruments like one-sided penalty clauses. The contract of asymmetric SCRs enables the powerful party to act unilaterally, for example, by ending the SCR without cause or compensation.

#### 3.3.4. *Relational governance*

For relational governance norms and social control mechanisms are the central elements. Macneil (1980) defines norms as “behaviour that does occur in relations, must occur if relations are to continue, and hence ought to occur so long as their continuance is valued”. He develops several norms which form the core of the relational exchange theory. The exchange parties gradually develop relational norms like contractual solidarity (the norm of holding exchanges together), mutuality (mutual perception of benefit), reciprocity, fairness, and flexibility (Macneil, 1980). Li et al. (2010) use the term social control mechanisms in their definition of relational governance. “Social control is exercised through social control mechanisms like trust, joint problem solving, participatory decision making, thorough information exchange, fulfilment of promises. This leads to close ties, which create informal pressures to preserve and strengthen cooperation, and enhance flexibility and openness” (Li et al., 2010). Zheng et al. (2008) also take this view: “Social control mechanisms, or relational governance is based upon social processes, like trust, norms of flexibility, solidarity and information exchange” (Zheng et al., 2008). Cao & Lumineau (2015) define relational governance as: “The extent to which the relationship is governed by trust, flexibility, solidarity, information exchange, fairness, and informal rules and procedures” (Cao & Lumineau, 2015). This definition does not state where these ‘instruments’ for relational governance are ‘anchored,’ nor who the actors are. For this reason the following aspects and

elements are added: ‘as embedded in the relationship,’ and ‘the actions the parties take.’ This results in the following process definition of relational governance used in this dissertation.

In contrast to the formal agreement; in relational governance parties are equipped equally. Unilateral action results in a reaction whereas relational governance by its nature is bilateral. If parties both use contractual solidarity, reciprocity, and fairness, it will benefit the relationship and will work to both party’s satisfaction.

Relational governance is the actions the parties take to control, influence, or regulate the policy and affairs of their SCR; using trust, flexibility, solidarity, information exchange, fairness, and informal rules and procedures as embedded in the relationship.

### **3.4. Interaction**

#### *3.4.1. Introduction*

Apart from describing the relationship in terms of phases, conditions, and governance, authors address the content of the relationship. “Mitchell (1973) suggested three ways to think of the content of a relation[ship]: (1) interaction [in this dissertation described as interaction], (2) exchange content, the goods and services flowing between organizations, (3) normative content: the expectations organizations have of one another” (Aldrich, H., & Whetten, 1981). In this dissertation all three content types are taken into account, to understand “how a relationship might unfold over time” (Ring & Van de Ven, 1994, p. 91). Regarding the exchange content (substance), this study is limited to the exchange of services. The normative content is discussed in Section 3.5.

In this section the interaction between the parties is elaborated upon. Interaction describes which processes take place ‘inside the phases,’ in preparation to meet the next condition (Section 2.6.2). During awareness the parties do not engage in interaction (Section 3.2). Only unilateral actions, like information search, take place. The initiation by one party (Batonda & Perry, 2003; Ford, 1980; Larson, 1992), positively answered by the other, resulting in a first ‘bilateral

interaction' (Dwyer et al., 1987), is conceived to be the start of the exploration phase. This dissertation further describes 'bilateral interaction' as interaction. Literature describes the following aspects of interaction during the exploration phase: interaction and its effects, precursors of governance, and rapport.

#### 3.4.2. *Interaction*

Interaction comprises both information exchange and social exchange (Håkansson, 1982). Dwyer et al. (1987) - in line with Scanlon (1979) - describe social exchange as: above and beyond the exchange of factual (Ford, 1980) and personal (Håkansson, 1982) information. It encompasses five processes: 'attraction', 'interaction and bargaining', 'development and exercise of power', 'norm development', and 'expectation development'. The most important is to determine how interaction takes place. "Through questions and answers, buyers and sellers develop a process of turn taking, making interaction easier [...]. Party's may get to know each other very well through revealing specific information about themselves, their needs, or their resources. If the relationship is to survive this stage, intimate disclosure must be reciprocated" (Dwyer et al., 1987, p. 16). The social exchange theory stresses such informal exchange of information and "furnishing benefits to the other" (Blau, 1964, p. 16). Macneil (1980) describes a necessary "constant two-way flow of information, of consultation, advice, admonition, and adjustment in the various terms of the relation" (Macneil, 1980, p. 51). Interaction content of SCRs is also described in the influential process framework of Ring & Van de Ven (1994). It consists of "a repetitive sequence of negotiation, commitment, and execution stages, each of which is assessed in terms of efficiency and equity" (Ring & Van de Ven, 1994, p. 97). Additionally, during exploration parties invest time and effort (information and social exchange), gauge goal compatibility (Dwyer et al., 1987), manage their interdependence (Ford, 1980), and "close the deal" (Kanter, 1994, p. 99). Edvardsson (2008) and Rosson & Ford (1982) view this act as the "demarcation between relationship initiation and the relationship" (Edvardsson et al., 2008, p. 341). According to Ring & Van de Ven, the effect of this recurrent 'formal bargaining' and 'informal sense making' (enactment) is, that parties develop joint expectations regarding risk and trust. In their 'negotiations stage' interaction at the formal level leads to an



agreement regarding the substance, terms, and procedures. And, at the level of “sense making and bonding processes [it is] designed to permit parties [...] to achieve congruency in their relationship” (Ring & Van de Ven, 1994, p. 99). Batonda & Perry (2003) report this as “testing/probing of goals and compatibility” (Batonda & Perry, 2003, p. 1478).

#### 3.4.3. *Precursors to governance*

Before there is governance in the relationship, parties interact to develop precursors. Each of the ‘instruments’ of the governance definition (Section 3.3) can be a precursor. The precursor for contractual governance is the agreement Ring & Van de Ven refer to. This agreement regards the substance, terms, procedures of the relationship, and roles, obligations, and responsibilities of each party. Precursors for the relational governance according to the social exchange theory and relational exchange theory are trust and norms. Morgan & Hunt (1994) show the central position trust (and commitment) have in successful relationships. Trust can be developed - amongst other factors - in recurrent interaction with reciprocal disclosure, which also Dwyer et al. (1987) and Ring & Van de Ven (1994) refer to. Both Ring & Van de Ven and Morgan & Hunt conceptualize trust as confidence in the partner because of its attributes like ‘reliability and integrity’ (Morgan & Hunt, 1994) or ‘goodwill’ (Ring & Van de Ven, 1994). Once such confidence in a partner’s goodwill is achieved, it needs to be experienced as well (Mayer & Argyres, 2004). Such experienced trust is referred to in the models of Dwyer et al. (1987), Ford (1980), Larson (1992), and Wilson (1995), although in different stages (Mandják et al., 2015).

Further, also norm development is a precursor to relational governance. Macneil (1980) has developed relational norms (Section 3.3.4 which are presented here. Further to Blau’s ‘furnishing benefits to the other’, relational exchange theory builds the norm of (1) mutuality, which “calls for a mutual perception of benefit, [...] for some kind of evenness” (Macneil, 1980, p. 44). Ring & Van de Ven (1994) in this regard, assume the norm of “equity, defined as ‘fair dealing’ [which] implies parties receive benefits proportional to their investments” (Ring & Van de Ven, 1994, p. 94). (2) Contractual solidarity “the norm of holding exchanges together” (Macneil, 1980, p. 52) is based on “a complex web of interdependence created by the

relation itself ” (Macneil, 1980, p. 23). By definition such solidarity can only emerge and develop by creating interdependency (Ford, 1980), as experienced by both parties. Only frequent interaction can lead to safeguards balancing the asymmetry. (3) Flexibility: “ongoing contractual relations must incorporate principles of flexibility within the relations [...] or it breaks apart under the pressure of change” (Macneil, 1980, p. 50-51). (4) Creation and restraint of power “without shifts in power, [...] without restraint from absolute power the other norms would be rendered inoperative” (Macneil, 1980, p. 56-57). When these norms are embedded in the relationship, relational governance can be applied.

Interaction during exploration includes:

- ‘formal bargaining’ resulting in an agreement.
- ‘informal sense making’ and ‘bonding’, resulting in congruence.

In interaction during exploration parties develop precursors for governance.

The agreement is a precursor for contractual governance.

Trust, commitment, and, relational norms are precursors for relational governance.

#### 3.4.4. *Rapport*

Observations during the case study (Chapter 6) lead to studying ‘rapport’ as a potential other effect of interaction during exploration. It is reported by Batonda and Perry (2003), who see “establishing rapport, testing of personalities and compatibility of partners” (Batonda & Perry, 2003, p. 1478) as an element of the starting processes. They do not, however, elaborate on this. Only recently Kaski, Niemi & Pullins (2018) study ‘rapport’ in business-to-business interaction, as “rapport is the starting point for a relationship, while trust comes at a later stage in that relationship” (p. 235). They define rapport as “a harmonious relationship between participants; it involves a mutual connection and understanding” (p. 235). However, they and other scholars develop the concept of rapport

mainly from a supplier point of view (Campbell, Davis, & Skinner, 2006), and at the interpersonal level (Evans, McFarland, Dietz, & Jaramillo, 2012). Apart from Batonda & Perry (2003), no other literature mentioning rapport at the organizational level, and with a dyadic perspective has been identified. Kaski et al. (2018) did study business-to-business relationships, and also took the customer's view into account, as "rapport building is a collaborative effort accomplished by the participants" (p. 236). The rapport building they and Clark, Drew, & Pinch (2003) report is a real-time sequence of actions and behaviours, and reactions and behaviours between the supplier and the customer meeting face-to-face. They describe this process including facial and other non-verbal expressions, while also taking timing and pausing into account. Kaski et al. (2018) conclude "affiliation is an overarching theme in rapport-building practices" (p. 243). Where affiliation are "actions with which a recipient displays that s/he supports the affective stance expressed by the speaker" (Lindström, & Sorjonen, 2013, p. 351), Clark (2003) concluded that "in these extended sequences of verbal affiliation [parties] created rapport" (p. 237). Dwyer et al. (1987) mention 'reciprocated' and 'intimate disclosure' in the interaction. Unknowingly they identified an element of what Kaski et al. (2018) and Clark et al. (2003) define as rapport. This study will further investigate to which extent rapport-building takes place in emerging SCRs in the RTE and what the role of rapport is.

Summarizing, the interaction during the exploration phase is two-way, formal and informal, repetitive, and face-to-face. The result can be that attitudes and expectations are disclosed reciprocally (necessary to establish congruence), and that rapport is built, and precursors for governance are established. For contractual governance the agreement including the roles, obligations and responsibilities of the supplier and the customer is the precursor. For relational governance precursors are trust, commitment, relational norms. This is illustrated in Figure 3.3.

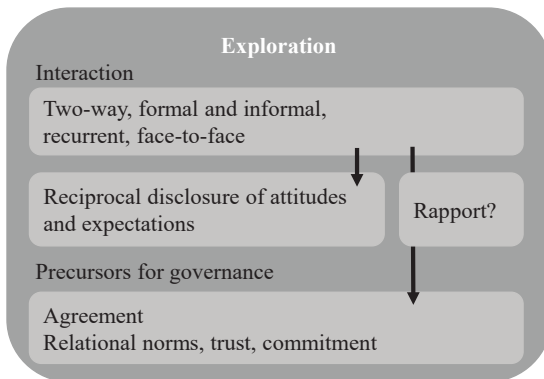


Figure 3.3. Interaction during the exploration phase and its effects.

### 3.5. Initial condition

#### 3.5.1. Introduction

The initial condition and phase transitions have not been addressed in the literature regarding the phases of SCR development. These subjects have been covered far less than relationship development (Aaboen & Aarikka-Stenroos, 2017; Edvardsson et al., 2008; Mandják et al., 2015; Morgan & Hunt, 1994). In this dissertation the phase transitions are referred to as conditions (Section 2.6.2). These conditions are studied for further extension of the conceptual model. In literature, the relation between the phases is, on the one hand, conceptualized as a sequence of awareness, exploration, expansion, commitment, and dissolution, while on the other hand this relation is unpredictable between any of the phases, including the dormant/ reactivate phase, as illustrated in Figure 3.1. The transition condition determines between a sequential continuation (horizontal arrow) or a non-sequential step (vertical arrow); via the top bar this connects to the relevant phase, this can be the dormant, or dissolution phase, or any other phase. Phase transitions are conditional, in other words parties determine whether to continue and how. Conditions contain acts of governance. This form of governance is not described as such in literature. It is investigated in the case study. In the conceptual model of this dissertation conditions are represented by diamonds between phases.

See Figure 3.4. The first phase transition is after awareness. In Section

3.2 it is noted that literature positions the start of the (potential) relationship at the moment one party initiates contact, which gets a positive response from the other party and as a result the first bilateral interaction takes place. This first phase transition contains the initial condition of the SCR. This is covered in this section. Other transition conditions are discussed in Sections 3.6 and 3.7.

Between the phases continuation - sequential or non-sequential - is determined.

Phase transitions are conditional, parties govern whether to continue and how.

Conditions contain acts of governance. The initial condition is before exploration.

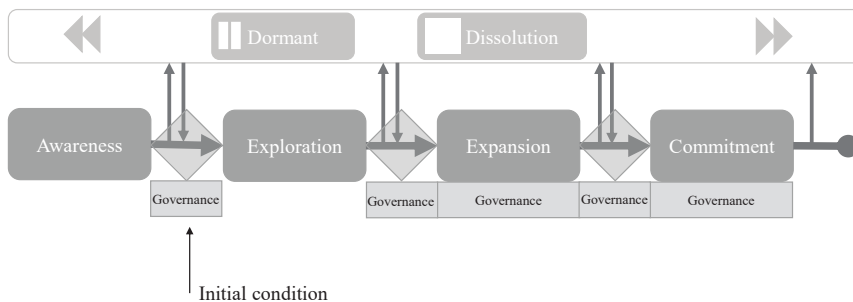


Figure 3.4. Conditional phase transitions contain governance.

### 3.5.2. *Determinants*

For describing the initial condition the seminal work of Oliver (1990) is used. She integrates the literature on determinants of inter-organizational relationships into six “causes that prompt or motivate organizations to establish inter-organizational relationships” (Oliver, 1990, p.242). This is viewed as the normative content of the relationship, like Ring & Vande Ven (1994) posit the norm of reciprocity for their work on cooperative inter-organizational relationships. Several determinants can apply to the same inter-organizational relationship at the same time (Oliver, 1990). In this dissertation the focus is on the determinants asymmetry and reciprocity for the following reasons. First, this study is on relationships with initial

asymmetry. Asymmetry can manifest itself in many characteristics. Simultaneously, different characteristics can be advantageous for either party (Ford, 1980). It is important to understand the difference and the possible connection between asymmetry in size, power, or other characteristic, and asymmetry as the norm. Second, of Oliver's norms only asymmetry and reciprocity are mutually excluding, it is either asymmetry that determines the relationship or reciprocity. Third, "few empirical studies have contrasted asymmetrical and reciprocal approaches (Barnett & Carroll, 1987; Schmidt & Kochan, 1977)" (Oliver, 1990, p. 245). The studies mentioned cannot be used as reference for SCRs. Fourth, the following determinants do not generally apply to a relationship between the customer and the supplier. 'Necessity', as there is no "regulatory requirement" (Oliver, 1990, p. 243) for the supplier and the customer to enter into a relationship; 'legitimacy', because parties do not have to enhance their legitimacy through relationship formation (Oliver, 1990, p. 246). Fifth, efficiency, is at the heart of all relationships between the customer and the supplier (Hald, Córdón, & Vollmann, 2009; Ring & Van de Ven, 1994; Ulaga & Eggert, 2006), without it the relationship stops. Sixth, stability applies to all SCRs as well (Anderson & Narus, 1984; Wilson, 1995). Ring & Van de Ven (1994) position dyadic reciprocity as a norm and initial condition for cooperative inter-organizational relationships. Yet, SCRs manifest asymmetry through various relationship characteristics (Johnsen & Ford, 2008). First and foremost size, and power and dependence are mentioned (Meehan & Wright, 2012). Munksgaard, Johnsen, & Patterson (2015) find that asymmetry in size or other characteristics can lead to "two distinct types of asymmetric relationship: one in which self-interest dominates the relationship by focusing on one party's resources [...] and a second type in which collective interests direct the asymmetric relationship through linking the complementary competencies of the larger and smaller party". (Munksgaard et al. 2015, p. 169). However, this finding is not referred to as constituting an initial condition but is rather the result of interaction in the relationship. Nor is it positioned as representing the determinant or norm for the relationship. In this study it is further investigated whether these types of asymmetry (Munksgaard et al., 2015) appear as an initial condition (Section 6.3). In the case of the type where self-interest dominates, the norm would be asymmetry, defined as "the potential to exercise power,

influence, or control over another organization or its resources” (Oliver, 1990, p. 243). And, in the collective interest seeking type the norm would be reciprocity, defined as “cooperation, collaboration, and coordination among organizations pursuing common or mutually beneficial goals or interests” (Oliver, 1990, p. 244).

### 3.6. Congruence

#### 3.6.1. Introduction

In their seminal work on cooperative inter-organizational relationships Ring & Van de Ven (1994) not only position reciprocity as the norm and initial condition, they also formulate a clear phase transition: “if parties can negotiate minimal, congruent expectations [...], they will make commitments to an initial course of action” (Ring & Van de Ven, 1994, p. 99). Congruence is attained when what they call “identities in relation to the other” are in line with each other, and “expectations and assumptions about each other’s prerogatives and obligations” match. In this study the Ring & Van de Ven (1994) ‘negotiations’ phase coincides with the exploration phase (Section 3.8.2). Ring & Van de Ven (1994) posit congruence as condition for the transition from exploration to expansion (expansion condition) for inter-organizational relationships with initial reciprocity (symmetry), as illustrated in Figure 3.5.

For SCRs, the construct of ‘expectations’ is developed for ‘identities in relation to the other’ (Section 3.5.2). So is the construct ‘attitude’ developed for ‘the expectations and assumptions about each other’s prerogatives and obligations’ (Section 4.4). In the case study (Chapter 6) it is investigated whether and where congruence is a condition for SCR with initial asymmetry.

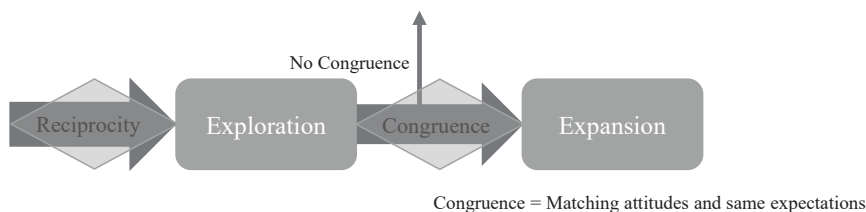


Figure 3.5. Congruence as expansion condition for inter-organizational relationships with initial reciprocity. (Ring & Van de Ven, 1994).

### 3.6.2. *Expectations*

Ring & Van de Ven (1994) describe the initial phase of inter-organizational relationships as a process where “individuals [in their organizational role] make attributions about the other’s intentions and behaviours” (p. 96). For this they use the key concept of identity, which originates in social-psychology, and is transferred to the organizational level by Morgan (1986). “By projecting itself onto its environment, an organization develops a self-referential appreciation of its own identity” (Ring & Van de Ven, 1994, p. 100). Harmeling & Palmatier (2015) subsequently build on this: “in exchange relationships, ‘exchange partner identification’ captures the degree to which exchange partners “perceive themselves and the focal organization as sharing the same defining attributes” (Ahearne et al., 2005, p. 574)(Harmeling & Palmatier, 2015, p. 5). However, Ring & Van de Ven assume recurrent interaction to establish the exchange partner’s ‘defining attributes’ in the initial phase, and this is not a given in the RTE (Section 4.6). In such cases organizations rely on applying categories as these “help reduce uncertainty at the alliance formation stage (Glynn & Navis, 2013) and could guide behaviours at this stage” (Uzuegbunam, 2016, p. 930). “[such] classifications are ‘coded’ by audiences” (Glynn & Navis, 2013, p. 1131), where “categorical experience is substituted for direct experience (with the organization)” (Glynn and Navis, 2013, p. 1130). This study of the interaction at the organizational level will use the definitions formulated by Uzuegbunam (2016): “a firm’s [expectations] constrains what the firm would/could be and what others expect of it” and “categories take on rule-like standing, enabling both cognitive recognition and legitimate standing” (p. 931). In the supply chain such expectations take the form of supplier-customer relationship categories. Vitasek (2016) develops an empirical research-based, elaborate categorization, albeit that it is phrased from a customer’s point of view (‘strategic sourcing business models’). These will be further referred to as (supply chain) ‘expectations’. This SCR categorization is chosen as it is in line with the prime subject of this study: SCR governance. Vitasek (2016) positions the categories along the ‘Market-Hybrid-Hierarchy’ governance continuum (Williamson, 1985). Leaving out the categories for which no tender is used (shared services, equity partnership), the remaining five are taken into account for expectations in this dissertation: ‘basic’, ‘approved’,



‘preferred’, ‘performance-based’, and ‘vested’. Table 3.2 shows - based on Vitasek (2016) and Keith, Vitasek, Manrodt & Kling (2015) - the determining criteria for each of these categories.

Keith et al. (2015) allocate a category to an SCR using the criteria as mentioned in Table 3.2. SCRs of a certain category need to qualify for the criterion of that category, and for all categories to the left of it. In addition, they add relationship specifics for each category, and each of these categories has a specific type of contract (Keith et al., 2015).

Table 3.2. Expectations in supplier-customer relationships.

Based on (Vitasek, 2016 and Keith, Vitasek, Manrodt & Kling, 2015). Allocation criteria are cumulative, e.g. allocation of III implies SCR also qualifies for I and II.

SCR category → ↓ Determining Criteria	‘Basic’  A	‘Approved’  B	‘Preferred’  C	‘Performance-based’  D	‘Vested’  E
Governance category	Market	Market	Hybrid	Hybrid	Hybrid
Allocation criteria: supplier qualifies for	Competitive bidding	Pre-qualified on selection criteria and/or performance	Supplier offers specific value for customer’s goal	Cost and quality competitive and competent to drive improvement	Mutual selection through previous collaboration
Specifics of the relationship	Range of options with little differentiation;  Supplier switch has no impact	≥ 1 supplier/ category	Integrated business processes: collaboration	Supplier is output accountable;  Highly integrated: high collaboration	High collaboration to create and share value (= outcome);  Committed to each other’s success
Contract type	Transactions	Input  No volume agreed	Input  Volume agreed	Output  Volume agreed	Outcome  Volume agreed

Within the RTE, the time frame is always set, so no differentiation in that respect was found. The contract volume is either agreed or not. Further, contracts focus on inputs and processes, on outputs, or on outcomes (Van der Valk, Sumo, & Dul, 2016). Bonnemeier, Burianek, & Reichewald (2010) define ‘outputs’ as the direct results of the service activity or production process itself, whereas ‘outcomes’ are defined as the value derived by the customer from a given service or product. Although Selviaridis & Wynstra (2015) in their literature review on ‘performance-based’ contracts conclude that an explicit distinction between outputs and outcomes is hardly made, Keith et al. (2015) do. Output is defined as an “achievement of a well-defined and easily measured event or a deliverable that is typically finite in nature. An output typically relates to the purpose/functionality of the good or service, [whereas input relates to] the activities or inputs needed to create the good or service” (Keith et al, 2015). While outcome is defined as an “achievement of economic or strategic value [through] the realization of a defined set of business outcomes, business results, or agreed-on key performance indicators” (Keith et al., 2015). They continue to stipulate both output and outcome contracts “shift risk to the supplier for achieving the output (outcome), [and] require both the buyer and the supplier to work together to achieve the output (outcome). A well-structured agreement compensates a supplier’s higher risk with a higher reward”. Both the supplier and the customer can hold expectations in terms of one of the categories (see Table 3.3), although parties usually do not express themselves in terms of these categories. Next, as the interaction during tender is limited, the parties will not have a good understanding of the expectations of the other party. In the case study the researcher has - based upon all documentation, observations, and interviews - allocated a category for both the supplier and the customer. This is done for each phase studied. These expectations can differ from phase to phase, as on-going enactment can result in parties adapting their expectations (Karl E. Weick, Sutcliffe, & Obstfeld, 2005). Such adaptations can be the effect of cumulative interactions, where expectations of the other party become apparent.

The expectations in SCRs in the RTE can be 'basic', 'approved', 'preferred', 'performance-based', or 'vested'.

The expectations for the supplier and the customer are in line, when for both the same SCR category is allocated.

### 3.7. Other transition conditions

#### 3.7.1. Introduction

In literature various other transition conditions have been identified. Some are positioned as phase transition conditions and are discussed in Section 3.7.2. The other are not pinpointed to phase transitions and are discussed in Section 3.7.3 and in the discussion section of Chapter 7.

#### 3.7.2. Other phase transition conditions

Vanpoucke et al. (2014) find the following transition conditions between the consecutive phases: (1) From awareness to exploration: 'operational performance', i.e. certain (supplier) characteristic which make the customer choose to explore a potential relationship with this supplier. For this study this is not explicitly taken into account given the open tender start of the exploration phase. On the one hand it is the suppliers who can choose to participate in the tender, on the other hand the customer can set certain criteria (like 'operational performance') as selection or awarding criteria, like the ones shown in Table 3.3. So for this study this is not a new initial condition, rather it is incorporated in the processes taking place in the tender phase. (2) From exploration to expansion: trust, i.e. the exploration phase is used to build up trust, without which the SCR would not continue to expansion (Narayandas & Rangan, 2004). As shown in Section 3.4.3 trust is seen as one of the precursors for relational governance. As such it is built into the model. (3) From expansion to commitment: interdependence, i.e. "investing in common resources and/or common knowledge" (Vanpoucke et al., 2014, p. 28). For this study, investing of this type is a condition for 'vested' SCR types and therefore already incorporated in the model.

### 3.7.3. *Transitions during phases*

Apart from conditions necessary for a phase transition, the relationship can also change at other moments and due to other causes. Harmeling, Palmatier, Houston, Arnold, & Samaha (2015) add the turning point perspective in studying SCR development. “Turning points trigger a reinterpretation of what the relationship means to the participants” (Graham, 1997, p. 351). “Transformational relationship events are encounters between exchange partners that significantly disconfirm relational expectations” (Harmeling et al., 2015, p. 36). The new relational expectations can be much more positive, resulting into ‘unconditional trust, active positive commitment and brand advocacy’; or be negatively contrasting with opposite results like ‘distrust, active negative commitment and brand terrorism’. So next to continuous relationship development, discontinuous change is possible (Harmeling & Palmatier, 2015). In this study such turning points will be investigated as well. It could well be that they occur during a phase and not only at a phase transition. In this study the expectations (and attitudes) of the parties are investigated at three moments in time, as will be the existence of trigger points. In the discussion section (Chapter 7) this phenomenon is reviewed. Similarly, changes in the representatives during the SCR will be taken into account when studying SCR development, because “turnover [of key representatives] has the effect of restarting” (Ring & Van de Ven, 1994, p. 104). Also, Jap & Anderson (2007) identified changes in boundary-role individuals as triggering events.

Edvardsson et al. (2008) studied the initiation of SCRs. They identify three statuses: ‘unrecognized’, ‘recognized’, and ‘considered’ in the initiation of SCRs. These statuses coincide with phase-awareness and exploration. Between these statuses they conceptualize transitions with two types of forces: ‘converters’ which “speed up or slow down the process [...] and ‘inhibitors’ [which] hinder the process to proceed and reverse” (Edvardsson et al., 2008, p. 342). This study interprets the three statuses for the suppliers like these who exist within the RTE. These are discussed in Chapter 4 and taken into account in this study.

Apart from congruence, no other literature-based conditions need to be added to the conceptual model.

### 3.8. SCR and governance development

#### 3.8.1. *Introduction*

After discussing the SCR phases, the governance in general, the interaction during the exploration phase, and the initial and other conditions, the further development of the SCR and governance are studied next. Jap & Anderson (2007) find that mature relationships are not usually the pinnacle of relationship development. In contrast to the Dwyer et al. (1987) model, properties like the establishment of norms, dependence, trust, and performance change differently across phases. Those properties that provide “the necessary foundations for long-term relationships - information exchange, norms, and congruent goals - will peak in the build-up phase, rather than in the mature phase” (Jap & Anderson, 2007). It has not been reported what the effect of such development of relationship properties does to SCR governance. As the development is predominantly in the early phases, the more important it becomes to study these in detail. The RTE offers that opportunity, see Chapter 6.

#### 3.8.2. *Typology of SCR development*

For studying the emergence and development of SCRs the lifecycle models (Section 3.2) are helpful in describing emergence: the early phases of awareness, exploration, into expansion (Vanpoucke et al., 2014). These models however, are less articulate in describing the onward development. Van de Ven & Poole (1995) develop a typology of four process models, each of which can be used to describe development and change. Depending on the mode of change (‘prescribed’ or ‘constructive’) and whether the unit of change consists of one or more entities, the processes “are governed by different ‘motors’” (Van de Ven & Poole, 1995, p. 520). These process models all portray development and change as a cycle. In this typology, life cycle is used to describe regulated change and development of a single entity. Additionally, the teleological motor is applied regularly as model for inter-organizational change (Doz, 1996; Ring & Van de Ven, 1994; Deken, Berends, Gemser, & Lauche, 2018). Both ‘motors’ assume one entity. In literature usually a single (focal) entity is taken into account (Van de Vijver, 2009), hence a bias towards these two motors (De Rond & Bouchikhi, 2004). Besides that, this dissertation interprets for asymmetric SCRs the change axis in the Van de Ven

& Poole (1995) model as either asymmetric (prescribed change) or reciprocal (constructive change). The dominant entity (customer) determining change, expecting “compliant adaptation” (Van de Ven & Poole, 1995, p. 520) by the dependent supplier, resulting in a predictable sequence of phases. Or the parties show reciprocity and apply constructive change with a common perspective; they view their relationship as a dyad, as one entity. These parties contribute “in consensus” (Van de Ven & Poole, 1995, p. 520) to the dyad’s goal, and each serving their own goal. However, asymmetric SCRs can well necessitate to view the SCR as consisting out of two entities (Das & Teng, 2000; De Rond & Bouchikhi, 2004), for the reciprocal change mode as well as for the prescribed change mode. In the reciprocal mode of change, this results in the “dialectic motor” (Van de Ven & Poole, 1995, p. 520), where “diversity [each his own perspective, and own goal], confrontation and conflict lead to synthesis” (Van de Ven & Poole, 1995, p. 520). Finally, for the prescribed change mode, the evolution approach uses “competition, and environmental selection” as motor (Koza & Lewin, 1998). This could well describe the customer’s supplier selection process, coinciding with the exploration phases between each of the prospective suppliers and the customer. Further, if the customer chooses to continue competition between several awarded suppliers, this evolution model could be applied.

For describing the onward development of asymmetrical SCRs the four process models of Van de Ven & Poole (1995) could prove to be necessary.

### 3.8.3. *Combinations*

As Van de Ven & Poole (1995) show, their four ideal types can be combined to describe developments. The process framework of Ring & Van de Ven (1994) consists of “a repetitive sequence of negotiation, commitment, and execution stages, each of which is assessed in terms of efficiency and equity” (Ring & Van de Ven, 1994, p. 97). It is a typical teleological process model. The authors reconcile their approach with the life cycle models (Dwyer et al., 1987; Ford, 1980; Heide, 1994; Wilson, 1995) “in that our framework can provide an explanation for processes that occur within each of their five stages of the evolution of buyer-seller relationships and can also explain

transitions from one stage to another” (Ring & Van de Ven, 1994, p. 92), without elaborating on that point. In this study it is assumed that the Ring & Van de Ven (1994) ‘negotiations’ coincide with the exploration phase; and commitment to coincide with the expansion phase, as after ‘negotiations’ congruent parties successfully make the transition to commitment. Vanpoucke et al. (2014) develop a framework showing that the ‘Dwyer et al. (1987)’ and the ‘Ring & Van de Ven (1994)’ approaches are “not so much incompatible as complementary in nature. While still in the early stages the process is rather linear, once [...] expansion [...] is reached, this process evolves into a cyclical process” (Vanpoucke et al., 2014, p. 27). Vanpoucke et al. (2014) combine the two process models which are based on one entity, and presume the life cycle model to be overarching, with the later phases showing a teleological process model within the phases. However, asymmetrical SCRs could predominantly show dialectical development after exploration.

For describing the onward development of asymmetrical SCRs, a combination of the model developed (Figure 3.3) with the process models of Van de Ven & Poole (1995) should be contemplated.

#### 3.8.4. Governance development

The literature on the development of SCR governance over the SCR phases is limited (Appendix, Section 3.8.4).

### 3.9. Summary findings from literature review

The findings of this chapter are summarized by extending the conceptual model (Figure 2.1). According to literature the common understanding is that the emerging SCR and its governance can be best represented by a model consisting of a six phases SCR, as illustrated in Figure 3.6. The numbered items in Figure 3.6 refer to the findings.

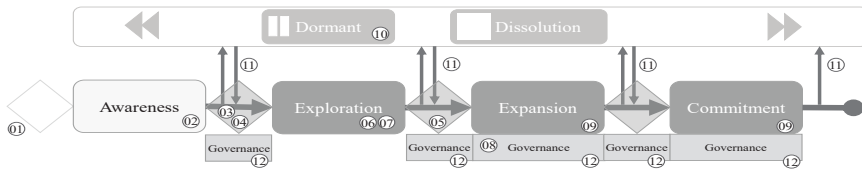


Figure 3.6. Literature-based model for SCR and governance emergence and development.

01. Before the awareness phase no initial condition is reported in literature.
02. During the awareness phase, although the parties might be aware of each other, no interaction nor commitment.
03. Between the awareness phase and the exploration phase there is an initiation.
04. For symmetrical SCRs there is the condition of reciprocity.
05. These SCRs establish congruence, which is a condition for expansion.
06. For this, recurrent, formal and informal two-way interaction is required during exploration. If this interaction leads to matching attitudes and joint expectations, congruence is established.
07. This interaction can lead to precursors for contractual and relational governance. (See for detail Figure 3.6)
08. As of the expansion phase contractual and relational governance are employed for the SCR.
09. In the expansion phase the parties adapt and plan jointly, increase benefits and interdependence (Dwyer et al., 1987); and in the commitment phase parties adapt and resolve conflict through performance, satisfaction, and increased mutual benefits.
10. The SCR can have a dormant/reactivation phase at any moment during its emergence and development.
11. The sequence of the phase is not strictly sequential from awareness to commitment.
12. Conditions between phases can lead to a non-sequential path, with ('fast forward', 'fast backward') to any other phase, including dissolution. Parties govern whether to continue and how. Conditions contain acts of governance.





## 4. SCR IN THE REGULATED TENDER ENVIRONMENT

### 4.1. Introduction

The literature research on SCR and governance emergence and development in general is translated for the RTE as illustrated in Figure 4.1. In this chapter this model is further detailed for the regulated tender environment by literature research and analysis of the Regulations. First, the RTE is described in more detail. Then the effect this has on the phases, the interactions during the tender phase, and the initial condition is discussed. Next, the attitudes for the customers and the suppliers in the RTE are discussed. This leads to the proposition of six SCR types in the RTE. Finally, the SCR and governance emergence and development in the RTE are discussed. The chapter concludes with a summary of findings, and a specification of the model for the RTE.

### 4.2. Regulated Tender Environment

#### 4.2.1. General

Through the World Trade Organization 162 member states aim to advance world trade. Within the World Trade Organization 17 parties (45 member states) have signed the Agreement on Government Procurement<sup>1</sup>. The Agreement on Government Procurement aims to ensure open, fair, and transparent conditions of competition in the government procurement markets, both for parties from within each state as well as for parties from other signatories. The European Union (EU) is one of the signatory parties; all EU member states are bound by the Agreement on Government Procurement. Therefore, this agreement is applicable in each EU member state to all governmental bodies and government - held companies with a concession for public service. This study refers to this domain as the regulated tender environment (RTE), which is regulated by EU directives, further referred to as the Regulations. All customer organizations ('tendering entities') falling within this domain are obliged to do 'public tendering' before entering into an SCR, for all

contracts above a certain threshold. The scientific field in which the RTE is studied is called public procurement.

The Regulations form a specific environment for supplier-customer relationships (Csáki & Adam, 2010; Schapper et al., 2006; Soudry, 2007; Telgen et al., 2007; Wang & Bunn, 2004). The forming of relationships under public procurement the Regulations are largely unknown; as are the development of these relationships, and the governance parties apply. “The literature reports sparse research on the nature of government buying or how commercial firms can successfully market to the government” (Wang & Bunn, 2004, p. 85). Csáki & Adam (2010, p. 439) conclude: “public procurement creates a highly regulated setting for decision makers that goes well beyond simple constraints in how to select suppliers”. Further, studies do not differentiate between governmental bodies and special sector companies, although the Regulations do.

The size of the public procurement can be quantified by the following measurements: (1) estimated at 16% of GDP (Rolfstam, 2009); (2) “10-15 per cent of the GDP of an economy on average”<sup>2</sup>; (3) the Agreement on Government Procurement parties have opened procurement activities worth an estimated US\$ 1.7 trillion annually to international competition<sup>3</sup>; (4) in the EU over 450.000 contracts are awarded after a public tender each year<sup>4</sup>.

#### *4.2.2. Applicable Regulations*

The EU directives state in their considerations the following leading principles:

- equal treatment,
- non-discrimination,
- mutual recognition,
- proportionality and
- transparency.

These principles require tendering entities to publish a call for competition when they want to enter into an SCR. Under certain conditions such a call for competition is not necessary as this procedure is used in 2% of the cases. Moreover, the principles have led to a number of procedures these contracting entities can choose from, see Section 4.3.2.

#### 4.2.3. *Domain*

In Section 2.5 certain choices have been made for the research domain. As a result, the customers in the SCRs for this study are within the domain of Dutch special sector companies, cases have services contracts, and are started before July 2016. (Appendix, Section 4.2.3).

#### 4.2.4. *SCRs in the RTE*

Wang & Bunn (2004) show that SCRs in private and public sectors deviate in objectives, approach, accountability disclosure rules, and procedural detail. Wang and Bunn do not distinguish between governmental bodies and special sector companies. However, special sector companies have objectives and an approach similar to the private domain, whereas their disclosure rules and procedural details are more akin to the public sector. Therefore the impact on special sector companies is between that of the private and public sectors. SCRs of special sector companies are, on the one hand within the RTE, while they, on the other hand, resemble those in the private sector. In Table 4.1 the differences for SCRs in the public, special sector, and private domains are presented. These markets are also known as business-to-government, business-to-government-owned-business, and business-to-business. For the first two types the Regulations are applicable though not for the private sector. At the moment of case selection the negotiated procedure was not available to governmental bodies, only to special sector companies. When comparing the governance which applies to each of these type of entities, Telgen et al. (2007) show that in public procurement 17 additional demands apply, some of which also apply to special sector companies. On the other hand, the private sector entities have top line, bottom line, and balance sheet responsibilities. These also apply to the special sector companies. Additionally, they have to meet the targets and abide by the constraints as set in their concession. Another important difference is that within the RTE, the contracts have a maximum duration, whereas in the private sector contracts are not limited, unless the SCR parties so decide.

Table 4.1. Differences for SCRs in public, private and special sector domains.

\* 17 additional demands on public procurement apply (Telgen et al., 2007)

\*\* some of these apply also to special sector companies

Domain→	Public	Special Sectors	Private
Market identifier →	Business-to-government	Business-to-government-owned-business	Business-to-business
Characteristic ↓			
Customer	Governmental bodies	Special sector companies	Private companies
RTE	Applicable	Applicable	Not applicable
Procedure	Negotiated procedure not available	Negotiated procedure available	Not applicable
Entity governance	Public domain governance *	Public domain governance **  Concession targets and constraints  Top line, bottom line, balance sheet responsible	Top line, bottom line, balance sheet responsible
SCR duration	Maximized	Maximized	Not limited

### 4.3. Phases

#### 4.3.1. Comparing general and the RTE phases

Comparing SCR phases in general with those in the RTE the following

differences are noted. (1) For studying the RTE the awareness phase is out of scope. Further, cases without prior contracts are chosen. The idea of a public call for competition entails that also (or especially) those suppliers without prior interaction with the customer, can participate in the tender. (2) The exploration phase is called the tender phase, the expansion phase is - in this study - called the start-up phase, and the commitment phase is - in this study - called the delivery phase. In turn each of these are discussed in more detail in the next sections. (3) The process from initiation till commencement of the start-up phase is regulated in detail, the start-up phase and beyond - although still falling under the Regulations - are more relaxed. (4) Within the tender period, a dispute phase and court phase can be applicable. These are discussed under tender phase below. (5) The SCR has a defined end. Based upon the literature-based model of Chapter 3, the RTE, the RTE phases, and defined end are illustrated in Figure 4.1.

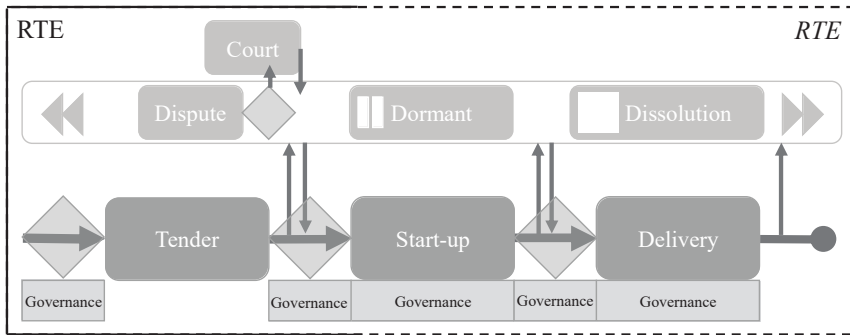


Figure 4.1. SCR phases in the RTE.

#### 4.3.2. *Tender phase*

The Regulations have their most prominent effect during the tender. The public call for competition is the condition initiating the tender phase. As the initial contact (Larson, 1992) is made in the tender, in this study the tender phase is positioned to coincide with exploration (Dwyer et al., 1987). Although the principles of the Regulations apply to the full SCR life-cycle, apart from the tender phase, no phasing is prescribed, except for the fact that contracts have a maximum duration.

For the tender, the customer can choose a procedure, planning and interactions of the tender phase in one or two episodes as

long as these are ‘regulations-proof’ in set-up and execution. In case a procedure with one episode is chosen (most often the ‘open procedure’), the supplier cum solution is selected in one round, with one set of criteria. In case a procedure with two episodes is chosen, the first episode is to select eligible suppliers (supplier selection episode), the second to select the best solution (solution selection episode). Only eligible suppliers are allowed to participate in the second episode. For each episode different selection criteria apply. The criteria are not the object of this study. Further, the customer can decide to first plan a market consultation episode, by publishing a call for consultation. Suppliers can react to such call, and participate in this market consultation episode. As the Regulations apply for such customer-supplier interaction as well, it falls within the RTE, and is not regarded as an awareness phase. The details of the market consultation are discussed in regulated interactions section. Although the tender phase can exist out of one, two or three (including a market consultation) episodes, this study regards the tender as one phase, and takes all supplier selection and solution selection criteria together, calling them the awarding criteria. If and when encountered in the case study, the details of these episodes and interactions are addressed when discussing these cases.

When starting a tender procedure, the Regulations offer the special sector companies ample freedom on the one hand: they can choose a procedure best fit for their specific needs and requirements, when searching and selecting a supplier and entering into the planned SCR. Within the chosen procedure, they can fine tune the further details, such as the criteria, scope, timing, duration, number and nature of additional interactions with potential suppliers etc. On the other hand however, this freedom is restricted, and a number of practical constraints have to be taken into account when executing a tender procedure. To name some, especially those which relate to the actions and conduct of the parties and their information exchange. (1) The leading principles should be strictly adhered to: for instance the selection and award criteria chosen should comply with various Regulation clauses. (2) The sheer number of clauses of the Regulations make the procedures rather complicated: the Dutch 2012 law has 306 clauses with 650 (cross) references; and - including by-laws - covers some 500 pages; the explanatory memorandum fills 137 pages<sup>8</sup>. All of which is being expanded by some 40 case-law publications per

year. (3) Fine tuning the procedure, the selection criteria, and award criteria to fit the specific need takes ample time, as all potential scenarios have to be taken into account. Because once the procedure has been published it is set: the contracting entity should adhere to this. All participating parties to the tender have the right to appeal any decision taken in the procedure, both during as well as right after the intended award decision. And the contracting entity has the obligation to explain in writing his decisions. (4) Contracting entities prepare themselves meticulously before publishing a tender. Within the special sector company various departments - each with their own role - are involved in the tender procedure and the execution of the SCR. It takes time to align their needs and roles before and during the procedure.

The tendering entities can choose several procedures for their tender. The most commonly used ones are the so called open procedure, restricted procedure, and the negotiations procedure. Together these procedures cover > 90 % of all tenders in the EU, and in the Netherlands, both for the special sector companies and for the governmental bodies. See Table 4.2. At the moment of defining the domain and methodology, these figures over the period 2009-2014 were the most recent ones. Since, the EU directives have changed, and possibly the relative use of these procedures has changed as well. For one, up until 2016 the governmental bodies could only under very strict rules use the negotiated procedure (which they did in 1 to 2 % of the cases), since 2016 these restrictions have been lifted. Based on these figures it is important that each of the procedures mentioned is represented in the case study.



Table 4.2. Most commonly used tender procedures by special sector companies and governmental bodies in the EU and the Netherlands, during the period 2009-2014.

Average use in period 2009-2014	Special sector companies (EU 2004/17)			Governmental bodies (EU 2004/18)		
Procedure ↓	Allowed?	% in EU	% in NL	Allowed?	% in EU	% in NL
Open procedure	√	42	22	√	86	74
Restricted procedure	√	5	31	√	5	15
Negotiated procedure	√	44	43	Restricted use only	2	1

The main differences between these procedures are: the open procedure only has one episode, the restricted procedure has two: a supplier selection episode. The ‘negotiated’ procedure also has two episodes, however here the offer is discussed between the customer and each of the suppliers, after which the supplier can make a best and final offer.

In the regulated tender, the customer decides which suppliers to select for the next episode, and then which supplier to award a contract. Before such decisions are definite, the customer communicates his intended decision to the participating suppliers. The suppliers can dispute such an intended decision. As long as such dispute takes place, the dispute phase applies to the emerging relationship between the objecting supplier and the customer. The customer cannot progress with the tender. The emerging relationship between the customer and each of the other suppliers goes to the dormant phase, and is re-activated as soon as the dispute phase is ended. In case the dispute is resolved, the final selection/awarding decision is taken and communicated by the customer. In case the dispute is not resolved bilaterally, the Regulations empower the supplier to call upon the court to rule. The court phase starts. Upon

decision of the court, the customer has to act accordingly. Also, during the court phase all other emerging relationships in this tender remain in the dormant phase.

In the RTE the customer has the prerogative to initiate the SCR.

In the RTE the customer unilaterally sets the procedure and other tender details.

The customer is responsible for a 'regulations-proof' tender execution.

The suppliers can object to the customer's decisions, and activate a 'dispute' and 'court' phase.

#### 4.3.3. *Start-up phase*

The tender phase is followed by a start-up phase (expansion), see Figure 4.1. The activities in this phase are described in the case study. This can involve fine-tuning of the solution and interfaces between supplier and customer. This could even result in a renewed offer, and involve (re) negotiations. An important difference with the expansion phase in the Dwyer et al. (1987) model comes from the fact that Regulations limit the expansion taking place. The scope of the activities should not differ too much from the scope as specified in the call for competition hence the dotted line marking the RTE in Figure

4.1 for the start-up and delivery phases. Especially suppliers that were not awarded a contract are keen that other work, related but out of the tendered scope of work is tendered in a new call for competition. This in contrast to what Vanpoucke et al. (2014) describe for the expansion phase and beyond. They even state: "In order to remain successful, inter-organizational relationships require continuous effort in the form of new integration initiatives. These initiatives become broader in scope as relationships grow" (Vanpoucke et al., 2014, p. 28). Such integration initiatives are allowed as long as they remain within the set scope of the tender.

#### 4.3.4. *Delivery phase*

After the tender and start-up phase have been successful, the SCR transitions to the delivery phase commitment (see Figure 4.1) During this phase the tendered services are being delivered in accordance

with the solution proposed by the supplier, and as adapted and fine-tuned during the start-up. The time window for delivery is limited to the time frame set in the tender minus the time used for start-up. Because in some cases the tender preparation and tender procedure take up more time than envisioned, the customer requires delivery of the service as soon as the contract is awarded. In those cases delivery and start-up overlap. During the delivery phase the same restrictions as noted under the start-up phase apply, and the contract ends after the published duration at the latest. Other suppliers are keen to see that the current SCR applies these rules and a new tender comes to the market if the customer continues to have this demand. Hence the dotted line to mark the RTE during the delivery phase.

#### **4.4. Regulated interactions**

The interaction content developed in Section 3.4 is adapted for the RTE. Since these interactions fall under the Regulations, at least during tender, this study defines them as regulated interactions. Below, attributes of regulated interactions are deduced from the Regulations (see Figure 4.2). (1) The effect of the equal treatment and transparency principles (Section 4.1.3) is that customers primarily communicate in writing and to all tendering suppliers at once during the tender phase (DIRECTIVE 2014/25/EU, art 69). (2) Customers can communicate with each supplier individually, either in writing or orally “provided that its content is documented to a sufficient degree” (DIRECTIVE 2014/25/EU art 69). (3) For transparency reasons, customers have to make the procedure and interactions explicit in his tender documentation. Interactions are such that the initiative during tender is at the customer’s discretion. Tender documents stipulate that suppliers are not allowed to contact the customer other than to react to an element of the procedure. (4) Suppliers communicate to the customer only. This interaction is primarily in writing as well (written questions, offer), and can be orally (in this study further identified as face-to-face). Competition rules forbid suppliers to communicate between them during the tender. “Contracting entities [can] exclude economic operators which have proven unreliable, [or shown] grave professional misconduct, such as violations of competition rules” (DIRECTIVE 2014/25/EU, art 106).

The effect is that regulated interactions always are:

- either one way: by the customer to supplier(s) or by the supplier to the customer,
  - or 1 : N; from customer to all (N) suppliers involved in that episode of the tender,
  - or 1 : 1; signifying from customer to individual supplier, and then with each of the suppliers involved in that episode.
- Further, interaction is:
- either formal and written,
  - or face-to-face, on the customer's initiative only.

Formal relates to the fact that all aspects of the service and offer requested, the conditions the customer proposes (basis for the agreement), the procedure, the interactions planned, the awarding criteria, and the assessment procedure should be clear and fair, and as far as possible beyond interpretation. This study defines formal as: information exchange limited to aspects of contractual governance: substance, understanding of the customer's specification, detailing of specifications, performance details, obligations, roles, planning, (renewed) offer, negotiations, meeting the awarding criteria, acceptance. Always (finalized) in writing. Other interaction is limited in the RTE, if happening at all (Telgen et al., 2007).

In the RTE, the (basis for the) contract is formally agreed upon during the tender, even though it is not the result of formal negotiations (Ring & Van de Ven, 1994; Hoezen et al., 2012). Contracts are proposed by the customer and convey a clear expression of his SCR expectations. In the written interaction during the tender, suppliers can propose amendments (showing their expectations and contract-type preference), these are accepted or not by the customer (see further contractual governance, Section 4.6). The final contract as formulated by the customer has to be accepted by the supplier as part of his unconditional and irrevocable offer.

The contact setting between parties entering into an SCR is formal: the default method of interaction is in writing, including reports of personal contacts between representatives of these parties. In addition, the contracting entity can be held accountable for their choices and conduct. Such a setting does not invite parties - even

though it is permitted - to have informal exchange of information. Any action which could be seen as “furnishing benefits to the others” (Blau, 1964, p. 16) is not in line with the leading principles of public procurement. This results for both parties in a specific setting: as if normal social interaction and reciprocation are forbidden. This disables the building of trust, and solidarity, and the use informal rules and procedures which goes for both for representatives from the customer as well as those from the supplier’s organization. Further, contracting parties in the EU chose in >85% of the cases the ‘open’ or ‘restricted’ procedure (Section 4.3.2 and Table 4.2). As a result the contacts between parties during the tender are in most cases in writing only, restricted to a public call for tender, submission of tender, and publication of award. This comes from the buyer’s point of view close to ‘discreteness’ as described by Macneil (1980): ignoring the identity of the other parties. Such indifference on their part can hardly be seen as working towards relational governance. From the seller’s point of view there is no opportunity whatsoever to initiate additional contact - let alone interaction - during the tender.

## **4.5. Initial condition**

### *4.5.1. Introduction*

Further to the initial and transition conditions as discussed in Sections 3.5 - 3.7 it is noted that the SCRs in the RTE are asymmetric for a specific reason, in addition to their (potential) asymmetry in size or power. In the RTE the customer unilaterally sets the procedure and other details (Section 4.3.2). In the way and manner the customer uses this prerogative, he can determine the initial condition by choosing a dominant or ‘as equals’ attitude (Munksgaard et al., 2015). It is not reported in literature how customers use their prerogative, nor what the initial condition of regulated tenders is. This section further investigates the attitudes of the customers and the suppliers, specifically opportunism. The findings are then translated into SCR types for the RTE, and the possibility of congruence in the RTE. Finally, the start-up condition for the RTE is analysed.

#### 4.5.2. *Attitudes*

In the general model for emergence and development of SCR governance, the expansion condition is congruence (Figure 3.5). In Section 3.6.1 it has been developed that in order to know whether congruence is achieved, the expectations and the attitude of both the customer and the supplier need to be known. In order to study whether congruence also plays a role for SCRs in the RTE, it has to be studied which attitudes and expectations the customer and the supplier have after the tender phase. Here, the construct 'attitude' is developed for the customers and the suppliers of SCRs in the RTE for 'the expectations and assumptions about each other's prerogatives and obligations' (Ring & Van de Ven, 1994). As for 'expectations' (Section 3.6.2), also for this construct the assumed interaction (Ring & Van de Ven, 1994) to establish the exchange partner's 'defining attributes' in the initial phase, is not a given in the RTE (Section 4.4). What Ring & Van de Ven describe as "expectations and assumptions about each other's prerogatives and obligations", even if not exchanged spoken or written, at least manifest themselves in the attitude and behaviour towards the other. For that reason this study uses 'attitudes'.

For asymmetric SCRs Munksgaard (2015) found that the powerful party can choose to pursue his self-interest or the collective interest. In the RTE the customer is powerful in the sense that he can determine the details of the tender procedure and process (Section 4.3.2). It is propositioned here, that the customer who chooses to pursue his self-interest, takes a dominant attitude, while the customer who chooses the collective interest, has an 'as equals' attitude towards the suppliers during the tender phase. That leads to the proposition that the supplier is submissive (to the dominant customer) or 'as equals' with the customer. The dominant supplier/submissive customer option will not lead to an the RTE tender, so these attitudes are unlikely. On the other hand, from preliminary interviews with six procurement directors of special sector companies (Section 6.3.2) it has become clear that a dominant customer is rather likely. Further, each party can have an opportunistic attitude (Cao & Lumineau, 2015; Williamson, 1985). When opportunism is more pronounced, it masks the underlying or latent dominant, submissive, or 'as equals' attitudes. The customer's dominance will prevail even though opportunism can play a role. Although the parties have limited interaction during the tender, the

researcher can digest the prevailing attitude for both parties, based on the documentation, observations, and interviews. This is done for each phase as a whole, or when changes are apparent, for episodes within a phase. In the next section the opportunistic attitude is further investigated.

Proposition: the customer in SCRs in the RTE has a dominant or an 'as equals' attitude.

Proposition: the supplier in SCRs in the RTE has a submissive, 'as equals', or opportunistic attitude.

Attitudes only match in following combinations: 'dominant customer/submissive supplier' or both have 'as equals' attitude.

Whenever opportunism applies, parties cannot discern the attitude of the counterpart, nor conclude whether attitudes match.

Matching attitudes is a necessary condition for congruence.

#### 4.5.3. *Opportunism*

Opportunism plays an important role in both transaction cost economics (Wathne & Heide, 2000; Williamson, 1985), and in the relational exchange theory (Macneil, 1980). Transaction cost economics defines it as "self-interest seeking with guile" (Williamson, 1985), while Macneil specifies it as "deceitful behaviour" (Macneil, 1980). The debate on opportunism and its effect on performance and satisfaction is ongoing (Crosno & Dahlstrom, 2008, 2010; Hawkins, Pohlen, & Prybutok, 2013; Bhattacharya, Singh, & Nand, 2015; Paswan, Hirunyawipada, & Iyer, 2017). In relation to transaction cost economics it is argued that under conditions of bounded rationality and opportunism serious contractual difficulties arise, and "governance structures [...] are evidently needed" (Williamson, 1985, p. 63). For the tender situation these conditions apply to both the customer and the supplier: the obligation to tender (above threshold amount) and the long-term nature of the contract result for both parties in a situation of bounded rationality: for neither party are all potential situations foreseeable. Opportunism is present on both sides: for the suppliers is it uncertain whether the customer will pursue the tender; for the customer it is uncertain whether the suppliers' offers will be

reasonable. Does opportunism occur during tender in the RTE? if so how, by whom, and to what effect? Opportunism can manifest itself in various ways: (a) both *ex ante* and *ex post* contracting, (b) in a strong form (violating explicit contractual agreements) and a weak form (violating unwritten relational norms) (Luo, 2005), and (c) be practiced actively and passively (Wathne & Heide, 2000) (d) by buyers and suppliers (Hawkins et al. 2013; Bhattacharya et al., 2015). Further, Paswan et al. (2017) show that (e) six antecedents of opportunism interact, amplifying or diminishing the effect each antecedent would - based on theory - have on its own. Most scholars deal with the *ex post* strong form and consequences, as practised by suppliers (Wathne & Heide, 2000; Devos, Van Landeghem & Deschoolmeester, 2008; Hawkins et al., 2013). For this analysis of the tender phase, the focus is on potential *ex ante* opportunism and its effect. The main form of *ex ante* opportunism is misrepresentation, either actively (deliberately lying) or passively (withholding critical information) (Wathne & Heide, 2000). The supplier's *ex ante* opportunism leading to adverse selection (Williamson, 1985) is well covered in literature (Nyaga, Whipple, & Lynch, 2010; Aron, Clemons, & Reddi, 2005; Pavlou, Liang, & Xue, 2007), however, the buyer's opportunism has received less attention (Bhattacharya, et al., 2015). Yet, here too (passive) misrepresentation can play a role, as deduced below.

Dwyer et al. (1987) analyse developing supplier-customer relationships. They compare discrete transactions with relational exchange (based on Macneil, 1980). It is concluded that when there is little or no face-to-face interaction, the tender process qualifies on ten out of their twelve criteria as a discrete transaction. Macneil concurs: "rules of bureaucracies to regulate in detail [are] an effort aimed at presentation and discreteness" (Macneil, 1980, p. 77). The interpretation is threefold. (1) Parties are solely interested in acquiring from the other a "regulations-proof" license to do business with each other. The customer has 'gone through the motions as stipulated by the Regulations' and has chosen a supplier; the supplier has provided the relevant information and the winning offer. Nor the authorities, nor the other suppliers can challenge the rights of the customer and the supplier to now do business with each other pertaining to the substance as requested in the call for competition. (1) What happens once the tender has been completed successfully



is of later concern. From the customer's point of view they will deal with how the relationship develops and with whom when they have reached that point in time. The effect is that the supplier does not know what the (relational) intentions of the customer are, e.g. the customer could prove to be dominant, or the relationship could develop more 'as equals.' The supplier can interpret this as (an ex ante, passive type of) opportunism, not necessarily a misrepresentation but an incomplete representation. From the supplier's point of view, misrepresentation can occur as follows: 'as long as we comply with the rules of the tender, and supply true answers to the questions, we can qualify. Our answers do not necessarily have to be more complete than asked for.' And by 'quoting a price according to the letter of the request for proposal, we can win the contract.' Finally, 'during start-up and delivery of the contract we can always renegotiate to get paid extra for activities not explicitly mentioned in the request for proposal.' For the customer this could prove to be a misrepresentation (an ex ante, passive type of opportunism) by the supplier. (3) In case the customer seeks one supplier, the winning supplier also has exclusivity: a locked-in customer for the duration of the contract for said substance, as long as the supplier performs. On the other hand, in the case of recurrent face-to-face interaction during the tender, the assessment leads to a mixed picture: on ten out of the twelve criteria the tender process qualifies as (the beginning of (a) relational exchange (Dwyer et al., 1987). During these interactions the customer and the supplier inform and experience one another, which enables them to form a more informed assessment of the other party's attitude and behaviour, and possible signs of opportunism.

On top of that, Das & Kumar (2011) add to the debate on opportunism in inter-organizational relationships by investigating the effect (for parties in alliances) of the 'regulatory focus' of parties. The orientation an organization has towards the external world can be one to achieve positive outcomes (promotion focus), or one to avoid negative outcomes (prevention focus). Especially during initiation, the effect of this orientation on both the propensity to opportunistic acts, as well as the tolerance towards opportunistic acts by the partner are different. So are sharing and accepting of information. The party that sees the 'tender = transaction' is perceived to have a focus on prevention: avoiding conflict or other negative outcome, like a failed tender. Such a party is more likely to be sensitive to

opportunistic partners, less likely to share and accept information. Das & Kumar (2011) conclude that only alliances where both parties have a “high and a symmetrical level of tolerance for opportunistic behaviour, the alliance may well survive so long as it is producing satisfactory results for the alliance partners”; [differing levels of tolerance] “may face difficulties”, [and when both have a low level] “the alliance will surely end, even quite prematurely” (p. 704). Ring & Van de Ven (1994) develop the same reasoning: “If parties that are attempting to develop a cooperative inter-organizational relationship have incongruent biases regarding framing (positive versus negative) [...] psychological contracting will be impeded, [and] opportunistic behaviour [will develop]” (Ring & Van de Ven, 1994, p. 100). Finally, based on the determinants of partner opportunism in strategic alliances (Das & Rahman, 2010) opportunism in non-equity alliances (like SCRs) is likely, in case of payoff inequity, goal incompatibilities, and/or pressures for quick results. Where - based on Ross, Anderson, & Weitz (1997) - “goals are incompatible when the pursuit of one hinders the pursuit of the others, [and] a focal firm’s ‘belief that the counterpart shares the focal party’s objectives’ refers to goal congruence” (Das & Rahman, 2010, p. 691).

During a regulated tender the supplier can have an opportunistic attitude, which is difficult to discern for the customer.

Opportunism is the more likely in the case where (at least) one party has a ‘tender = transaction’ or a prevention orientation, or in the case of goal incompatibility.

In discerning opportunism following literature-based attributes are used.

Table 4.3. Opportunism and its attributes.

Construct	Attributes	Source
Opportunism	Withholding critical information	Wathne & Heide, 2000
	‘Tender = transaction’	Dwyer et al., 1987
	Prevention orientation: Sensitive to opportunistic partners; less likely to share and accept information from other party	Das & Kumar, 2011
	Goal incompatibility	Das & Rahman, 2010
	Perception of payoff inequity: ‘unfair dealing’	Ring & Van de Ven, 1994
	Pressure for quick results	Das & Teng, 1999

#### 4.5.4. SCR types

Based on the possible attitudes for the customers and the suppliers as derived from the sections above, the SCRs within the RTE can be one of the following nine types. In the case study it will be tested whether these SCR types occur and in which phase.

Table 4.4. Possible SCR types in the RTE.

		Customer's attitude	
		Dominant	‘As equals’
Supplier's attitude	Submissive		
	Opportunistic		
	‘As equals’		

#### 4.5.5. Congruence

Of the six SCR types, only the combinations of dominant customer and submissive supplier or both ‘as equals’ can lead to congruence, if both parties additionally hold the same expectations. In the case study it will be tested whether congruence occurs, in which phase transition, and for which SCR types.

Congruence requires matching attitudes (dominant customer/ submissive supplier, or both have an 'as equals' attitude), expectations are the same, and opportunism does not mask the true attitudes.

Whether congruence is a phase transition condition within the RTE is not known from literature.

#### 4.5.6. *Start-up condition*

The transition from tender to start-up has - based on the analysis in this chapter - two conditions. First, a 'regulations-proof' condition. At the end of the tender phase the customer notifies all suppliers participating in the tender his intended award decision. The Regulations give all the suppliers the opportunity to object to the customer's decisions if they do not comply with the Regulations and/or the tender procedure and criteria set. The objections need to be discussed between the supplier and the customer. If they do not resolve the conflict, the supplier can call upon the court to rule. The other condition is: the awarded supplier should accept being awarded a contract.

Based on the Regulations or literature it can be concluded that there is no delivery condition. In the case study - other aspects of - the initial and transition conditions in the RTE are subject of investigation.

In the RTE the start-up conditions are:

a regulated-proof tender and contract awarding procedure and execution,

an acceptance of being awarded a contract by the winning supplier.

In the RTE the delivery condition is unknown.

## 4.6. SCR and governance development

In symmetric SCRs there is either no explicit governance of the process during the exploration phase, or parties are equal in this (Ring & Van de Ven, 1994). Further, during the exploration phase no particular governance applies (Section 3.8). In Section 4.4 it is concluded that SCRs in the RTE are asymmetric. During the tender phase the customer has many (regulated) process governance options, whereas the supplier has none (Section 4.3 and 4.6). This results in a form of governance for the regulated tender phase, which has not yet been described in literature.

The governance for the regulated tender phase is best described as unilateral, customer-led, regulated process governance. Further referred to as customer-led process governance.

In Section 4.6 it is elucidated that the recurrent interaction necessary for the development of precursors to relational governance and bargaining during contract negotiations (Ring & Van de Ven, 1994) do not take place during the regulated tender phase. Using the Van de Ven & Poole (2005) typology of SCR development it can be concluded that the tender phase is best described by the evolution motor. Variation (many suppliers with various solutions) and subsequent selection leads to the retention of the winning supplier, through competition between the suppliers. Which 'motor' best describes the start-up and delivery phases will be studied in the cases (Chapter 6). Taking a wider timeframe than the SCR life cycle, all parties realize that in the RTE a retender is inevitable. It will take place during the last episode of the delivery phase and will again be in the competition mode. It is not known what the effect of this is on the SCR's development during delivery.

## 4.7. Summary of findings for the RTE literature review

The findings of this chapter are summarized by extending the literature-based model (Figure 3.6). This model for emergence and development of SCRs and governance in the RTE - as based on the literature and Regulations - is illustrated in Figure 4.2. This model

will be the basis for the case study (Chapter 6). In Figure 4.2 the numbered findings are illustrated, which are summarized here.

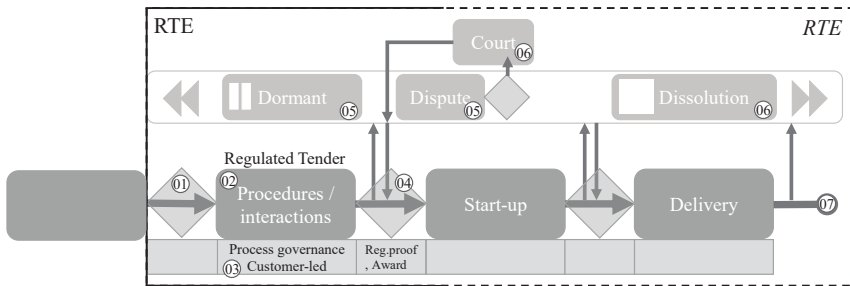


Figure 4.2. Phases and conditions for the emerging SCR within the RTE.

01. For SCRs in the RTE no initial conditions have been found in literature. In the RTE the customer has the prerogative to initiate the SCR.

02. In the RTE the customer unilaterally sets the tender procedure and other tender details. Given the formal setting and default practise by customers, during the tender phase in public procurement the social interaction is very limited. Therefore preparatory processes for establishing relational governance cannot/ do not take place during the regulated tender phase.

03. The governance for the regulated tender phase is best described as unilateral, customer-led, regulated process governance. Further referred to as unilateral processgovernance.

04. In the RTE the start-up conditions are a 'regulations-proof' tender and contract awarding procedure and execution, and an acceptance of being awarded a contract by the winning supplier. The suppliers can object to the customer's decisions.

05. In the RTE the dormant and dispute phases are actively used during disputes.

06. In case disputes cannot be resolved bilaterally, the parties can call upon the court to rule.

07. The SCR in the RTE has a defined duration.

Furthermore, the governance for the initial condition, the delivery condition, the start-up phase, and the delivery phase are unknown. The interaction during the start-up and delivery phases is not regulated, yet the RTE sets bounds to the scope and length of the contract. In the RTE the delivery condition is unknown.

Whether SCRs in the RTE establish congruence is unknown. Whether congruence is a phase transition condition within the RTE is also not known. For the case study several propositions are made:

- The customer in SCRs in the RTE has a dominant or 'as equals' attitude.
- The supplier in SCRs in the RTE has a submissive, 'as equals', or opportunistic attitude.

SCRs in the RTE can be categorized in six types.

## 5. CASE STUDY METHODOLOGY

### 5.1. Introduction

In addition to Section 2.6.4 in this chapter I present the details of the case study methodology employed. First, the case selection method is developed to augment external validity. Within the possibilities encountered, I made the case selection. Second, the data collection procedure for the case study is explained to enhance construct validity. Third, data analysis methods are chosen in line with the theory elaboration objective of this study. Further, the constructs and attributes used for data analysis are detailed. This includes a differentiation of regulated interactions which I uncovered inductively. Finally, the measures taken to enhance the rigour of this research are discussed.

### 5.2. Case selection

#### 5.2.1. *Case selection method*

Based upon the choices made in the research approach (see Section 2.6.4) - for the research domain (special sector companies, services relationships, the Netherlands), research model (process research), and research method (real-time, comparative process case study) – I will now elaborate the case selection procedure. The choice of cases is tuned to the purpose of this research: theory elaboration regarding the emergence and development of supplier-customer relationship governance within the regulated tender environment (RTE).

The research should explain the effect of the RTE on SCR formation. At the moment of case selection the outcome of the governance is not known. To increase the chance of finding the emergence and development of governance, a number of cases is selected. For that reason a the multiple-case study approach is chosen. Following Patton (2002), a purposeful sample from all eligible cases is selected. More precisely, for case selection a combination of *homogenous* and stratified *purposeful sampling* is used. This to facilitate comparison between cases and to simplify analysis. Next, to increase the external



validity of the findings (Gibbert et al., 2008) the variation in the sample is reduced and transparent criteria for case selection from all eligible cases are applied.

The first criterion in selecting the cases is that the *customer* in the SCR is *from a homogenous group*. The group ‘special sector companies’ is chosen for the following reasons. As was introduced in Chapter 4, tender procedures can comprise mainly written interaction (‘open’ or ‘restricted’ procedure) or many interactions, including face-to-face meetings (‘negotiated procedure’). Based on the literature research the interaction between parties in the early stages could have a determining effect on the emergence and development of the SCR (Chapter 3). In the time-frame when cases were selected only special sector companies could choose both the ‘negotiated’ procedure as well as the ‘open’ and ‘restricted’ procedures for their tender (EU/2004/17 and EU/2004/18). Within this sample, a most comparable sample is created by selecting only SCRs (1) from one jurisdiction (the Netherlands); (2) with one type of substance (services); (3) which are new (no previous contract between the supplier and the customer related to the service in question). This to avoid the path dependency reported in the literature section as much as possible, and (4) with a singular customer and singular supplier. In the RTE the customers can chose to combine their demands in one tender and the suppliers can chose to offer in combination with other suppliers. The result is that cases are foremost deemed to be ‘typical’ (Seawright & Gerring, 2008) for SCRs within the RTE. This choice of different customer organizations is made, to “probe [a] causal mechanism to confirm or disconfirm a given theory” (Seawright & Gerring, 2008, p. 297). In this study one such mechanism is ‘within the RTE during tenders the governance is unilateral, customer-led’, as concluded from Chapter 4.

Second, within the sample a purposeful stratification is made for *maximum variation* with four cases. Using the Seawright and Gerring (2008) taxonomy for two customers, the two most similar cases are chosen. (See Table 5.1). For each customer these cases are different when it comes to the focal variable (tender procedure): one with an open or restricted procedure and one with a negotiated procedure. Heterogeneity regarding other variables is established by selecting two customers (X and Y) from the sample. This results in ‘most different’ cases 1 versus 3, and 2 versus 4 (See Table 5.1). Additional

heterogeneity is introduced by the difference in type of service that customers demanded, i.e. the substance of the SCRs. As the cases are selected at the moment of the call for competition, only cases from customers with many tenders per year are selected, this increases the chance of finding the 'other' procedure in another call for competition within a limited timeframe. Another reason for selecting customer companies with many tenders, is that if at the moment of awarding the supplier company does not want to participate in this research a new tender will have to be sought. This results in four cases which can be analysed in various pairs, as elucidated in Table 5.1. Each case is analysed separately, from both company's points of view. The total of all cases is used for generalization of the conclusions. A further detailing of the conclusions can be done by comparing the various pairs. With this expected maximum variation within the comparable sample a maximum explanatory power is facilitated.

Table 5.1. Theory based case selection for comparative case study.

Tender procedure→ Company ↓	'Open' or 'Restricted'	'Negotiated'	Comparisons
Company X	Case 1	Case 2	1 vs 2 (most similar)
Company Y	Case 3	Case 4	3 vs 4 (most similar)
Comparisons	1 vs 3 (most different)	2 vs 4 (most different)	1 vs 2 vs 3 vs 4 (max. variation); Matched pairs: 1 and 2 vs 3 and 4 (most different) 1 and 3 vs 2 and 4 (polar)

### 5.2.2. *Actual case selection*

Within the set domain only SCRs resulting from a public call for competition are chosen to enable the study of the RTE effect from initiation onwards. Such focus has the following advantages: (a) all SCRs start in a similar way, are notified publicly, and can be taken into account for case selection early in the process; (b) there is much documentation on the tender process; (c) the call for competition states the procedure chosen, enabling a timely case selection; (d) both the customer and the supplier have taken a conscious decision to enter the SCR; (e) there is a marked transition ('contract award') from the first phase (tender) to the next; (f) this is the world of Dutch special sector companies which the researcher is familiar with and where I expect to be able to get support for this study. The resulting domain offers ample cases for this study. In the years 2009-2013 a total of 62 tendering entities have awarded 439 service contracts under EU directive 2004/17. In the resulting domain of SCR cases there is control of environmental variation (Eisenhardt, 1989). All the RTE tenders by Dutch tendering entities have to be published on TenderNed. Suppliers can program their profile on TenderNed, to be alerted whenever a tender matching their expertise (registered profile) is published. I also used this database to select cases from the 'set domain' (special sector companies, services), setting a time frame for publication dates between January 2016 to July 2016. Within this group of tenders I identified potential cases using the case selection criteria. After contacting the special sector company and their agreement to cooperate, all suppliers involved in the tender were notified about the study. This is done through the tender coordinator of the special sector company. The suppliers were notified I might be present (as a 'fly on the wall') in meetings being held during the tender process. At the moment of awarding a contract, the winning suppliers were requested to cooperate and all agreed. In order to get maximum access to representatives from both customers and suppliers, including access to meetings between parties, and all pertaining written information, the companies and their representatives are anonymized. This anonymity is maintained in all communication of this study to create an atmosphere of trust during the interviews and meetings, where participants would share accurate information and enable the researcher to get in-depth insight in the relationships. The case identifiers are used throughout this dissertation. Although

full transparency is advised for maximum reliability (Gibbert et al., 2008), this was decided against for above reasons. Transparency is secured by following measures. The promotor and copromotor have full disclosure, and other scholars can have this upon request.

In total nine case are studied, involving four customer companies and seven suppliers. See Table 5.2. For case introductions, including description of the service, see Section 6.2.

Table 5.2. Supplier–customer combinations for the cases.

SCR	Supplier 1	Supplier 2	Supplier 3	Supplier 4	Supplier 5	Supplier 6	Supplier 7
Customer I	Case A	Case B					
Customer II			Case C				
Customer III				Case D1	Case D2		
Customer IV						Case E01 Case E1	Case E02 Case E2

First, I selected paired cases that differ in the procedure followed. As is shown in Table 5.3, three cases follow a negotiated procedure and six cases an open or restricted procedure. Specifically, case A and B involve the same customer but differ in the procedure followed. These cases form a most similar, or nested pair (Seawright & Gerring, 2008). For Customer II the single potential (negotiated procedure) case was not selected due to potential conflict of interest with another role of mine. I could not identify other special sector companies tendering such a pair of cases with service contracts in this period. However, two highly comparable special sector companies tendered in this time frame. These customers (III and IV) are very comparable: they have the same concession for public service, only for a different geographical area. Otherwise these customers are comparable in size (Johnsen & Ford, 2008), and reputation (Wilson, 1995). What is more, customer III tendered with the ‘negotiated’ procedure, while customer IV used the ‘restricted’ one. Finally, these special sector companies tendered the very same service (Table 5.3). This qualifies cases D and E for comparing ‘negotiated’ versus ‘open or restricted’ procedure. Further, both customers chose to select two suppliers

(Table 5.3). These customers insisted I would study both resulting cases (equal treatment and transparency principles). This offered another comparison opportunity, not specified beforehand.

Table 5.3. Case distribution.

Legend: \* single potential case was not selected due to potential conflict of interest with other activities of the researcher. \*\* Customer contracted two suppliers. \*\*\* Explained in full text.

Tender procedure→ Customer company ↓	‘Open’ or ‘Restricted’	‘Negotiated’	# customer
Customer I	Case B	Case A	2 cases
Customer II	Case C	*	1 case
Customer III **		Case D1 and Case D2	2 cases
Customer IV **	Case E01***, Case E02***  Case E1, Case E2		4 cases
# procedure	N= 6 cases	N= 3 cases	Total: 9 cases

Second, cases were selected that differ in the kind of services that the customers aimed to purchase, to increase generalizability of the findings. Although all customers are monopolists due to their exclusive concession for public service (Chapter 4), none of the cases represent a monopsony (Smolders, 2019). All suppliers have other customers and markets for the service offered. In all cases many suppliers participated in the tender procedure. In total four different services were selected and for each type of procedure cases with two different services are selected, see Table 5.4.

Table 5.4. Cases by service and procedure.

	Service 1	Service 2	Service 3	Service 4
'Negotiated'	Case A			Case D1 Case D2
'Restricted'		Case B		Case E01 Case E02
'Open'			Case C	Case E1 Case E2

Third, cases were selected that differ in contract type, see Table 5.5. In Section 3.6.2 the contract types input, output, and outcome contracts are introduced. Contract type is strongly related to expectations parties have of each other and the SCR. Additionally, contract type is related to the governance spectrum (Vitasek, 2016; Vitasek & Manrodt, 2012; Williamson, 1985).

Table 5.5. Cases and contract type.

	'Input'	'Output'	'Outcome'
Cases	A	B, D1, D2, E01, E02, E1, E2	C

Fourth, the case pairs D1/D2, E01/E02, and E1/E2 enable to compare different suppliers. For each pair the customer, procedure, and service are the very same, only the suppliers differ (see Table 5.2).

Finally, the cases in E offer additional opportunities for comparison.

(1) The first tender of this customer failed, because in that tender the intended award by the customer to just one supplier (case E01) was not accepted by another supplier (case E02). This resulted in a court case. A phenomenon of the RTE, which could now be studied closely. (2) The customer retendered the same service, the same suppliers were now both awarded a contract, and another case pair arises (cases E1/E2). The effects of retendering can be studied in detail. (3) Taking both tenders of this customer into account is the more interesting case to examine as the procedures were different (restricted in the first, open in the second), and more interesting to study and determine whether learning aspects can be identified.

This sampling strategy yielded a purposeful sample of comparable

cases, with variation in many aspects. It also provides the input for the theory elaboration purpose of this dissertation: four services (Table 5.4), three contract types (Table 5.5), four customers and seven suppliers (Table 5.2). With this set of cases, the intended comparison between 'negotiated', and 'restricted' and 'open' procedure can be made. Moreover, the set of cases enables the following comparisons. In the case study (Chapter 6) these comparisons are made for various elements of the emergence and development model. In the discussion (Chapter 7) this is reflected upon.

- negotiated versus restricted procedure for the same customer (case A versus B),
- same service, different procedures (cases D1/D2 versus cases E01/E02 versus cases E1/E2),
- input (case A) versus output (cases B, D1, D2, E01, E1, E02, E2) versus outcome contract type (case C),
- same service, same customer, different suppliers (case D1 versus D2, case E01 versus E02, and case E1 versus E2).

To circumvent path dependency, I aimed for cases of new supplier-customer relationships (Chapter 2). However, it turned out that in some cases there were previous ties between the two organisations. These are detailed below. If an effect is signalled, this is reported in discussing the findings of the case study. For each of the suppliers in cases A, B, and E01/E1, there is a corporate interest with the corporate customer. At corporate level, other (and sometimes more important) SCRs with the same (corporate) customer were or are active, under tender, or hoped for. For the supplier and the customer of case C a maintenance relationship existed prior to the tender, which expired at the beginning of the new relationship known as case C. For this supplier-customer combination the contract type, scope, and relationship are all quite different from the prior one, although both relationships have the same assets as object of service. The first contract regards the maintenance of those assets previously supplied by this manufacturer; the new relationship concerns a 'performance-based', fixed fee contract of availability of all assets (including those manufactured by other suppliers), including improvement targets on costs and energy consumption.

### 5.3. Data collection

#### 5.3.1. *Introduction*

In this section I will clarify how the data have been gathered. To enhance construct validity, the following measures have been taken (Gibbert & Ruigrok, 2010). First, triangulation of data with the aim of convergence. This involves specifying which level of observation is deployed, which data sources are tapped, and how these are validated. In addition, the phasic character of the SCR and its governance require a clear demarcation between the phases. The demarcation used and the timeline of the case study activities is therefore also presented. Moreover, the preparatory interviews held with procurement directors of special sector companies are introduced. Second, the data collecting and its timing are introduced. Third, the transparent data analysis procedure is presented in the next section.

#### 5.3.2. *Level, sources, and validation*

The purpose of this research (theory building on the emergence and development of SCRs and their governance within the RTE) focuses on the inter-organizational level. The unit of analysis is therefore the relationship between two organizations. Also, this study is limited to the single inter-organizational level (Section 2.4.3). Rousseau (1985) and Hitt et al. (2007) point to the complications of the multi-level character of most (inter-)organizational phenomena being analysed only at a single level. In this research the collecting of data enables capturing the actions by and views of the key representatives of either party, as “collectives do not act - only people do” (Rousseau, 1985). At the same time, special care is taken with how the organizational level of data collecting is validated. The dyadic perspective is used in this study to validate both. The information from two sides can be checked against each other. In addition, ‘fallacies of the wrong level’ (Rousseau, 1985) are circumvented by using three data sources: observations, documents, and interviews. The data collecting consists of the gathering of personal views of key players (through interviews), as well as observation of joint actions amongst them and between parties, and - for data triangulation - document analysis (Eisenhardt, 1989). Through this triangulation both construct validity and measuring at the right level are enhanced. It is explained below how the organisational level is attained for the documents and interviews.



Observations concern inter-organizational group meetings only. This group setting between the two parties accentuates the inter-organizational level. In this study these meetings are only reported upon and analysed at relationship level and, if necessary, taking both the supplier's and the customer's point of view. There is, as a result, no need for aggregation of observations to the level of analysis. No observations of meetings between two individuals have been made. In the tender phase such encounters have not taken place. In total over 40 observations have taken place.

All collected documents are either relationship specific (like the signed contract, minutes of meetings) or company and relationship specific (such as the specification of the call for competition by the customer, or the offer by the supplier). The earlier mentioned documents represent the inter-organizational level: no aggregation of measurement data to the level of analysis is necessary; minutes will also represent both companies' perspectives. The latter documents can be regarded as representing the company's point of view as they have been exchanged as official company documents. In fact, these are mostly the result of group work (Hackman, 1990) within that company, various players within the company have contributed to it. The other party regards these documents as being authorized in line with the intra-organizational governance of the sender. Also, documents from a single representative conveyed to the other party have to be regarded as representing the formal company point of view. Preceding internal versions and documents for internal purposes only are not analysed. Therefore, all company documents from one party to the other represent the company point of view and do not need aggregation to the chosen level of analysis. For an impression of the volume of the documentation, in case D from the customer's side these documents are (1) the market consultation (16 pages), (2) the request for information (20 pages), (3) the request for proposal (47 pages) together with another thirteen documents, (4) written answers (a total of 137 in the course of the three episodes), and (5) correspondence regarding the supplier selection, negotiation, solution selection, and contract awarding.

As for the interviews with the companies' individual representatives, these are aggregated to company level. This study takes three representatives from each party for each round of interviews to

avoid single representative bias and random error. Hitt et al. (2007) differentiate for such aggregation between composition (in its most simple form this would be averaging the individual responses) and compilation. Defining compilation as “an aggregation principle in which measures collected from lower-level entities are combined in complex and nonlinear ways to yield a gestalt, or whole, that is not reducible to its constituent parts” (Kozlowski & Klein, 2000). It is assumed that other intra-organizational processes resulting in an organizational point of view (as expressed in documents and meetings) ‘organically’ follow such a (company and issue specific) aggregation. Therefore, reporting a company-level view based on a number of individual informant interviews is a form of such compilation. Especially as these interviews are combined with and checked against observations, document-analysis, the counterparty’s point of view, and previous interviews. This is also the case if - where possible - the composition (averaging) approach is taken where large discrepancies between the different individual views appear. These can be reported additionally, or be resolved by the consensual approach elucidated below. Moreover, the informants are chosen for each phase from the group representing the company, (next section) and as a set can be regarded as a workgroup (below). Kumar et al. (1993) also address the issue of aggregating multi-informant responses. They stipulate the consensual approach which “requires that multiple informants develop a shared position on the items on which they initially disagree” (Kumar et al., 1993, p. 1637). Kumar et al. point to the effort involved in doing so “propose a hybrid approach in which consensual judgments are collected only when there is substantial disagreement between knowledgeable multiple informants on an item. Remaining minor differences can be resolved simply through averaging reports” (Kumar et al., 1993, p. 1637). This study reports such differences. For reaching consensus another specific meeting of the three representatives would be necessary. This is seen as an intervention by the researcher; even if only the discrepancy would be signalled to them. In total 90 semi-structured interviews of one hour each were conducted, transcribed, and coded.

### 5.3.3. *Data collection*

In order not to be too dependent upon the views of the informants chosen, the views of the three representatives are registered for each

party. These representatives are identified for each phase, for each party, by both parties, and myself. My choice of interviewees is based on the documents, the observations, and the relevant roles in that phase. In this way the informant selection problem (Kumar et al., 1993) is solved in a most natural way. Either, both parties regard these informants as competent in representing the company's view, or discrepancies among the choices by the parties and the researcher are reported, including how this has been resolved. Each informant was made aware of the fact that he/she represents the company, and together with whom they will team up. The composition of each set of three informants will be such that it can be regarded as a work group. Hitt et al. (2007) define workgroups - by quoting Hackman (1990) - as "intact social systems, complete with boundaries, interdependence among members, and differentiated member roles"; and add "Hackman further specified that work groups (1) have one or more shared purposes, (2) have tasks to perform, (3) operate in an organizational context, and (4) have consequential transactions with entities outside the group boundary" (Hitt & Beamish, 2007). Indeed, all of the work group attributes apply to the set of representatives being interviewed for each company. With such a definition and selection protocol, attention is paid to the premise that the composition per phase is in line with the differences in the task per phase. In this way, the sets of three informants can be regarded as key representatives. It also works the other way around: whenever the composition of the key players changes, it could well mark a new episode, even though the (formal) phase continues. The interviews are one-on-one, and cover the phase just ended, including reflection on any observations the researcher has made, and the clarification the researcher is seeking relating to the documents studied. For each interview a consent form, which states how the information is being treated and dispersed, is signed by the interviewee and the researcher. The interviews are recorded and conducted in Dutch when this is the mother tongue of the interviewee. The interviews are semi-structured. Per phase a list of mainly open questions is used (Appendix, Section 5.3.3). The subject of governance is dealt with in three ways. In an open question, later in the interview through an assisted question naming the attributes of governance, and at the very end through a closed question in English (Roehrich, 2009). Further, notes are taken of the meetings that are observed. Finally, the customer supplies all

documents exchanged in the course of the tender, the offer of the winning supplier(s), the contract, and minutes of meetings.

For the timing of the data collection activities the term phase demarcation is used. What happens at these moments and whether and how these moments also mark the transition from one phase to another is determined in the findings. The selected demarcation between the phases is outlined below. The start of the tender phase is determined by the public call for tender by the special sector company (Figure 5.1). In case this is preceded by a public call for market consultation, that moment counts as the start (Section 4.3.2). The activities during the tender follow the procedure as laid out by the customer in the tender documentation. The tender phase ends with the intended award to selected supplier(s). See Chapter 4 for details of tendering under the Regulations. Between two consecutive phases (at phase transition), parties (each and together) - implicitly or explicitly - determine whether to continue, modify or discontinue the relationship. The start-up phase starts when both parties determine to continue the relationship after tender. In this phase the contract agreed upon in the tender is signed, sometimes some details are added, or amended by consent. Next, the solution as offered is implemented, parties meet to organize the details for that, more persons from both sides get involved, and the formal governance structure, as agreed in the contract, is put in place. Quite often a further detailing of the specifications is jointly made and when deemed necessary, these elements will be added to the contract. For this a renewed offer is made. Parties negotiate and agree to adaptations of the contract (Ring & Van de Ven, 1994). The start-up phase ends when both parties state they want to continue the relationship and are ready for (full scale) delivery. The delivery phase then starts. During the delivery phase parties adapt elements in the way they work together when necessary. For service contracts the delivery phase ends at the pre-determined end date of the contract, or at the accomplishment of the service agreed, or earlier when (one of the) parties so decides.

Because of the different nature of these phases, the process study encompasses all three phases, see Figure 5.1. For each phase I observed meetings between the parties (if possible), studied the relevant documents and conducted the interviews right after the

tender and the start-up phase. The last round of interviews was held four to nine months into the delivery phase. Although the SCR continued, the collecting of data ended.

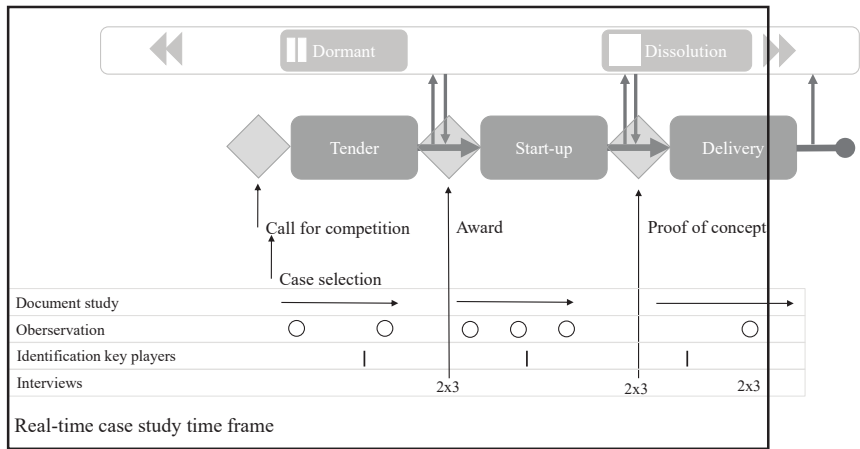


Figure 5.1. Multi moments of data collecting activities in the case study.

5.3.4. *Additional data source: procurement director interviews*

Prior to the case study, I interviewed six procurement directors of ‘special sector’ companies for a number of different reasons. First, to learn how ‘special sector’ companies act in emerging SCRs and beyond; second, to minimize any bias caused by my personal experiences in my role as procurement director of a ‘special sector’ company; and, to get buy-in for my case study. These procurement leaders each have many years of experience in that role, which they gathered in nine ‘special sector’ companies, next to their procurement expertise gathered in companies within and outside the RTE. In their procurement director role they have been responsible for over 500 tenders and supervising at least as many SCRs in the RTE. With each of the directors a semi-structured interview of 1,5 hours has been conducted. The interviews have been transcribed and analysed with qualitative data analysis software. The findings from these interviews are reported alongside the case study findings in Chapter 6.

## 5.4. Data analysis

### 5.4.1. Introduction

For analysing the data, first the methodology is chosen in line with the theory elaboration objective of this study. For this study I combine ‘temporal bracketing’ with ‘alternate template’ (using relational exchange theory, social exchange theory and transaction cost economics), ‘visual mapping’, and ‘phasic analysis’ (Langley, 1999). Then, the coding and assessment processes are explained. Finally, the constructs and attributes used in the data analysis are detailed and referenced in Section 5.5. These have partly been developed in previous chapters (e.g. governance, congruence). The construct of regulated interactions, which I found inductively, is presented here.

### 5.4.2. Data analysis methodology

The data analysis methods are chosen from Langley’s (1999) overview of ‘generic sense making’ methods for process research. The choice is divided into five steps. First, the objective of the sense-making is to support research which leads to a theory encompassing simplicity, generality, and accuracy. Although according to Weick (1979) (individual) research strategies do not offer accuracy, generality, and simplicity, by combining various sense making strategies this objective can be achieved. Second, following Langley’s advice I have constructed one method for each of the three data organizing categories: ‘grounding’, ‘organizing’, and ‘replicating’. Third, for the data analysis I have used theory driven constructs (governance, SCR types, precursors for governance, congruence etc.) from relational exchange theory, social exchange theory, transaction cost economics (Chapter 3). The constructs from these theories are applied to build the model that can be found in Chapters 3 and 4. Four, ‘visual mapping’ is chosen (Langley, 1999) to organize the process data. This method supports temporal ordering and relationships between events, while leaving freedom for the other dimension of such maps. As it is the objective of this study to use both the customer’s and supplier’s perspectives, this method perfectly enables within-case (and cross-case) juxtaposing and contra-posing these perspectives. Figure 5.2 is a preliminary example of such a map, other ones are the conceptual model (Figure 2.1), and the map of four purposes of regulated interactions (Figure 6.16).

Finally, for the ‘replicating’ method ‘temporal bracketing’ is selected. This method is defined as: “The decomposition of data into successive adjacent periods, (enabling) the explicit ‘Examination’ of how actions of one period lead to changes in the context that will affect action in subsequent periods” (Langley, 1999, p. 703). The regulated temporal order of the SCR in the RTE clearly supports such bracketing (Figure 4.2). Moreover, as the research question regards emergence and development of relationship governance, this method is a good match. The start and finish of the regulated tender are used as time bracket, however whether these coincide with the periodic patterns will become clear when analysing the data. “These periods become units of analysis for replicating the emerging theory” (Doz, 1996). Such replication is done in cross-case analysis. However, Langley’s temporal bracketing is a simple example of a broader technique of ‘phasic analysis’ as developed by Poole et al. (2000). Given the quest for finding the dynamics and duality in the process of governing, the full spectrum of ‘phasic analysis’ is deployed. In this study I carry out the ‘phasic analysis’ at the level of SCR phases and at a lower level (preliminary called episodes) in order to discern multiple sequences. Using ‘phasic analysis’ enables linking the sequences found to, for instance, the ‘process motors’ (Van de Ven & Poole, 1995). By using a combination of a sense-making method ‘alternate template’, ‘visual mapping’, ‘temporal bracketing’, and ‘multi-level phasic analysis’ this study aims to derive a theoretical model of SCR governance emergence and development, which is accurate and simple as well as generalizable to a sufficient extent.

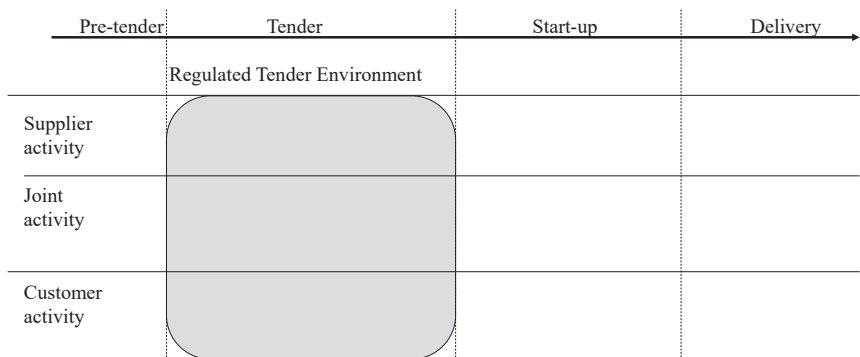


Figure 5.2. Basic form of visual map for analysing the emergence and development of SCRs and governance.

### 5.4.3. *Coding and assessment*

The interviews have been transcribed and analysed with the 'Atlas.ti' qualitative data analysis software. For this an iterative coding has been developed, based upon the conceptual model and on the constructs from literature or those developed in Chapters 3 and 4. From this new constructs and attributes have emerged: SCR type, conditions, rapport, regulated interactions. All cases have primarily been assessed for each phase using 'quote-based assessment'. These assessments have been checked against a 'code frequency-based assessment'.

#### *'Quote-based assessment'*

The researcher's assessment per case and phase is based on triangulated evidence, i.e. documents, observations, and interviews with the customer and supplier representatives. The customer's and supplier's point of view in terms of the constructs and attributes is supported through quotes from the interviews and documents. Table

5.6 presents an example of the quotes on which such assessment is based for customer's initial attitude.



Table 5.6 Assessment of the customer's initial attitude.

Based on documentation (= Doc.) and interviews (= Interv.).

Source	Evidence from data collected	Attribute element as per code Table 5.13.A	Code applied
Doc.	Written answer: Mini-competition is cancelled, allotment at customer's discretion. Activities now become 'direction based'.	Desire to control	Dominant
Doc.	Written question: is senior versus junior price differentiation allowed? Written answer: no, just one price/hr to be quoted, only for experts as per supplier's offer and as interviewed in tender.	Reluctance to relinquish control	
Doc.	Request for proposal: award criteria: prevention of 4 explicit risks. Instruction for interviews: "interviewees are only allowed to elucidate their offer and c.v's, and not deviate from supplier's offer"	Reluctance to relinquish control	
Interv.	Customer's department head: "We have a contract which allows for many adjustments. If the cooperation is not effective, we can adapt the volume. We are not bound at all. We also can utilize other parties."	Prevention orientation	Opportunistic
Doc.	Call for competition/request for information: Customer contracts for two lots with 3 or 2 non-exclusive frame work agreements for 3 years + 5 optional extensions for 1 year. Each project will be allotted based on mini-competition between contracted suppliers.	'Tender = transaction'	

The evidence from the quotes as shown in Table 5.6 lead to the conclusion that customer A is dominant during the tender: (i) it changes the rules of the game during the procedure, when cancelling the mini announced competition, (ii) is not open for suggestions e.g. two instead of one price, (iii) has several competing suppliers after the tender, (iv) and even the opportunity to call on other suppliers. For further details per case and phase see Appendix 'Quote-based assessment.xls'. Further, the attitude assessment of the customer and the supplier for each case is cross-checked using the views of the other party (see Appendix 6.3.4).

The scores for 'attitude' and 'expectation' for the customer and the supplier lead to the assessment of whether the parties reached congruence. Based on the type of interactions employed, and specific remarks from the interviewees it was coded whenever rapport was reached. Further the open code for critical events was used, specifying the event and outcome, whenever the interviewees narrative made clear a critical event happened. Interviewees points of view relating to the SCR partner were also used either as an affirmative to the point of view of the partner, or as a contrast. This led to follow-on questions from the researcher, with the effect of a full clarification of the situation. The critical events have enabled to make a case summary and narrative (see Section 6.2). The combined narratives per phase were used to arrive at a better understanding of the processes per phase and results per condition. These elements were also used for induction, resulting in the regulated interactions as described in Section 5.5.8 and detailed in Section 6.4. The results of this assessment are used throughout Chapter 6. In each instance the results and interpretations of this assessment are further explained.

#### *'Code frequency-based assessment'*

Additionally, all interviews on the tender phase have been coded using inductively developed codes. See Appendix code frequency-based assessment.xls/codes tender. The coding results (number of times a code is applied) have been used as follows: per interview the frequency table has been made. For all the customer interviews per case these frequencies have been totalled, so have those of the supplier interviews. For these groups of interviews coding results are totalled. Using Santema (1991) all codes have received the same value (1). Per code the coding result relative to this group's total is taken. As

a result of this, the relative weight the interviewees give to a certain code is determined by them. See Appendix, Section 5.4.12 for further explanation. Reference to the pertaining data of the code frequency-based assessment is shown as: (code frequency-based assessment.xls/Section x.y.z.)

Similarly, all interviews regarding the start-up phase have been coded using a code table inductively developed (Frequency-based assessment.xls/codes start-up) from the code table mentioned above, expanded with all elements mentioned in the governance definitions developed in Chapter 3. The coding results have been used as in the coding for the tender phase mentioned above.

## **5.5. Constructs and attributes**

Based on the literature review, the elements of the conceptual model (Section 2.6) are described using the following process constructs: governance, contractual governance, relational governance, third party governance, and interaction. The phase transitions are assessed by determining whether the conditions are met. This is done using the (supportive) constructs congruence, attitudes, expectations, and compatibility. In the previous chapters the constructs congruence, expectations, attitude, SCR type, governance category, and condition have been developed. Next, I will operationalize these constructs into their attributes. Further, I will introduce the inductively derived constructs and attributes for regulated interactions. Additionally, through the coding of the case study the construct of rapport is inductively derived and defined through its attributes. Finally, all codes, code definitions, and references are summarized in Section 5.5.9.

### *5.5.1. Congruence*

Congruence is reached only when the customer's and supplier's expectations are the same and attitudes match; i.e. a dominant customer/submissive supplier, or both 'as equals' (Section 4.5.5).

Table 5.7 Congruence as developed in Section 4.5.5.

Aggregate construct	Constructs	Attributes
Congruence	Expectations	Customer
		Supplier
	Attitude	Customer
		Supplier

### 5.5.2. *Expectations*

The construct ‘expectations’ is shown in Table 5.8. This construct is developed in Section 3.6.2 using Table 3.4. For convenience this table is repeated here as Table 5.7. ‘Expectations’ has attributes ‘supplier’ and ‘customer’; each attribute has a SCR category of ‘basic,’ ‘approved,’ ‘preferred,’ ‘performance-based,’ or ‘vested’ (Section 3.6.2). The SCR category is determined using the criteria governance category, supplier allocation, relationship specifics, and contract type (see Table 5.8); the value for the criteria differ between the SCR categories (see Table 5.8). For each case these values are determined from the tender documentation. Together leading to an allocation of SCR category for the customer and the supplier.

Table 5.8. Expectations in supplier-customer relationships.

Based on (Vitasek, 2016 and Keith, Vitasek, Manrodt & Kling, 2015). Allocation criteria are cumulative, e.g. allocation of III implies that SCR also qualifies for I and II.

SCR category → ↓ Determining criteria	'Basic'  A	'Approved'  B	'Preferred'  C	'Performance- based'  D	'Vested'  E
Governance category	Market	Market	Hybrid	Hybrid	Hybrid
Allocation criteria: supplier qualifies for	Competitive bidding	Pre-qualified on selection criteria and/or performance	Supplier offers specific value for customer's goal	Cost and quality competitive and competent to drive improvement	Mutual selection through previous collaboration
Specifics of the relationship	Range of options with little differentiation;  Supplier switch has no impact	≥ 1 supplier/ category	Integrated business processes: collaboration	Supplier is output accountable;  Highly integrated: high collaboration	High collaboration to create and share value (= outcome);  Committed to each other's success
Contract type	Transactions	Input  No volume agreed	Input  Volume agreed	Output  Volume agreed	Outcome  Volume agreed

Table 5.9. Construct of 'expectations', its attributes and codes.

Construct	Attributes	Values, based on combination of attributes as per Table 5.7
Expectations	Governance, selection, specifics, contract type. (See Table 5.7)	'Basic'
		'Approved'
		'Preferred'
		'Performance-based'
		'Vested'

### 5.5.3. Attitudes

The construct of 'attitude' is developed and operationalized in Section 4.5.2.

Table 5.10. Construct of attitudes, its attributes and coding.

Construct	Attributes	Values Most prominent attribute counts for coding
Attitudes	Dominant	Dominant
	Submissive	Submissive
	'As equals'	'As equals'
	Opportunistic	Opportunistic

Dominant supplier, and submissive customer are unlikely attitudes within the RTE (Chapter 4 and 6).

### 5.5.4. SCR types

As introduced in Section 4.5.4, the SCRs within the RTE can be of the following six types.

Table 5.11. Possible SCR types in the RTE.

		Customer's attitude	
		Dominant	'As equals'
Supplier's attitude	Submissive		
	Opportunistic		
	'As equals'		

### 5.5.5. Governance

At the end of each interview the customer and supplier representatives are requested to rate the contractual and relational governance over the period just ended with a value of high, medium, low, or nil (Appendix, Section 5.3.3) For the tender phase the additional question was: Who has been governing? Codes for both the customer as well as the supplier were given, based on the answers and the context information from the rest of the interview.

Table 5.12. Construct of governance, its attributes, and codes.

Construct	Attributes	Codes; Most prominent attribute counts for coding
Contractual	Unilateral	High, Medium, Low, Nil
	Unilateral customer-led process	High, Medium, Low, Nil
	Court-ordered governance	Yes
	Unilateral supplier-led process	High, Medium, Low, Nil
	Bilateral	High, Medium, Low, Nil
Relational	Relational	High, Medium, Low, Nil

Unilateral supplier-led process governance is unlikely (Chapter 4), yet encountered (Section 6.5).

### 5.5.6. Conditions

Findings of this case study are conditions that need to be met before progressing from tender to start-up, or from start-up to delivery phases. See Chapter 3 and 4.

Table 5.13. Construct of phase transition, its attributes, and codes.

Construct	Attributes	Codes
Phase transition	'Regulations-proof'	Yes
	Awarding criteria*	Yes
	Congruence	Yes
	Proof of concept	Yes

\* Tender procedures are sometimes split into two episodes (Chapter 4). First, supplier selection (with separate selecting criteria) and then, solution selection (with awarding criteria). To simplify, this study combines both under the awarding criteria.

#### 5.5.7. *Rapport*

Rapport between the supplier and the customer is studied following the observations made during the case study. Rapport is defined as “a close and harmonious relationship in which the people or groups concerned understand each other’s feelings or ideas and communicate well” (New Oxford Dictionary, 1998) (Pearsall & Hanks, 1998). The sparse literature on rapport is discussed in Section 3.4.4. Rapport building is one of the types of bonding inductively developed. Rapport can be built through a combination of all following interaction attributes: (1) reciprocal and affective information disclosure, (2) extended sequences of affiliation, (3) needs, understandings, interpretations exchanged in recurrent face- to-face meetings, and (4) questions and answers in a process of real- time turn-taking.

#### 5.5.8. *Regulated interactions*

Relevant literature shows the importance of the interaction in emerging SCRs (Chapter 3). Yet, the interaction between parties during the tender phase is largely unknown (Chapter 4). This research develops for the first time an instrument to study this interaction. To this end, the regulated interactions deduced from the Regulations (Section 4.4) have been used for an initial coding of the data. Inductively, the interaction construct proves to be an aggregate construct. This induction is based on (1) information from all cases using that interaction, (2) the tender documents, (3) the observations, and (4) one-on-one interviews with supplier and (5) customer representatives. Further, (6) the interviews with the procurement directors are used as context information. The induction yields that the interactions serve four specific purposes. First, the supplier’s understanding of the customer’s demand and context; second, the customer’s understanding of the suppliers’ responses and offers, third, shared understanding between the customer and the supplier, and fourth, shared psychological understanding, enabling various ‘layers of bonding’. In addition, the interaction enabling the



first three purposes is formal and explicit, on substance, or related to contractual governance. Such interaction can also be used as a carrier for the fourth purpose. Further details are presented in Section 6.4. For definitions, see Table 5.14.E.

#### *'Ping-Pong'*

For the benefit of the supplier's understanding of the customer's demand and context, customers employ 'Ping': Documents exchange from the customer to all suppliers. These documents comprise the customer's tender documentation (see Section 5.3.2), and the customer's answers to all the supplier's questions. The counterpart to this written interaction is 'Pong': Documents exchange from the supplier to the customer. Its purpose is to improve the customer's understanding of the supplier's expertise and offers. Interaction consists of documents going from sender to receiver. Together these result in a pattern of time-delayed, alternating, unilateral messages: 'Ping-Pong'.

#### *'Look & Listen'*

Another interaction designed to serve the supplier's understanding is: 'Look & Listen'. All suppliers can attend, meet the customer representatives face-to-face, and pose questions. These interactions are formal as well. The customer representatives meet all suppliers together in a 1:N setting.

#### *'Direct Q & A'*

The third interaction designed to serve the supplier's understanding is: 'Direct Q & A'. This interaction is to clarify the customer's tender documentation (for the solution selection episode). Each selected supplier is invited separately to meet with the customer's team in a 1:1 setting.

#### *'Examination'*

For the customer's understanding of the supplier's offers 'Examination' is used. The customer's objective is to assess the supplier's offer by asking questions, and to assess the competencies of the supplier's representatives related to the requested service. This is done in a 1:1 setting.

### *‘Dialogue’*

For shared understanding between the customer and each of the suppliers’ interaction ‘Dialogue’ is employed towards the end of the tender. Parties enter a ‘Dialogue’ to get shared understanding whether the supplier’s offer and expertise sufficiently covers the customer’s demand.

### *‘Bonding’*

Induction also leads to ‘Bonding.’ This implicit and informal interaction is used for various ‘layers of bonding’: to make acquaintance, to build precursors of relational governance (Section 3.7.4), to enact own expectations and attitude and assess those of the counterpart necessary to establish congruence, and rapport. See Section 6.4.8.

#### 5.5.9. Codes

Using the constructs and attributes as derived above, the codes for data conversion are presented in Table 5.14.A through E, together with the code definition and reference.

Table 5.14.A. Congruence: codes used, code definitions and reference for the case study.

Codes	Definition	Reference
Congruence	Expectations of the supplier and the customer are the same, and Attitudes of the customer and the supplier match.	Chapter 3
Incompatible	Expectations and attitude of one party are deemed incompatible (with each other) by the counterparty.  This triggers an intervention: either the supplier retreats from tender, or questions the customer’s combination. Or the customer does not award this supplier, or concludes lack of congruence with this supplier.	Section 6.5.3

Same expectations	Expectations of the supplier and the customer are in the same SCR category (get the same code)	Chapter 3
‘Basic’*	Competitive bidding with little differentiation. A supplier switch has no impact for the customer.	Vitasek (2016); Keith, Vitasek, Manrodt & Kling (2015) Chapter 3  * See Table 5.7
‘Approved’*	A pre-qualified supplier that meets certain performance or other selection criteria.	
‘Preferred’*	Specifically chosen supplier(s) for more collaborative relationship, repeat business and longer term contracts.	
‘Performance based’*	Longer-term supplier agreement combining relational with output-based contract. The supplier is accountable for what is under its control.	
‘Vested’*	‘Vested’ combines a relational contract with an outcome-based economic model. The parties have an economic interest in each other’s success.	Chapter 3 and 4
Attitudes match	Either a dominant customer/submissive supplier combination, or both have ‘as equals’ attitude.	
Dominant customer (asymmetry)	Asymmetry motives in the organization’s decision to interact:  desire for control: Potential to exercise power or controlover another organization or its resources. And/or:  reluctance to relinquish control: Relationship formation necessitates the loss of decision-making latitude and discretion.	Oliver (1990)  Chapter 3

'As equals' (reciprocity)	Reciprocity motives are: cooperation, collaboration, and coordination.  pursuing common or mutually beneficial goals.	Oliver (1990)  Chapter 3
Opportunistic	Opportunism: three or more of following items apply: Withholding critical information;  'Tender = transaction' (Dwyer et al., 1987);  Prevention orientation; Sensitive to opportunistic partners; less likely to share and accept information from other party (Das & Kumar, 2011);  Goal incompatibility (Das & Rahman, 2010);  Perception of payoff inequity: 'unfair dealing' (Ring & Van de Ven, 1994);  Pressure for quick results (Das & Teng, 1999).	Various Chapter 3

Table 5.14.B. Governance: codes used, code definitions and reference for the case study.

Codes	Definition	Reference
Contractual	The actions the parties take to control, influence, or regulate the policy and affairs of their SCR, using roles, obligations, responsibilities, contingency adaptation, and legal penalty as specified or adapted in formal agreements.  The level is determined by the average of interviewees answers, checked against total of pertaining remarks in the interviews.	Cao & Lumineau (2015)  Roehrich (2009)  Chapter 3 and 4  Appendix, Section 5.3.3
Governance Nil		
Low		
Medium		
High		
Customer-led process	Only coded in case contractual governance is seen as unilateral.	Section 4.6  Section 6.5.2
Supplier-led	Regulation empower supplier to object, dispute, even call in the court.	Chapter 4  Section 6.5.3
Court-order	Parties can request court to resolve dispute during tender.	Chapter 4  Section 6.5.3

Relational governance Nil	The actions the parties take to control, influence, or regulate the policy and affairs of their SCR, using trust, flexibility, solidarity, information exchange, fairness, and informal rules and procedures as embedded in the relationship.  The level is determined by the average of interviewees answers, checked against total of pertaining remarks in the interviews.	Cao & Lumineau (2015)  Roehrich (2009)  Chapter 3 and 4  Appendix, Section 5.3.3
Low		
Medium		
High		

Table 5.14.C. Conditions: codes used, code definitions and reference for the case study.

Codes	Definition	Reference
'Regulations-proof' procedure	When the procedure is (executed) 'regulations-proof', and when there are no objections from other suppliers to customer's intended award. Additional Regulations in case of retender.	Chapter 4  Section 6.5.3
Contract awarding	The customer awards a contract to a supplier, which is accepted by the supplier. The awarding is based on the supplier's solution best meeting the awarding criteria. For awarding criteria this study combines criteria for supplier selection and solution selection.	Chapter 4
Congruence	Is congruence established during tender, or during start-up?	Section 4.5.5  Sections 6.6 and 6.8

Proof of concept	In case of 'performance-based' contracts, is performance conform the offer?	Section 6.8
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Table 5.14.D. Satisfaction: codes used, code definitions and reference for the case study.

Codes	Definition	Reference
Satisfaction	Supplier's and customer's satisfaction with overall performance of the SCR,  average of party's interview scores. based on question during interviews.	Roehrich (2009)  Chapter 3. Appendix, Section 5.3.3
Very good		
Good		
Mediocre		
Poor		
Very poor		
Continue? No	If one of the conditions is not met, the SCR is discontinued.	Chapter 3, 4 and 6.  Appendix, Section 5.3.3
Yes	If both the customers and the suppliers affirm they want to continue.	

Table 5.14.E. Interactions: codes, code definitions and reference for the case study.

Codes	Definition	Reference
Formal interaction	Information exchange limited to aspects of contractual governance: substance, understanding of customer's specification, detailing of specifications, performance details, obligations, roles, planning, (renewed) offer, negotiations, meeting the awarding criteria, acceptance. Always (finalized) in writing.	Section 4.4

'Ping' interaction	Documents exchange from the customer to all suppliers for the purpose of improving suppliers' understanding of customer's demand and context. It consists of customer's tender documentation (see Section 5.3.2.), and customer's answers to all suppliers' questions. The pattern of the 'Ping' interaction is an accumulation of one-way messages between parties.	Section 6.4.3
'Pong' interaction	Documents exchange from the suppliers to the customer for the purpose of improving customer's understanding of suppliers' expertise and offers. The pattern of the 'Ping-Pong' interaction is an accumulation of one-way messages between parties.	Section 6.4.3
'Look & Listen' interaction	A formal, face-to-face interaction designed to serve suppliers' understanding where suppliers can attend, meet the customer representatives face-to-face, and pose questions. 'Look & Listen' has two forms, either as a 'site inspection' of customer's premises, or as an 'explanatory meeting' where the customer presents his request, his organizational context, the tender procedure, timing, and documentation. 'Look & Listen' interaction is an accumulation of one-way messages between parties.	Section 6.4.4



'Direct Q & A interaction	An interaction specifically designed to serve suppliers' understanding is 'Direct Q & A'. Each selected supplier is invited separately, to meet with the customer's team. The suppliers can propose items for the agenda, and send in their questions. In the meeting, the suppliers can ask further questions. The customer's team meeting the suppliers, has clear ... and instant answers. This offers suppliers the chance to secure through follow-on questions their understanding of customer's need and context. The pattern of the 'Direct Q & A' interaction is one-way: the supplier asks, the customer answers.	Section 6.4.5
'Examination'	This interaction takes place at the very end of the procedure. Here the customer team meets the suppliers, one by one. This interaction, using the face-to-face method has the objective for the customer to assess supplier's offer by asking questions; and to assess the competencies of the supplier's representatives related to the requested service. The latter is practised, when the service requires named supplier experts to work (quasi full time and on premise) together with customer's employees. The pattern now is: the customer asks questions, the supplier answers.	Section 6.4.6

'Dialogue' interaction	For shared understanding between the customer and each of the suppliers this interaction is employed, towards the end of the tender. Here, parties endeavour to get shared understanding whether supplier's offer and expertise sufficiently covers customer's demand and context. The customer has assessed the offer and poses questions. Parties enter a 'Dialogue', with a pattern of reciprocal information exchange of understandings and interpretations in a one-on-one, face-to-face meeting, with questions and answers in real-time turn-taking.	Section 6.4.7
Informal interaction	Two-way, 1:1 interaction related to elements of relational governance: trust, flexibility, solidarity, information exchange, fairness, and informal rules and procedures; and related to making acquaintance, building rapport, and establishing congruence.	Section 3.4.2 Section 6.4
Bonding	Involves implicit and informal interaction using the other formal regulated interactions as carrier, especially face-to-face, and one-on-one interactions. Bonding requires both parties to 'tune in' and participate with stable teams. Such bonding can lead to making acquaintance, develop precursors for relational governance, establish congruence, and build rapport.	Sections 6.4.8, Section 6.5.7, Section 6.5.8

Establishing congruence	Recurrent, reciprocal information disclosure, exchange of needs, understandings and interpretations, questions and answers in process of real-time turn-taking; formal and informal interaction. Enabling to enact own and assess counterparts expectations and attitude.	Section 3.6.1 Ring & Van de Ven (1994) Section 6.6.7 Section 6.8.2
Acquaintance between key representatives	Teams of representatives responsible for tender, start-up and delivery phases meet recurrently during the tender phase, their interaction is both formal and informal.	Section 6.4
Building precursors for relational governance	Recurrent, reciprocal informal interaction enabling representatives to build towards following elements of relational governance: trust, flexibility, solidarity, open information exchange, fairness, and informal rules and procedures	Section 3.4.3 Section 6.4.8 Section 6.6.5
Rapport building	Rapport can be built through a combination of all following interaction attributes: (1) reciprocal and affective information disclosure, extended sequences of affiliation, needs, understandings, interpretations exchanged in recurrent face-to-face meetings, and (4) questions and answers in a process of real-time turn-taking	Section 3.4.4 Section 6.4.8 Section 6.6.6
Interactions after tender	All of the above interactions can be used.	Section 4.3.1

The analysis of the frequency-based coding has been used in addition to the quotes-based view. The details of both types of findings are presented in the relevant section of the Appendix. These two types of findings do not lead to contradictions but to confirmation.

#### 5.5.10. Conclusion

Based on the model developed in Chapters 2, 3, and 4, and the constructs and codes developed in Chapter 5, all data collected from nine cases over three phases has been applied to understand the emergence and development of SCRs and their governance in the RTE. Through an iterative process the values of the elements of the model have been determined per case and phase. Next, the views of both customers and suppliers have been applied. This is further supported by a narrative per case, and a narrative for each phase. For the cases combined by SCR type and by phase and condition this leads to the findings as presented in Chapter 6.

### 5.6. Strategies deployed for rigour

The debate on how to enhance the rigour of qualitative research is ongoing (Creswell, & Miller, 2000; Gibbert & Ruigrok, 2010; Gibbert et al., 2008; Guba, & Lincoln, 1989; Guba & Lincoln, 1985; Lincoln & Guba, 1986; Morse, 2015). This study followed Gibbert et al's (2008) framework of internal, construct, and external validity and reliability. For *internal validity* this dissertation uses theory triangulation (Section 2.2), the conceptual process model (Section 2.6.2) is based on the Regulations (Chapter 4), and matched with development models from literature (Chapter 3). *Construct validity* is enhanced by applying data triangulation (documentation exchanged between parties, direct observations, interview with key representatives). Data collection circumstances have been described and data analysis is clarified. Original data and chain of evidence are available upon request. *External validity* is supported by extensive case selection, by the comparative case study set up, various cross cases analyses, and by the dyadic perspective. The general context of public procurement is elucidated in Chapter 4, additionally direct interviews have been executed to enhance this. *Reliability* is supported by a case study protocol and a case study database.



## 6. CASE STUDY FINDINGS

### 6.1. Introduction

This chapter elaborates upon the findings ensuing from the case study. Section 6.2 starts off by presenting the SCR and governance development for each individual case, followed by a description of each of the conditions and phases as illustrated in Figure 6.1.

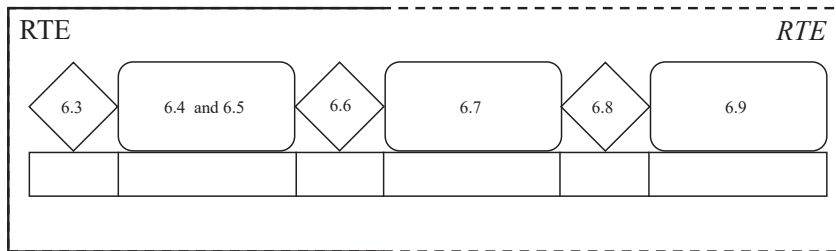


Figure 6.1. Overview of the sections with corresponding element of the model.

In this chapter the model for the emergence and development of SCR governance is elaborated upon, starting from Figure 6.2. This model is the result of the original conceptual model as described in Chapter 2, which is subsequently supported by literature-based findings (Chapter 3). For the RTE, the model is explained into further detail, based upon the Regulations and the RTE-related literature (Chapter 4). Details concerning the findings on the initial condition, the inductively found regulated interactions, each of the transition conditions, and each of the phases can be found in Sections 6.3 - 6.9. The propositions developed for conditions, phases, and governance in previous chapters are discussed in the relevant sections of this chapter. Emerging SCRs are categorized into four types (Section 6.3). Section 6.10 is devoted to answering the research question and the description of the governance development for the four SCR types. In this final section the resulting model for the emergence and development of SCRs and their governance in the regulated tender environment are presented as well. In this chapter ‘the customer (supplier) of case X’ is often abbreviated to: customer (supplier) X.

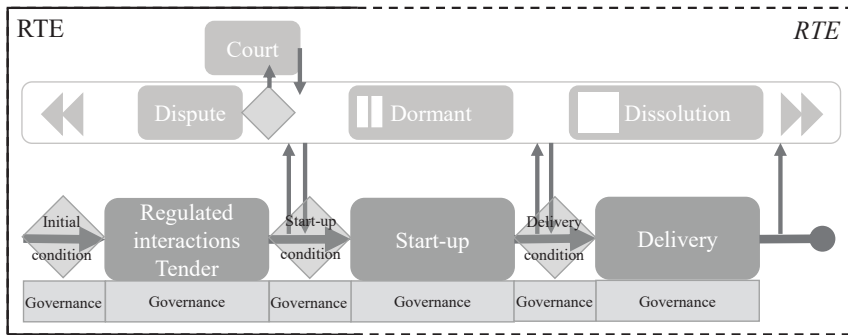


Figure 6.2. Basic model for the case study. Based on Figure 4.2.

## 6.2. Governance development per case

Below a summary is presented on the governance development of each of the individual cases. For every case the requested service is introduced as specified in the customer's call for competition. Next, each case is categorized according to the SCR types. Further, the most notable developments per case are given, including the duration per phase. Finally, for every case these developments are depicted in the model. Together the cases show an array of developments covering the phases, conditions, and governance. With regard to governance, for example, inflexibility leads to premature dissolution of SCRs, and changes in expectations and attitudes convert SCRs into other types. Additionally, for each of the conditions and phases governance is found, albeit in various forms. These developments are discussed in detail in the Sections 6.3 - 6.9.

### 6.2.1. Case A

The customer has recently established a new department for specialized engineering expertise by attracting people from the industry. For the capacity build-up and to increase the level of his expertise, the customer tendered for the supply of this expertise. The tender is for five framework contracts, in two lots. Each contract has a duration of three years, with five times an option to continue for one year, to a maximum of eight years. The customer is dominant throughout the SCR. As the department's head remarks: "We have a contract which allows for many adjustments". The supplier's expectations during the tender phase are to become a 'preferred' supplier. The expert of

supplier states: “This is for us a must-win contract”. After trying to offer a differentiated tariff where one for senior experts is the only one required, it opportunistically offers an average rate. This makes case A a type I SCR: dominant customer/opportunistic supplier (Section 6.3.4). The regulated tender interactions are an accumulation of one-way exchanges, except for the interview of the supplier experts by a team of customer representatives.

This ‘Examination’ interaction (Section 6.4) proved to be more than just answering the customer’s questions. The researcher observed eight ‘Examinations’ between the customer and each of the competing suppliers. Only the supplier in case A showed that this face-to-face interaction can be used to start a ‘Dialogue’ (Section 6.4), at their initiative. The supplier had scouted their representatives for their competencies, and trained for this interaction. They were well prepared for the questions, which therefore did not surprise them, and they had prepared questions for the customer as well. After the tender, both the supplier and the customer representatives refer to this ‘Examination’ as decisive with a positive effect, because of its ‘Dialogue’ character. The account manager of the supplier remarks “in the interview [the ‘Examination’], that is where chemistry takes place”, and the senior expert & manager of the supplier states: “After all, it still is like an ‘Examination’. Although asking for a further clarification, [giving] a nod, and a gesture, that is what makes it a conversation”. The senior manager of the customer reflects: “I am happy we were able - at least in our opinion - to turn it into a conversation”. Moreover, this specific ‘Examination’ showed elements of rapport building. The supplier’s senior expert & manager remarks: “[the meeting] was not distant. [This was] caused by the atmosphere and the opportunities to ask questions ourselves. [The other side] really answered our questions. That is remarkable. [Further,] that people continue on your subject, that is what turns it into a dialogue. It felt amongst equals”. And the customer’s senior manager reflects: “I think we have established real contact. We have offered the chance to ask questions and we have answered these”. One of the award criteria is “cooperative attitude, fitting in customer’s team, interaction competences” (tender documentation in case A). In view of this, the customer’s senior manager remarked: “For ‘people’ requests, I feel confirmed in us daring to determine ‘having a click’ as one of the awarding criteria”. As an observer, the researcher noted about the interview: both the



customer and supplier representatives have an 'as equals' attitude. The supplier representatives get in a flow, answer questions before they are even posed. The atmosphere becomes relaxed, the supplier asks questions and the customer answers these openly. The interview ('Examination') becomes a conversation, even a 'Dialogue', covering not only 'what' the supplier will do (his offer) but also an exchange of views covering the 'how and why' for both organizations. As a result, the supplier in case A scored the highest for the interviews, especially regarding the requested competencies. However, the supplier's senior expert & manager also states "the interview was too short [one hour]. You walk out of the room and you cannot do anything anymore with what has been built". Although the supplier representatives do not know this yet, the customer representatives have a mind-set for the tender phase only. The customer's team changed after tender. The rapport as established between the representatives present proves to be ad hoc only (Jap & Anderson, 2007; Narayandas & Rangan, 2004). Only the 'tender = transaction' approach is served. Not forgetting that the customer's objective is to contract several competing suppliers with a framework agreement. This does not display a 'Relationship frame of mind' from the part of the customer. No acquaintance, rapport, precursors for relational governance, or congruence are established in this tender.

The supplier meets the start-up conditions of 'regulations-proof' and contract award, as one of the winning suppliers. The start-up phase begins with a critical event: a new customer representative shifts his focus from the supplier to the supplier's employees. He does another selection round for experts from the contracted suppliers. From his point of view this is positive and in line with customer's 'approved supplier' expectations and dominant attitude. From the supplier's point of view this is negative: not in line with the tender documents and contract. However, suppliers accept the intervention without protest. For this supplier the corporate interest in this customer company far exceeds his interest in this specific relationship (Section 5.2). Another critical event is the customer's initiative to unilaterally change the administrative procedure. This is - on behalf of all suppliers - countered by the supplier's active contractual governance. The issue is resolved through bilateral contractual governance. The supplier's account manager notes: "We deliver experts; they pay euros", changing their expectations into becoming an 'approved'

supplier. This opportunistic supplier changes to a submissive attitude: the customer's dominance is accepted, as long as the supplier's experts are hired. The supplier's changed attitude results in congruence being reached in the start-up phase and as a result delivery conditions are met.

The delivery phase begins with a critical event. The supplier's senior expert cum department head successfully applies for a vacancy in the customer's department. The supplier's expectations go from 'approved' to 'basic' supplier, and the attitudes of dominant customer and submissive supplier are reaffirmed. Supplier's account manager remarks: "It is like a detachment contract". The intended joint development of this specific expertise - using the broader experience base of the supplier - is not being realized. It is not the subject of their contacts anymore. In the opinion of both the customer and the supplier, contractual as well as relational governance reach a low. The main contact and exchange of expertise is and remains between the customer's department manager (principal) and the individual experts from the supplier (agents); employing unilateral contractual governance. The customer's satisfaction (of the remaining supplier's experts) and the supplier's satisfaction with the contract both decrease to mediocre. Given the corporate context, the supplier continues the SCR, yet with an opportunistic touch. The supplier's account manager states: "We continue until we get complaints about our experts being of a junior level, and then we say: this is what you bought. We can change things but in order to do so we would have to adjust our agreement". Opportunism returns into the relationship. Case A remains throughout this study's time window a dominant customer/submissive supplier SCR (type I) with an input contract. The above description is illustrated in Figure 6.3.

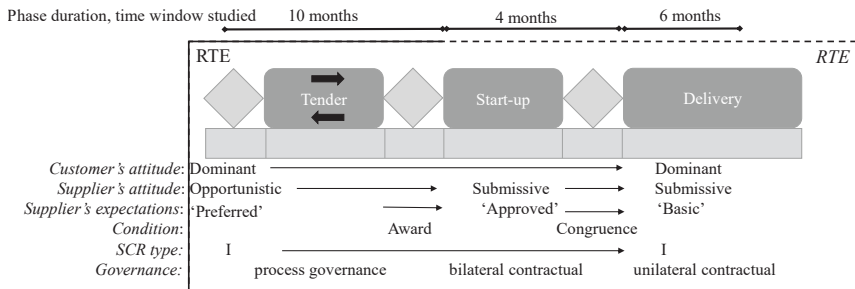


Figure 6.3. Governance development case A. Only actual transitions and phases are shown. The regulated tender interactions are an accumulation of one-way exchanges, except for the interview of the supplier experts by a team of customer representatives.

### 6.2.2. Case B

The customer is preparing to upgrade an important part of his assets, which is essential in his service to his clients. The customer seeks engineering of all technical installations, i.e. a conversion from the pre-design into a definite design and builder's specification. The required work is tendered as a 'performance-based' service, to be executed in close cooperation with many other suppliers and customer departments. The customer is dominant: he combines demanding a 'performance-based' contract with giving a very detailed description of activities, timing, and project organization. However, attitudes do not match: the supplier tries to take - based on his expertise in this field - an 'as equal' attitude. The supplier seeks more operational freedom in a 'performance-based' relationship. Despite the contract, the supplier opportunistically thinks he can change some aspects (penalty clause and *modus operandi*) during the start-up. His offer is based on this assumption. This makes case B a type I SCR (dominant customer/opportunistic supplier, see Section 6.3.4).

The regulated tender interactions are an accumulation of one-way interactions and include a site inspection ('Look & Listen') and an interview ('Examination'). The effect of the supplier's understanding of the customer's request through the site inspection was limited. The researcher made the following observations while attending the site inspection: apart from meeting person to person, the interaction pattern is - as in the written exchanges - primarily time-delayed, and through alternating unilateral messages. Moreover, suppliers

hardly (dare to) ask questions, customers hardly (dare to) answer in real-time. Used in this manner, the site inspection did not enable the suppliers to differentiate their offer from the competition, nor make it more geared to the customer's need. For supplier B: one team member knew this environment inside out due to earlier work for this customer. Yet, this supplier appreciated the opportunity to know which competitors were in the race. During the 'Examination' (interview format) no question was posed related to the supplier's understanding of the customer's site specifics. This interaction did not contribute to assessing the suppliers or their offers. The contract was awarded on the other criteria; case B meets the start-up condition without congruence or rapport. Parties regard the governance in this phase a customer-led process governance.

The start-up phase was short, yet with three critical events. First, because of delays in the tender procedure, this SCR is late for the customer's overall project. So delivery is forced to start instantly, allowing only several days for start-up activities. Second, during contracting, the supplier perceives the customer's attitude and expectations as incompatible (Ring & Van de Ven, 1994). The supplier suggests a contractual amendment regarding the timeliness penalty clause. The customer rejects the proposal. The contract is signed unchanged. Finally, the customer's project manager - not present during interviews, nor involved in the tender - has not taken notice of supplier's offered plan and project management method, but persists on adhering to her own method. The supplier's delivery manager notes "now we have to deal with another project manager from the customer". The supplier's corporate interest with this corporate customer far exceeds the supplier's SCR interest (Section 5.2). The supplier - by accepting the customer's will - changes its attitude to submissive. Now attitudes (dominant/submissive) match; expectations remain 'performance-based'. Subsequently, congruence is established and case B meets the delivery condition. With the customer's overriding influence on the contract, project management method and planning, expectations and attitudes (type I) would be compatible with an SCR classified as preferred. Yet, the heavy penalty clause definitely makes it a performance-based SCR. During start-up, unilateral contractual governance is maintained and the relational governance remains nil.

A critical event during the delivery phase is the initiative of the supplier's project manager for a one-on-one meeting with the project manager of the customer. They both view its effect as positive: they improve their professional understanding and agree on an adapted *modus operandi* serving timely delivery of the project. This is an example of their bilateral contractual governance, even though it is within the bounds set by the customer's project manager, and although no rapport is established, the relational governance grows to medium level. The congruence reached in the start-up is continued, although the customer's dominant attitude and 'performance-based' expectations seem to be incompatible from the point of view of the supplier. Nevertheless, the supplier's attitude remains submissive, given the continued context of his corporate interests. The build-in tension (type I attitudes with performance-based expectations) becomes apparent. During the delivery phase differences of opinion evolve into disputes (confrontation). These are resolved (synthesis) through bilateral contractual and relational governance ('dialectic motor', Van de Ven & Poole, 1995). The first project is delivered satisfactorily, and parties continue for the second project under this SCR. The above description is illustrated in Figure 6.4.

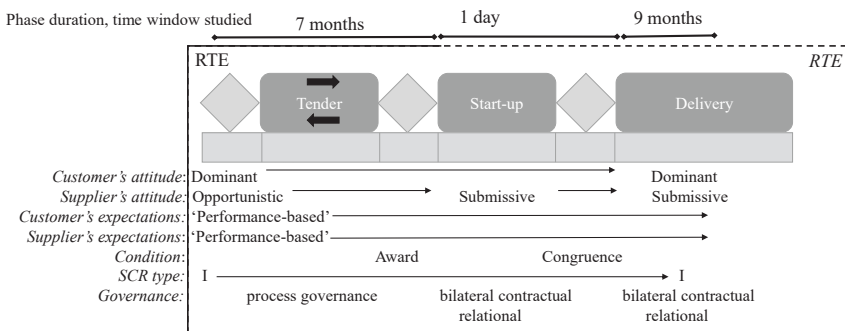


Figure 6.4. Governance development case B.

Only actual transitions and phases are shown. The regulated tender interactions are an accumulation of one-way interactions.

### 6.2.3. Case C

The customer operates an extensive transport network with some 20 sites, each with many technical installations per site. There is an essential support system for these installations, which has to function at 99,99% reliability. Currently, the maintenance of these machines

is outsourced to the three original equipment manufacturers. Apart from preventive maintenance, ad hoc repairs are regularly necessary to maintain the required up-time. The customer now seeks one party for the maintenance for all sites for a fixed fee/year, and offers a five-year contract with a possible extension of three years. The objective being to improve the performance and reduce the operational cost and energy consumption of this support system. The customer first consults the market. In total seven suppliers have contributed in this written exchange. Two current suppliers, three maintenance suppliers specialized in this equipment, and two general maintenance service providers. One current supplier has not contributed. The customer is interested in whether individual suppliers can offer a long-term outcome based service for the installed base of equipment from three original equipment manufacturers. The researcher categorizes the customer's expectations as 'vested'. In the consultation the suppliers are requested to state their ability in maintenance, repair, and upgrading of such equipment of different origin. Further, the customer consults the market regarding their experience with 'best value procurement' (Van de Rijt & Santema, 2012). After the market consultation the customer decided to tender via the 'open' procedure. In total 12 suppliers requested the tender documentation, six of which made an offer. The suppliers with the three best offers were jointly invited for nine site visits: one current supplier, one specialized and one general maintenance provider. The final interaction took place in a verification meeting, one supplier at a time. The researcher has attended two site visits, and the verification meetings.

In the tender documentation the customer explains his intentions and the timing of the verification. "This meeting will be held after the site inspections. An important element is discussing the scenario's that could occur. [Customer name] would like to be in dialogue with the representatives who will do the actual maintenance". The teams of the customer and the suppliers had met during the site inspections. In a one-hour meeting questions were posed by the customer's tender team and answered by the supplier. These questions related to the offer received. The researcher observed that in the case of the winning supplier, the meeting resulted in a hands-on 'Dialogue' where the supplier took the initiative. He showed the supplier's added value in proposing alterations to the equipment set-up encountered during the site visits. For one situation, even a business case was presented.

This meeting was of crucial importance to supplier's manager: "Based on what I had seen at the sites, I changed my strategy for the verification meeting. [...] For one site I have made a drawing of the set-up, [...] and explained what is happening at that location. And I could show the energy saving potential, for three sites. That was the new element, I am not presenting in financial terms but in terms of energy savings". From the researcher's notes: this meeting was used to show expertise, enter a 'Dialogue', and establish dyadic expectations. The manager of the supplier in case C proudly commented in the interview: "During verification I was in the driver's seat. That was a nice experience, I was fully in my comfort zone". The verification meeting proved very effective in selecting the expert supplier, who also showed to understand the customer's objectives and culture. The customer explicitly asked what the supplier expected from the customer's organization; the winning supplier used information exchange, flexibility, and solidarity to take control of part of this meeting. In the documentation, the consultation, and the face-to-face interactions the customer adopts an 'as equals' attitude, which is easily mirrored by the winning supplier. However, not by the other suppliers. This makes case C a type IV relationship (both 'as equals' attitude, Section 6.3.4). Prior to the tender, this supplier used to be responsible for maintenance as an original equipment manufacturer for the equipment he installed, now he welcomes this full service contract and opportunity to improve the performance of the customer's systems. This categorizes supplier's expectations as 'vested' as well.

Based on researcher's observation he concludes these parties' tender interaction has a 'W' pattern (Section 6.5.8) leading to shared understanding and bonding between the teams. Parties reach rapport and congruence during the tender and continue this throughout the process. The customer's project manager states: "I find it crucial to talk to the people, you see their expressions and behaviour"; the supplier's manager remarks: "I was able to build trust and I could sense that trust was being built". At the same time, all interviewees regard the governance of the tender process as high and customer- led.

During the start-up phase, output is delivered as agreed, system availability and supplier's responsiveness are above expectation.

From observation, it is concluded that the same players maintain their expectations as ‘vested’, their constructive ‘as equals’ attitude, and rapport, despite four critical events occurring during start-up. First, in regular meetings parties exchange new information regarding the requirements. Second, supplier’s stock taking of customer’s equipment leads to adding non-listed equipment, a status report of all installations, and offers for improvement plans for some locations. Parties jointly adapt the contract (bilateral contractual governance). From observation the researcher concludes that the commitment shown by parties results in more trust, and an increase of relational governance. However, late payments (third event) and lacking customer’s follow-up of the suggested improvements (fourth event) are not resolved for a long time. Yet, the supplier continues to trust, that the customer will resolve these issues. Parties continue to be satisfied. The supplier delivers the required outcome during start-up, meeting the proof of concept (PoC) condition before entering the delivery phase. However, the supplier has to lower his pace of change to that of the customer. During the delivery phase regular meetings with the same players continue. Late payment problems are resolved and first decisions on improvement plans are made. Through active, yet less frequent meetings governance is continued, resulting in continued dyadic satisfaction. Case C remains a type IV relationship with a ‘vested’ contract throughout the time window observed. The above description is illustrated in Figure 6.5.

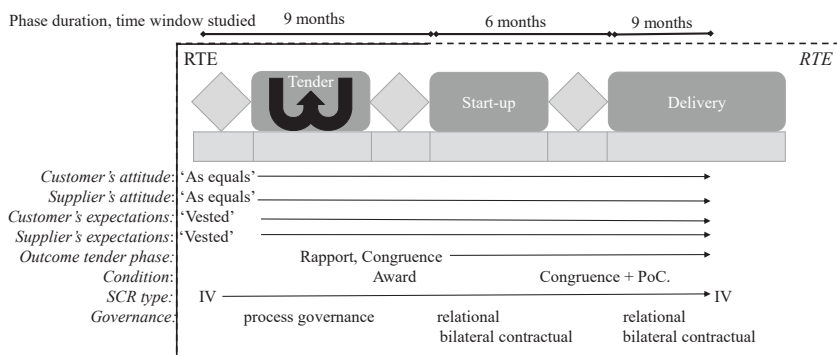


Figure 6.5. Governance development case C.

Only actual transitions and phases are shown. The tender interactions have a ‘W’ pattern (Section 6.5.8) leading to shared understanding and bonding between the teams. PoC = proof of concept.



#### 6.2.4. Cases D1 and D2

The customer seeks two suppliers to convert analogue information into digital data for approximately two million connections in each of the customer's networks. The scope of each contract is half of the connections in one network, with the option to extend the contract to the other network after timely completion of the first. The conversion is to be executed in the supplier's system, ready for input into the customer's asset management system. The customer in case D carries out a (written) market consultation, then requests a 'performance-based' service. The output should be in accordance with the strict Key Performance Indicators (KPIs) for quality and timeliness. In line with the customer's aim two suppliers were contracted, despite the differences sensed and seen. Both SCRs are studied: cases D1 and D2 (Section 5.2). Cases D1 and D2 are linked yet separate SCRs; this means that during the tender process they have to operate in sync; after award each SCR can have its own timing and development. This customer displays an 'as equals' attitude, as the customer's project manager remarks: "It helps [that] we think in terms of equivalence. The way we act as a person, exchange pleasantries, have lunch together after the meeting".

##### *Case D1*

The customer carried out a formal market consultation through a call for consultation. No face-to-face interaction has taken place during the market consultation, although this was foreseen in the consulting document. Despite his efforts supplier D1 has not been able to arrange a face-to-face contact with this customer prior to or during the market consultation. Thus the consultation was a 'Ping-Pong' interaction. The consultation request relates to the substance of the tender. The supplier in case D1 has contributed extensive information in the form of a custom-made 57-page document. The customer divulged their conclusions from the consultation in the tender documents in the subsequent call for competition documentation. (Regulations' transparency and equal treatment principles).

Right at the beginning of the tender, the customer has invited all interested parties together for an explanatory meeting. The reasons for having a 'Look & Listen' interaction is illustrated by the project manager from the customer of case D: "The more transparent you are,

the more information can be shared, the higher the quality of what you get in return. Transparency is getting across what you are looking for, including the context of the [internal] program, explaining why you have chosen this scope and sequence". The managing director of supplier of case D1 comments on this meeting as: "moments with the customer where they gave information were very special to us and also for the customer. You become aware of the fact that they are an important part of making this a success. They had clearly thought about how to come to a good understanding". Further after the supplier assessment, each selected supplier was invited one on one, to discuss and clarify the request for proposal (14 documents), right at the start of the solution assessment episode. The supplier could propose items for the agenda and send in their questions. The same customer's team as in the 'Look & Listen' session met the suppliers and gave clear answers there and then. This offered suppliers the chance to secure through follow-on questions their understanding of the customer's need and context. The suppliers noted in the interviews with the researcher that the attitude and behaviour of the customer's team was open and accommodating. Moreover, the suppliers reported that the customer's team spontaneously listed their own organization's obligations towards a successful cooperation. After the suppliers offered their solution and the customer had assessed these, the suppliers of the best three offers were each invited to elucidate their offer and answer customer's questions ('negotiated procedure'). Prior to that meeting, the customer sent them questions, which were prepared in great detail by the customer's separate group of assessors; the supplier-facing representatives did not score the offers. All supplier interviewees for case D1 stated that this meeting resulted in a 'Dialogue', and in understanding the customer's request and needs even better. In the opinion of both the customer and the suppliers, the new offers were improved on several counts. The scope of the contracts was now extended to the other network, after timely completing the first. Like the project manager of supplier of case D1 mentioned: "Based on this meeting, we could improve our offer". After the 'negotiation', suppliers made their best and final offer, which was assessed by the customer leading to an award for this supplier. The managing director of supplier remarks on the tender phase: "You could actually sit around the table with the customer. In total we sat down with them three times. This is rather unique".

The customer's project manager reflects on the behaviour of the supplier: "super proactive, attentive, instant reaction on each and every message, always exceeding what we asked for, yet very human, informal, almost jovial". Both parties value the other's open attitude, proactive, and cooperative behaviour, and view these three meetings as positive critical events. During the tender this supplier mirrors the customer's 'as equals' attitude and 'performance-based' expectations. This makes case D1 a type IV SCR (both 'as equals' attitudes). The tender interactions have a 'W' pattern (Section 6.5.8) leading to shared understanding and bonding between the teams. Parties establish rapport and congruence during tender, which they continue during the SCR development. Based on interviews from both sides, rapport has been built during recurrent meetings between same representatives. Contractual governance was high and customer-led, relational governance high as well. Parties are (very) satisfied with the tender.

High interaction and several positive critical events mark the start-up phase. First, the proof of concept and 'chain-test' of IT systems are completed successfully. Second, the customer and suppliers D1 and D2 jointly improve the specifications (a lengthy process) and agree to these. Third, parties agree these new specifications result in more work, so the suppliers offer, and agree (for D1) on an adaptation of the contract. However, not for supplier D2 (see further, next case). Fourth, acceptance of D1's first production batch by the customer marks the proof of concept. Finally, supplier D1 is able to adapt and take on the work volume of D2's (dissolved) contract as well, and manage the doubled workload at the offered performance levels, within the same deadline. Parties adapt the production planning and contract accordingly. Congruence is confirmed, rapport between stable teams is continued through recurrent meetings, contractual governance becomes bilateral, while relational governance remains high. SCR D1 is continued as a type IV. Both parties continue to be satisfied with this SCR which develops into a 'vested' relationship in the time window studied.

The high interaction is continued throughout the delivery phase. The supplier struggles somewhat to get the doubled workforce to produce right away as efficiently and at the same quality level as the existing team. This is jointly resolved, enabled by the customer's hands-on

visit to the supplier's production site and supplier's additional liaison officer at customer's site. The measures taken by each party, together resulted in reduced rework which benefitted both parties. With stable teams and continued rapport (now extended to include the supplier's offshore work force) all SCR attributes are maintained. The 'vested' relationship is reconfirmed: the supplier wins an additional contract and is qualified for the customer's new tender for the second network. The above description is illustrated in Figure 6.6.

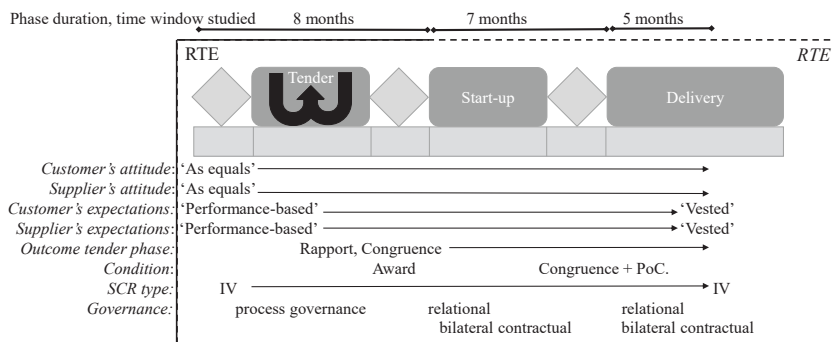


Figure 6.6. Governance development case D1.

Only actual transitions and phases are shown. The tender interactions have a 'W' pattern (Section 6.5.8) leading to shared understanding and bonding between the teams.

## Case D2

The introduction to this case is the same as for case D1 (see the first paragraph of 6.2.4). The tender phase has the same interactions as case D1, although supplier D2 employed these differently. Also, the customer and supplier in D2 show differences in how they use these interactions. Different people represented this supplier in various meetings.

The supplier in case D2 did request the documentation regarding the market consultation and did pose some questions, however, he chose not to participate further. One representative attended the 'Look & Listen' meeting. Together with a colleague he attended the 'Direct Q & A' meeting, and remarked that this meeting also offered the opportunity to hint at possible elements of their proposal and see the reactions of the customer. This information was used in their offer. The representatives of supplier D2 are positive about the 'Look

& Listen' session, the 'Direct Q & A' meeting, and to some extent about the 'Dialogue' interaction. The representatives, however, have different views on this 'negotiation' meeting. The project manager of supplier D2, who had been at both prior meetings, commented: "In my opinion that was a very important meeting, to get feedback on our document and on our solution. You are offered the chance to improve this, based on the feedback received. The atmosphere was open and transparent and the information we received is divulged in a correct report to the other suppliers. For instance, we could improve our offer, by adapting the one-off cost versus the piece-price. This is because of a better understanding on our side. That is very pleasant. In our first offer there were some loose ends that surfaced in the meeting. So, it was an important interaction. Based on that we could make our final offer". On the other hand though, the supplier's director takes a different view. For him this meeting was the first encounter with the customer's representatives. He agrees with the project manager when he states that: "I have experienced that meeting as exceptionally enjoyable: open, honest, and transparent". Yet at the same time this director comments on the meeting: "Up to this very day I still don't have a clear understanding of the customer's goal. At this stage we do not know each other's intentions." Opportunistically he adds: "For now we have made promises on how we are going to set up the project". This supplier views the tender as a transaction, and displays expectations of becoming a 'preferred' supplier, which is not in line with the customer's expectation of a 'performance-based' SCR. Further, this supplier displays an opportunistic attitude during the tender. This makes this case a type III SCR ('as equals' customer/opportunistic supplier). Despite the customer's 'as equals' attitude (like in case D1), this SCR follows a tender path like a type I SCR, as the supplier does not mirror the customer's interaction intention. The regulated tender interactions become an accumulation of one-way interactions. As foreseen in the tender, the customer awards two contracts, to suppliers D1 and D2.

Although the transition is made to the start-up phase, it is without congruence or rapport. Based on interviews from both sides, no rapport has been established between the changing supplier's team and the constant customer's team. Contractual governance was high and customer-led, relational governance was nil. The researcher's observation from the documentation and interviews: although

supplier has offered the required references, the unit that was planned to execute this contract has not serviced these. The size of that work was much smaller. The intended organization (partly in the Netherlands, partly offshore) has not yet been tested nor has it proven to be able to deliver at the required volume and quality level. Moreover, the supplier has not used the various influencing opportunities during the tender and has not taken into account the point of view of the other party. Despite the many contact opportunities, this supplier has reserves. The supplier has not asked questions related to the interests of the customer, because they felt the right stakeholder was not present. With its different initial attitude, supplier D2 has utilized the interactions less than supplier D1. As its team was not stable, this supplier deprived himself from using the subsequent interactions as a carrier for 'bonding'. For the supplier expectations as 'approved supplier' would be more in line with his 'tender as a transaction' frame of mind and limited experience in this field of expertise.

The start-up phase shows high interaction and several positive and negative critical events. First, a successful proof of concept and 'chain-test' of IT systems, although both the customer and supplier D2 are behind the initial schedule. Second, the customer and suppliers D1 and D2 jointly improve the specifications (a lengthy process) and agree to these. Third, supplier D2 does try to claim for extra work when finalizing the contract. Fourth, supplier D2 struggles to get production up and running at the agreed quantity and quality levels. Fifth, as perceived by the customer's manager, the supplier does not match the customer's attitude nor expectations. Sixth, both suppliers are requested to renew their offer based on the new specifications. Supplier D2 offers a substantially higher price than the price agreed in the tender. The price is also substantially higher than the renewed offer from supplier of case D1, and the offer exceeds the customer's budget. Moreover, supplier D2 did not change his opportunistic attitude nor 'preferred' supplier expectation. After discussing the offer the customer offered supplier D2 a possibility to review their offer. The customer's enacted 'as equals' attitude changes to its default attitude of inherent dominance (see Section 6.3). The governance becomes unilateral customer-led: the customer orders a best and final - substantially lower - offer. This does not fit either. Further, the conditions for delivery are not met: the proof of concept fails and

parties' expectations and attitude remain incongruent. The customer decides to terminate the SCR, as per contractual clause. The work is transferred to supplier D1. The above description is illustrated in Figure 6.7.

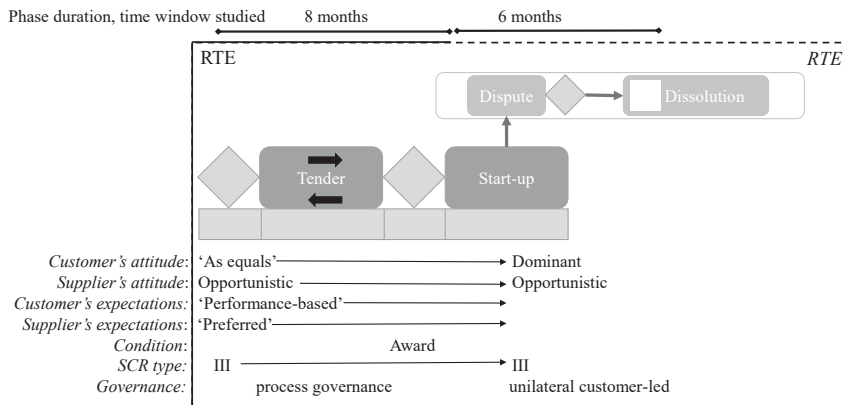


Figure 6.7. Governance development case D2.

Only actual transitions and phases are shown. The regulated tender interactions are an accumulation of one-way interactions.

### 6.2.5. Cases E01 and E02

The customer of cases E much resembles the customer of cases D (Section 5.2). Both customers have to comply with their regulator's order regarding the quality of asset information and a timely digitization. The first tender for two suppliers (Cases E01 and E02) was aborted. The retender resulted in cases E1 and E2 (next section). Cases E01 and E02 are linked, yet separate SCRs, each with their own development. During this first tender the customer of cases E has a dominant attitude. According to the tender documents the customer seeks two suppliers for a framework agreement with unspecified volume but with detailed process governance by the customer. Yet the framework agreement also stipulates precise performance KPIs and penalties. This is the reason why the customer's SCR expectation is classified as 'performance-based'.

#### Case E01

As in most cases, no formal pre-tender market consultation took



place. However, this supplier has delivered various services to this corporate customer prior to this tender at corporate level. At corporate level representatives know each other, regularly have contact and may have established rapport. Prior to the tender, the customer has invited this supplier for an informal meeting on how to organize this project. The tender procedure does not foresee face-to-face interaction. The supplier poses written questions regarding the process and the customer responds by sending the answers to all the suppliers. The supplier's intended delivery organization (partly in the Netherlands, partly offshore) has not yet been tested and proven at the required volume and quality level. For the tender phase this supplier had an 'opportunistic' attitude (withholding critical information, and preventive orientation) and an 'approved' supplier expectation. The customer's attitude is seen as dominant. This makes case E01 a type I SCR (dominant customer/opportunistic supplier). The regulated tender interactions are an accumulation of one-way interactions and additional interaction after the intended award.

The tender phase is marked by several critical events. Based on the suppliers' offers the customer intends to award supplier E01 a contract. Subsequently the customer and supplier have a verification meeting to show the supplier's solution and tools. The customer's intention not to award supplier E02 leads to his objection and him taking legal action (see below, case E02). The dispute in case E02 put awarding E01 a contract on hold therefore this SCR follows the non-sequential path to the dormant phase (Batonda & Perry, 2003). This risks the award to supplier E01. The customer and supplier have further interaction. The customer requests supplier E01 to join him in the court case; the supplier abstains. For supplier E01 this is also an opportunity to give feedback on the tender process. The court decides the customer should either award a contract to both suppliers, or none, and abort the tender. The customer decides to retender. During these critical events, the expectations of both parties remain the same, and their attitude non-match persists.

The contractual governance is unilateral customer-led and relational governance goes from nil to medium due to the additional contacts. Then the contractual governance becomes third party-led, while relational governance remains medium. Finally, contractual governance is back to customer-led, and relational governance stays



medium. In the end, the customer's satisfaction with the tender result is poor. Despite the retender workload, the supplier's satisfaction is good: his initial offer qualifies for a contract, the additional interactions improve relations, this supplier is confident he will qualify for the retender. The above description is illustrated in Figure 6.8.

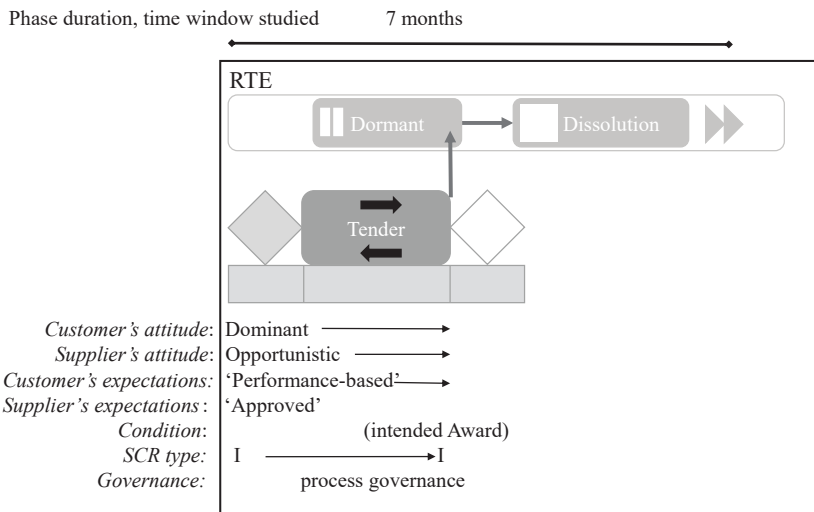


Figure 6.8. Governance development case E01.

Only actual transitions and phases are shown. The regulated tender interactions are an accumulation of one-way interactions and additional interaction after the intended award.

### Case E02

The introduction to this case is the same as for case E01, see first paragraph of 6.2.5.

Based on the regulator's order this supplier expects a tender from this customer. The managing director of supplier of case E2 states "Prior to the tender we tried to contact the customer. This was denied. It is a pity because it could have prevented problems". Given the specification of the customer's request the supplier's SCR expectation is 'performance-based'. The supplier's default attitude is 'as equals'. The managing director remarks: "Our approach is one of partnership, bottom up. How can we turn this relationship into a success together?". That makes case E02 a type II SCR (dominant customer/ 'as equals' supplier).

The supplier of case E02 perceives the customer's attitude as dominant and opportunistic for three reasons: (a) prevention orientation: two competing suppliers to be awarded, (b) contractual payoff inequity: strict KPIs for delivery timing and quality, and heavy penalties, and (c) the customer seems to think that 'tender = transaction'. This supplier deems the customer's 'performance-based' expectations incompatible with the customer's dominance (Ring & Van de Ven, 1994).

The tender procedure does not foresee any face-to-face interaction. The managing director of the supplier of case E02 comments on this as follows: "There have been many [written] questions. What you see is that many other suppliers also do not find this normal. We were shocked about the way the project was set up. [The customer's specifications and detailed process governance for the delivery phase, would] lead to extra overhead, you need to have a double team to deliver on time. And, the customer reacts in an abrasive manner to the questions and suggestions". The supplier questions the customer's strict delivery governance. Not being able to change this leads supplier E02 to factor in the cost of all risks and of the 'dictated' high frequency and tight interaction, within the set project cost range. Here, the supplier consciously changes his attitude from 'as equals' to opportunistic. Still, in view of the initial attitude, the case is classified as type II. Supplier E02 was not the only one to question the customer's attitude and expectations. The customer's procurement specialist notes: "Of the six suppliers selected, three have not offered because of the contractual conditions". And the customer's project manager adds: "Some suppliers did not offer because they judged the non-performance penalties unreasonable. It is a pity, now we had less choice of suppliers".

After assessing the offers, the customer intends to award a contract to the supplier of case E01 only, and not to the supplier of case E02, due to his high price. (The offer of the third supplier did not pass the awarding criteria.) This in spite of the tender clearly stating the customer will award two contracts. Supplier E02 disputes this decision, and requests a face-to-face meeting with the objective of an 'as equals' dealing and focus on reaching a timely and efficient customer result. In this meeting with the customer's procurement specialist and a company lawyer, the issue is not resolved. The managing director

of the supplier of case E02 states: “We felt being rebuffed”. After the unsuccessful meeting with the customer, the supplier initiates a ‘third party assisted’ interaction with the purpose of resolving the conflict. The supplier of case E02 uses his regulations-empowered prerogative to dispute the customer’s intended non-award by going to court (Chapter 4). The court-ordered governance secures that parties do meet face-to-face. This increases the customer’s understanding of the supplier’s tender interpretation and attitude. The court decides that the customer should either award a contract to both suppliers E01 and E02, or to none, and abort the tender. The customer decides upon the latter and the emerging SCRs E01 and E02 are both dissolved.

During these critical events, the performance-based expectations persist. With his offer, the supplier’s attitude changes from ‘as equals’ to opportunistic and as a result of not being able to resolve the dispute his attitude changes to dominant by applying his power to go to court. The customer’s attitude remains dominant, until going to court, then he opportunistically chooses to abort and re-tender. The contractual governance goes from unilateral customer-led, via unilateral supplier-led to third-party-led, back to customer-led. The relational governance was nil during the whole tender. Clearly no rapport or congruence were established. The end result is that the customer’s satisfaction with the tender result is poor, while the supplier’s is good: the court case created the opportunity to position the supplier’s offer with senior customer representatives and because the court case was won, a second chance has been created. The above description is illustrated in Figure 6.9.

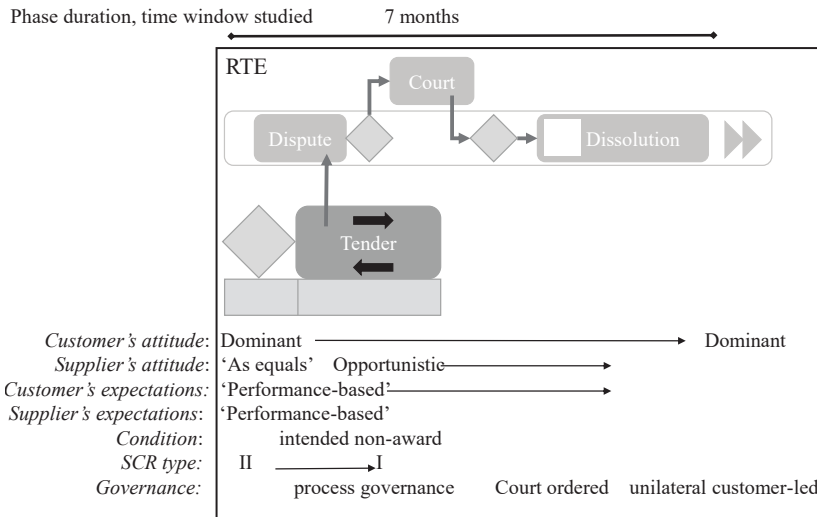


Figure 6.9. Governance development case E02. Only actual transitions and phases are shown. The regulated tender interactions are an accumulation of one-way interactions and additional interaction during the dispute and court case.

### 1.1.1. Cases E1 and E2

After the aborted first tender (see Section 6.2.5) the customer still has to comply with his regulator's order and timing. The customer's procurement specialist remarks: "Due to delay of the first tender, the project time line is under severe pressure, so this tender should be finished quickly." The customer's attitude is less dominant; to some extent opportunistic as they now focus on a tender process without dispute and delay. Both suppliers (see 6.2.5) participate again, both win an award. The resulting SCRs E1 and E2 are linked, yet each with their own development.

The new tender includes, also for regulatory reasons, essential changes compared to the first one. According to the customer's procurement specialist these are: "some KPI's have been simplified, the penalty is skipped, throughput process requirements are simplified, the scope is roughly doubled, 'open' tender procedure, explanatory meeting at the start." In hindsight, the customer of case E understood they should have had such an explanatory meeting in their first tender. Because of these changes the customer's SCR expectation is now 'preferred'. The customer has shown to be open to input from suppliers.

Further, at the beginning of the start-up phase the customer's key representatives change. Now, the person responsible for delivery comes into the picture. The start-up phase was initiated in a joint meeting of both suppliers' teams and the customer's expanded team, including board members. All parties gave presentations.

### *Case E1*

Although there is no formal pre-tender activity, the previous tender (case E01) and experiences parties have had, count as pre-tender interaction. For the supplier, the result of E01 has been positive: his initial offer qualified for a contract, additional interaction improved relations, and the supplier is confident he will qualify for retender. The more so, as parties act through the same teams as before and the substance of this tender covers the same type of service. During the first tender parties have a meeting of minds: both are confident the second tender will result in a contract for this supplier. His expectations are now classified as preferred. Given the experience of the first tender, the supplier's attitude remains opportunistic. This makes case E1 a type I SCR (dominant customer/opportunistic supplier). Both parties in case E1 make a new beginning: the customer with a changed tender, the supplier with an adapted offer. The supplier qualified the explanatory meeting as informative, with a positive approach by the customer, yet at the same time formal and tense because of the competitors present. Governance was primarily contractual, customer-led. The regulated tender interactions are an accumulation of one-way interactions. Supplier E1 was awarded a contract.

The focus during the first part of the start-up phase was on a joint effort by both the suppliers and the customer to detail the specifications into instructions. As a result of this a difference in expectations regarding the scope of work surfaced between supplier E1 and the customer. The supplier requested to be paid for the extra work which was denied by the customer. The customer's project manager stated about the negotiation of a contract addition: "The fact that we had to make clear that we don't want to pay for your investment and learning costs to be able to do this extra work, gave us the feeling that we have to pay [supplier of case E1] for them to develop their proposition". In addition, the customer's 'performance-based' expectations surfaced, and the customer was not pleased

with the supplier not meeting the production and quality levels, nor the throughput times. Parties constructively agreed to give the supplier more time, and take appropriate actions to resolve these issues. Later, the customer's team visited the supplier's offshore production location. Both parties view this as a positive event. Meanwhile the supplier's performance was still behind. The customer subsequently declared supplier E1 in default and gave notice. The next batch should be on time and meet quality levels, or else. Parties agreed on a course of action for this. The supplier did meet the proof of concept condition albeit months later than planned and was allowed to enter the delivery phase. These critical events resulted in a dominant customer attitude, supplier's attitude changed to submissive, and SCR expectations for both to 'performance-based'. Now parties have established congruence.

The governance during the start-up has been both contractual and relational. The contract stipulated three levels of governance between parties. These regular meetings have been held (and observed by the researcher). They served as a very structured information exchange. Further, both supplier and customer have taken several initiatives for informal meetings, at several levels. The combination of relational and contractual (partly unilateral customer-led) governance has helped parties to resolve the various issues.

This case enters the delivery phase as a type I SCR: it features a dominant customer and a submissive supplier, after the supplier has met the proof of concept criteria. During the delivery phase, the supplier consistently meets the required quality and production levels. Parties maintain a high level of bilateral contractual and a medium level of relational governance. Through this, parties grow closer, treat each other 'as equals', and continue their congruence. This development converts their 'performance-based' SCR into type IV. Moreover, the customer now also requests more complex work, as it has already done earlier from the supplier of case E2. A pending issue at the end of the observed period is whether the initially agreed balanced workload between the two suppliers should be honoured. Due to the struggle the supplier has had during start-up, the supplier of case E2 has produced more, and wants to continue his production level (next section). Meanwhile, satisfaction for both parties of case E1 is now high.

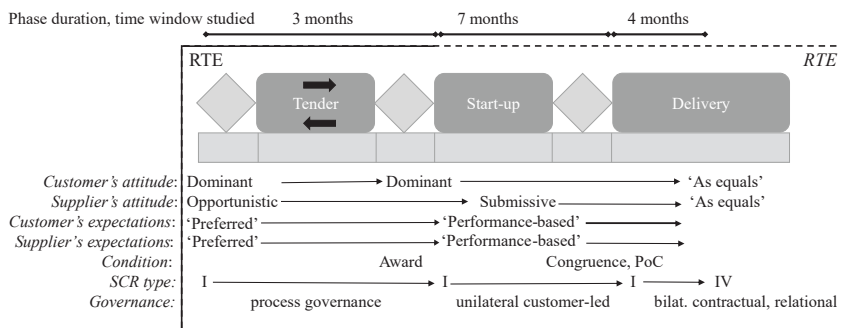


Figure 6.10. Governance development case E1. Only actual transitions and phases are shown. The regulated tender interactions are an accumulation of one-way interactions.

### Case E2

The introduction to this case is the same as for case E1, see first paragraphs of 6.2.6.

Although there is no formal pre-tender activity, the previous tender (case E02, see 6.2.5) and experiences parties have had count as a pre-tender episode. The more so, as parties act through the same teams as before, and the substance of this tender covers the same type of service. For the supplier, the result of E02 has been effective. During the failed tender for SCR E02 the supplier has perceived the incompatibility of the customer's attitude and expectations. During the court case parties have exchanged interpretations and understandings. Both parties can start this SCR with a clean slate: the customer with a changed tender, the supplier with an adapted offer.

The customer's expectation is now 'preferred' because of these changes, while the supplier's remains performance-based. The customer's attitude is less dominant and partly opportunistic (prevention orientation: due to a previous experience the customer (again) seeks two suppliers; pressure for quick results: due to time lost in the failed tender, while the customer's project deadline remains unchanged). Despite the previous dispute, the supplier's attitude remains 'as equals', making case E2 a type II SCR (dominant customer/'as equals' supplier). The customer's senior manager qualifies the explanatory meeting as positive: "it is also a test: do parties understand what we now ask?". The supplier's manager comments positively as well: "The customer communicated: "we understand we can learn from

the suppliers; we are going to do this together”. For me it was a paradigm shift”. He also perceives a more relaxed approach by the customer to the tender “the customer has taken many of the remarks from the court case on board in the new tender”. The tender phase develops without further interactions and uneventful. The regulated tender interactions are an accumulation of one-way interactions. The governance during the tender is contractual, customer-led and relational governance is low. Supplier E2 wins a contract (as E1 does), yet rapport or congruence have not been established during the tender.

For the parties of case E2 a joint meeting initiating the start-up phase was a positive critical event. All parties gave presentations. The supplier’s senior manager made a clear statement: “We are happy to be awarded a contract. We hope to start from scratch to jointly work together and make the project a success. That is our sole goal”. The customer’s senior manager: “We are happy with this statement. The same goes for us. Further, you showed us the results in similar projects, which look very good”. Then supplier E2 took the lead, based on his expertise and experience to detail the specifications into instructions. This joint effort by both suppliers and customer marks the first part of the start-up phase. The supplier’s manager: “we have put strong emphasis on good specifications and instructions. The customer acknowledged this when we started asking questions”. Supplier E2 insisted on a specification level that will ensure he can perform and deliver the quality level offered. The customer’s original 10-page specification was reworked and differentiated, resulting in a 200-page working instruction document. During the rest of the start-up and at later stages, this document has jointly been improved upon. For this case E2 the detailing of the specification is marked as positive by the customer and the supplier. It enabled parties to establish rapport on the substance matter of the SCR. During the visit to supplier’s offshore production site, the understanding and rapport was extended to the senior managers participating. Parties both see the visit as a very positive experience.

For supplier E2 there was no reason to claim extra work, although the scope of work changed somewhat with the detailed specification. Parties then amended the contract by way of consensus. Processes for data exchange, timing, and planning are agreed. Test deliveries



are started and the quality of the first output is checked. Meanwhile, supplier E2 – although they had to start later - has surpassed supplier E1 in the start-up process. Because of its proof of concept performance (high quality, low rejection level, timing, throughput volume), the customer has requested additional, more complicated work from supplier E2. The latter, based on a suggestion from the supplier to reduce the rejection level further. All the while, parties had their regular contractual meetings at three levels. Here, supplier E2 again questioned (like in the tender) the customer's interpretation of the statistical method applied for quality measurement. Eventually, the customer has acknowledged the supplier's interpretation as correct. As a result of the supplier's obvious expertise and experience during the start-up, the customer becomes more relaxed and changed his attitude, and as a result parties have established congruence (same 'performance-based' expectations and matching 'as equals' attitude). This changed the SCR into a type IV. Both parties are very satisfied with the performance. Supplier E2 entered the delivery phase on time.

The performance further improved at a higher throughput level during the delivery phase. The customer requested supplier E2 for a quote to start taking over some of their 'regular, daily' work. This was further enabled, as parties - at the supplier's request - were already communicating more in English, by communicating directly with the supplier's offshore site. This 'regular' work can be seen as parties on the verge of a 'vested' relationship. Parties continue their bilateral contractual governance at a high level, while relational governance is medium, yet without rapport. Further, the supplier brought up the issue of balance of work in view of the delayed production of the other supplier. At the end of the research this was not yet resolved. The supplier viewed this subject contractually, while the customer seemed annoyed with the 'claim' being tabled at the strategic meeting. Relationally parties had not yet always found the right tone, nor the right table. Nevertheless, both parties remain very satisfied with this SCR.

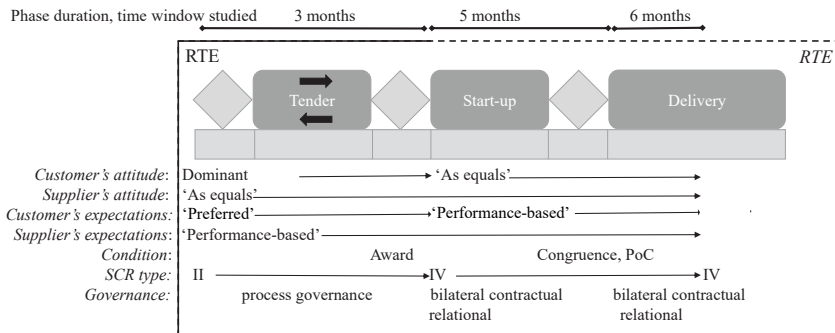


Figure 6.11. Governance development case E2.

Only actual transitions and phases are shown. The regulated tender interactions are an accumulation of one-way interactions.

## 6.3. Initial condition

### 6.3.1. Introduction

Symmetrical SCRs have an initial condition of reciprocity (Ring & Van de Ven, 1994). Literature is not conclusive on the initial condition of asymmetric relationships (Section 3.5). SCRs in the RTE have initial asymmetry. In the RTE the customer has the prerogative to initiate the SCR (Section 4.3.2). Attitudes of customers and suppliers are important for the emergence and development of SCRs (Chapters 3 and 4). In asymmetric SCRs, attitudes of customers are expected to be either dominant or 'as equals', and for suppliers either opportunistic, submissive, or 'as equals' (Section 4.5). In this section, first the initial attitudes of the customer and the supplier are assessed for each case. Based on the assessment, the cases are then categorized in SCR types (Section 4.5.4). From here onwards, the findings are primarily discussed by SCR type. Further, the initial condition governance is discussed. Finally, the findings on initial condition and its governance are summarized (Section 6.3.6) and illustrated in Figure 6.12.

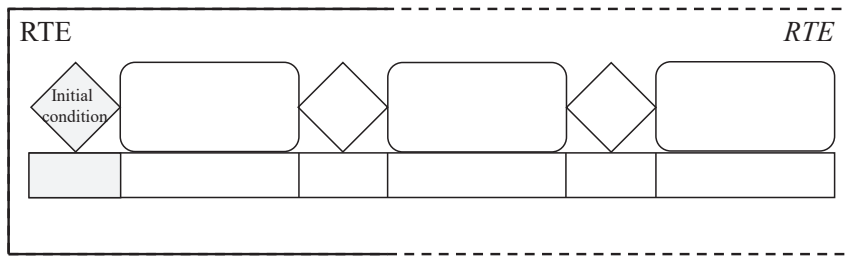


Figure 6.12. Initial condition and its governance for the SCR.

### 6.3.2. *The customer's attitudes assessed*

For all cases the researcher has assessed the attitudes of the customers and winning suppliers (Section 5.4.12). The assessment took place just after the start-up condition had been met. From the observations in the tender phase, nor from the interviews, signs have been picked up that the customer's attitude has changed during the tender. It is assumed that customers have an initial attitude. The assessment concludes that customers of cases A, B, E0 and E have dominance, mixed with some opportunism and customer of case E has more opportunism, while customers of cases C and D display an 'as equals' attitude (Appendix, Section 6.3.2). See Table 6.1. The proposition (Chapter 4) regarding the customer's attitude is adapted.

The initial attitude of customers in the RTE is either dominant or 'as equals'.

Table 6.1. Categorization of customer's initial attitude. Dom.= dominant, As eq.= 'as equals', Opp.= opportunistic.

Case →	A	B	C	D1	D2	E01	E02	E1	E2
Category	Dom.	Dom.	As eq.	As eq.	As eq.	Dom.	Dom.	Dom.	Dom.

Per case some examples of customer's attitude are given. Customer of case A's dominance is illustrated by the instruction for interviews: "interviewees are only allowed to elucidate their offer and CVs, and not deviate from the supplier's offer" and customer's department head stating: "We have a contract which allows for many adjustments".

Similar to customer of case A, customer of case B is coded as dominant due to the tone of the documentation; and his very detailed description of activities, timing, and project organization which are requested from the supplier. Additionally, from observation of case B, the customer's opportunism shows by scoring threefold on the Dwyer et al. (1987) criteria for 'tender = transaction' (Section 4.5.3):

(1) Although the Request for Proposal (RFP) is about collaborating, no interaction nor efforts on this item are observed during the tender; (2) 'Ritual-like interactions' predominate. (3) The project manager from the customer's side is not present during interviews, nor has taken notice of the offered plan. In case E0, the customer has defined a detailed process governance for all phases. After the failed tender of cases E01/E02 customer of case E's attitude is scored as more opportunistic due to changes made in the call for competition. The customer's manager states: "We wanted two suppliers, so we could shift work when anything goes wrong. And we want some competition between these suppliers". This is scored as prevention orientation (Das & Kumar, 2011). Further, their opportunism is underpinned by the remarks of the customer's procurement specialist regarding pressure for quick results (Das & Teng, 1999). "Due to the delay of the first tender, the project time line is under severe pressure. For that reason the open procedure [with its shorter tender duration] has been chosen". The 'as equals' attitude as adopted by customer of case D is illustrated by the comments of customer of case D's project manager regarding the reason to have an explanatory meeting right after the call for competition. "The more transparent you are, the more information can be shared, the higher the quality of what you get in return". Such a reciprocity intent - stemming from an 'as equals' attitude - is also seen in an observation made during the verification meeting of case C: the customer explicitly asked the supplier what he expected from the customer's organization. The supplier instantly replied and mentioned a number of points.

### 6.3.3. *Supplier's attitudes assessed*

The attitudes of the suppliers were also assessed. Only for the supplier of case E02 a change in attitude during the tender has been noticed: from initially 'as equals' to 'opportunistic', see Section 6.2.5. In this study it is assumed that also suppliers have an initial attitude. The initial attitude of the suppliers in cases A, B, D2, E01, and E1 is coded

as opportunistic, whereas the suppliers in cases C, D1, E02, and E2 show an ‘as equals’ initial attitude (Appendix, Section 6.3.3). See Table 6.2. The proposition (Chapter 4) regarding supplier’s attitude is adapted. In the case study submissive as an initial supplier attitude is not encountered.

The initial attitude of suppliers in the RTE is either ‘opportunistic’ or ‘as equals’.

Table 6.2. Categorization of supplier’s initial attitude. As eq.= ‘as equals’, Opp.= opportunistic.

Case →	A	B	C	D1	D2	E01	E02	E1	E2
Category	Opp.	Opp.	As eq.	As eq.	Opp.	Opp.	As eq.	Opp.	As eq.

The opportunistic attitude of suppliers is illustrated, for supplier of case A by his manager: “Our pricing is based on an estimated mix for junior and senior experts, although a quote for senior experts only is requested. Our pricing is conscious, based on our knowledge of the weights and [awarding] criteria, and our estimate regarding the competition. In the end we hope our estimated mix of junior and senior experts turns out well. Indeed, our price, the mix is a risk”. For supplier of case B, the attitude is classified as opportunistic because of the penalty clause in the contract. After the supplier’s suggestion to change this clause, which was denied by the customer, the supplier decided not to factor it in either, but expected to be able to change it when finalizing the contract. For supplier of case D2 (from an observation by the researcher): the attitude is categorized as opportunistic because the intended organization (partly in the Netherlands, partly offshore) had not yet proven the ability to deliver the requested volume and quality level. The managing director mentions: “the promises made need to be organized as yet”. Similarly, for supplier of case E01/E1 (from an observation by the researcher): although supplier has offered the required references, these have not been serviced by the same unit as intended for this contract. The size of that work was much smaller. Here, too the intended organization (partly in the Netherlands, partly offshore) has not yet been tested and proven at the offered volume and quality level. Supplier of case

E01's manager remarks: "we have asked fewer questions on pertinent details than the other suppliers, because we master this type of service". Based on the fact that the customer's intention in the first tender was to award them a contract, the supplier's attitude has not changed.

The 'as equals' attitude of suppliers of cases C, D1, and E02/E2 is illustrated. The managing director of supplier of case C mentioned: "before the tender came on the market, I got in touch with the customer and advised them to contract for 10-20 years, and have the supplier redesign and maintain all installations". Supplier of case D1 participated in the written market consultation, produced a 57-page document to answer all questions expertly and fully, showing his extensive expertise and experience in this field (Dwyer et al., 1987; Kanter, 1994), and his willingness to share this information with the customer (Mandják et al., 2015). The director of supplier of case E02 - commenting on the customer's very strict governance for all phases in his call for competition mentioned - "our approach is more of a partnership, more bottom-up. Like: how can we make this a success? How can we influence what and where to the benefit of both parties?"

#### 6.3.4. *Four SCR types*

Building on the findings from the previous sections the cases are categorized.

Type I: dominant customer, opportunistic supplier.

Type II: dominant customer, 'as equals' supplier.

Type III: 'as equals' customer, opportunistic supplier.

Type IV: 'as equals' customer, 'as equals' supplier.

The categorization proposed in Chapter 4 is adapted through the evidence from this case study. From here onwards, this dissertation will primarily use the four SCR types based on initial attitudes. Within the case study set, all types are represented. See Table 6.3.

Emerging SCRs in the RTE can be categorized into four types.

Table 6.3. Categorization of cases into four SCR types.

Customer's initial attitude based Section 6.3.2, see Table 6.1; the supplier's initial attitude based on Section 6.3.3, see Table 6.2.

Case →	A	B	C	D1	D2	E01	E02	E1	E2
Customer's initial attitude	Dom.	Dom.	As eq.	As eq.	As eq.	Dom.	Dom.	Dom.	Dom.
Supplier's initial attitude	Opp.	Opp.	As eq.	As eq.	Opp.	Opp.	As eq.	Opp.	As eq.
SCR type	I	I	IV	IV	III	I	II	I	II

### 6.3.5. Governance

SCRs in the RTE have initial asymmetry. Only customers can initiate the relationship (Chapter 4). This makes suppliers dependent. Examples of such dependence are the experiences of two suppliers as described below. Supplier of case D1 had identified potential business in the industry of customers of case D (and E). Despite his efforts, supplier of case D1 was not able to contact the right department and people of customer of case D; nor were they tipped about a forthcoming call for competition. Only because of their search profile on TenderNed were they notified automatically. Likewise, supplier of case E02 was aware of the potential business and prospective customers. However, customer of case E declined a contact as they were preparing for a call for competition. These supplier activities are seen as taking place in the awareness phase (Dwyer et al., 1987), and are out of scope for this study.

The attitude of special sector companies is engrained in the company's culture, resulting in an inherent dominant attitude as customer (Appendix, Section 6.3.5). Further, as customer, these companies can decide to take an 'as equals' attitude towards suppliers (Munksgaard et al., 2015). In this study it is concluded, the Munksgaard (2015) dichotomy is apparent as of the initial condition of the asymmetric relationship. The initial attitude of customers in asymmetric SCRs is either dominant or 'as equals'. Dominant customers force the norm of asymmetry (Oliver, 1990) on the emerging SCR, while customers with an 'as equals' attitude enact the norm of reciprocity (Oliver,

1990). The governance definition developed in Chapter 3 is extended.

Relationship governance consists of the attitudes and actions parties take to control, influence, or regulate the policy and affairs of their SCR, using roles, obligations, responsibilities, contingency adaptation, and legal penalty as specified or adapted in formal agreements, and using trust, flexibility, solidarity, information exchange, fairness, and informal rules and procedures as embedded in the relationship.

In conclusion, for the governance of SCRs at initial condition: SCR governance starts at the initial condition.

The customer's initial attitude determines the SCR norm: **dominance leads to asymmetry** (for SCR types I and II), and **'as equals' results in reciprocity** (for SCR types III and IV).

#### 6.3.6. *Initial condition summary*

This case study results in the following findings for the initial condition. (1) Attitudes count, specifically because the parties' attitude during the tender phase also applies for the initial condition. (2) The initial attitude of customers is either dominant or 'as equals'. (3) Suppliers either have an opportunistic or an 'as equals' initial attitude towards their customer. (4) These initial attitudes in the SCR result in four mutually excluding initial conditions (SCR types). (5) Dominant customers force the norm of asymmetry on the SCR, and 'as equals' customers the norm of reciprocity. These findings are illustrated in Figure 6.13.







Initial attitude	Initial condition (type number)	Governance: norm for SCR
Customer: Dominant Supplier: Opportunistic		Asymmetry
Customer: Dominant Supplier: 'As equals'		Asymmetry
Customer: 'As equals' Supplier: Opportunistic		Reciprocity
Customer: 'As equals' Supplier: 'As equals'		Reciprocity

Figure 6.13. Four initial conditions for emerging SCRs in the RTE.

From this point on, this dissertation will primarily use the four SCR types based on initial attitudes. For easy reference cases by type are shown in Table 6.4.

Table 6.4. Four SCR types and their cases.

Party to the SCR→		Customer	
	↓ ATTITUDE →	Dominant Cases A, B, E0, E	'As equals' Cases C, D
Supplier	Opportunistic Cases A, B, D2, E01, E1	Type I Cases A, B, E01, E1	Type III Case D2
	'As equals' Cases C, D1, E02, E2	Type II Cases E02, E2	Type IV Cases C, D1

## 6.4. Regulated interactions

### 6.4.1. Introduction

In this section the regulated interactions are described in detail, before discussing them. The tender phase itself in Section 6.5. These interactions are called ‘regulated’, as the Regulations have an effect on how these interactions are planned and executed. These regulated interactions have inductively been found in this study. They can be described by the four purposes served and the three ‘layers of interaction method’ employed. See Figure 6.14. The four purposes served are: first of all facilitating the suppliers’ understanding of the customer’s demand and context; second, facilitating the customer’s understanding of the suppliers’ responses and offers; third, facilitating a shared understanding between the customer and each of the suppliers; and fourth, enabling bonding.

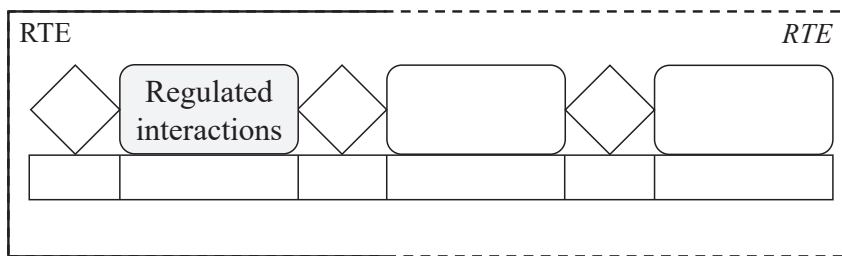


Figure 6.14. Regulated interactions during the tender phase.

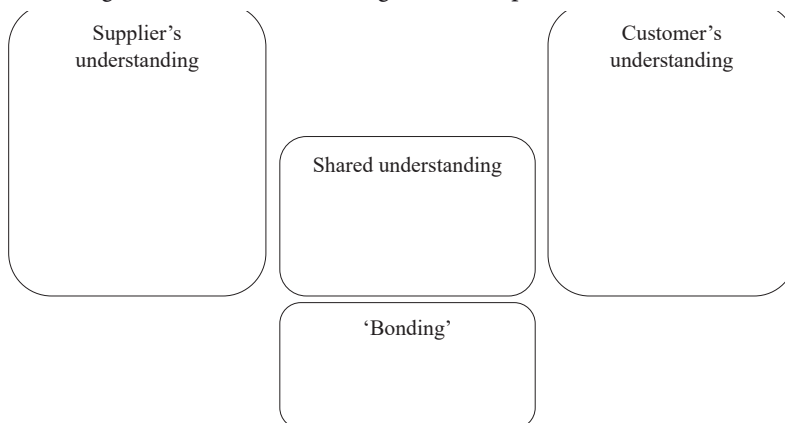


Figure 6.15. Four purposes of regulated interactions.

The three methods used are written interaction, face-to-face interaction, and implicit interaction in conjunction with face-to-face interaction. Written interaction is the default method for regulated tenders (Section 4.6). Face-to-face interactions are allowed under the Regulations (Section 4.6) and implicit interactions are not mentioned in the Regulations. As long as the principles - specifically of equal treatment and transparency (Section 4.2.2) - are upheld, this type of interaction is allowed. Each of the interactions, their purpose, their method, and other aspects are discussed in Sections 6.4.3 - 6.4.8. In total, nine different interactions have been identified.

The tender phase can consist of three episodes: market consultation, supplier selection, and solution selection (Section 4.3.2). Although in principle each of the interactions can be configured for each episode, in practice market consultation is hardly used, and for the other episodes together, only one to three interactions are planned. For each tender, the customer makes a choice of interactions for the tender phase. The total of all planned interactions - specified in type, sequence, and allocation to the tender episode - is called an interaction configuration. Interactions during tender should not violate the Regulations' principles (Section 4.2). At the end of the tender phase an the RTE specific start-up condition is found, called 'regulations-proof' (Section 6.6). In effect, each interaction practised should serve a 'regulations-proof' procedure and execution of the tender and awarding processes. The overview presented in Figure 6.15 will be used for analysing the tender processes for each SCR type.

#### 6.4.2. *Interactions require competences*

In general, the interviews with the procurement directors provide insight in how they view their company relates to suppliers. The company culture is seen as being 'risk aversive' and as having an 'internal focus'. This results in an attitude towards suppliers like 'we know perfectly well what and how we want it' and 'what is in it for us'. These procurement leaders view the competencies of most of their staff as limiting the interaction with suppliers. Interpersonal competencies are even called 'dramatic'. "Instead of being 'hard on substance, soft on relation', it is often the other way around, mostly because we don't have our things in order" (Procurement director). This affects the customer's choice of procedures and interaction. The

more so since the Regulations specify additional requirements for interactions, involving face-to-face exchanges. The necessary specific competences these rules require from the customer representatives are presented for each of the interaction types.

#### 6.4.3. *'Ping-Pong'*

The first interaction consists of the customer's tender documentation and the customer's answers to questions from all suppliers. This interaction serves the supplier's understanding, and the method is in writing. In this study it is called 'Ping'. The counterpart interaction 'Pong' concerns the answers by suppliers to the customer's qualification questions and the offer in response to customer's request. 'Pong' serves the purpose of the customer's understanding and the method employed is also in writing. Taken together, these exchanges of documents form the basis for any tender. These formal interactions are defined as: information exchange limited to aspects of contractual governance: substance, understanding of customer's specification, detailing of specifications, performance details, obligations, roles, planning, (renewed) offer, negotiations, meeting the awarding criteria, and acceptance (Section 4.6). 'Ping-Pong' is found in all procedures. Customers in all types of SCRs deem this formal information exchange important (Appendix, Section 6.4.3). These obligatory interactions are constructed to secure a 'regulations-proof' process. The Regulations' principles of transparency and equal treatment (Section 4.2.2) are served by communicating in writing only. Interactions consist of documents going from sender to receiver. Together these result in a pattern of time-delayed, alternating, one-way messages. The interaction starts with customer's specifications regarding the substance of the relationship, the tender procedure, and timing. Via the digital platform chosen by the customer, interested suppliers make themselves known. Questions from all participating suppliers are answered by the customer and subsequently all (anonymized) questions and answers are sent to all suppliers. In their response, the suppliers state their ability to meet the customer's qualification requirements. After the customer's assessment, an intended supplier selection is made. This intention can be challenged or accepted by the suppliers. After the definitive selection decision, a similar pattern regarding the proposed solutions (offers) starts. During the tender, this written, formal interaction shows

some time-delay, because parties take their time to react; each step is irrevocable and has to be unconditional (a standard clause in all tender documentation).

The pattern of the 'Ping-Pong' interaction is an accumulation of one-way messages between parties.

#### 6.4.4. *'Look & Listen'*

A face-to-face interaction designed to serve the suppliers' understanding is called 'Look & Listen'. Here suppliers can attend, meet the customer representatives face-to-face, and pose questions. These are formal interactions, and the tender documentation is specific on the procedure, to safeguard the transparency and equal treatment principles. The following example was taken from the tender documents of case B: "Suppliers cannot use oral information received. [Customer] will answer all relevant questions in writing to all suppliers". 'Look & Listen' is encountered in two forms. Either as a 'site inspection' of customer's premises, or as an 'explanatory meeting' where the customer presents his request, his organizational context, the tender procedure, timing, and documentation. Not all customer requests lead to site inspections. Those where the physical environment and/or equipment involved are at the centre of the customer's need, a site inspection is important. For this study, cases B and C are examples of this (Section 6.2). Customers of cases B and C understand the prerequisites and have made it an element of their procedure. From observation and remarks made by the suppliers during the site inspections, these suppliers welcomed the opportunity to get a feel for the environment the customer wanted to upgrade through this project. However, through further observation, apart from meeting person to person, the interaction pattern again is primarily time-delayed, alternating unilateral messages (in the written Questions & Answers afterwards).

Based on the remarks made in the interviews and on the researcher's observations, in both forms of 'Look & Listen' the suppliers hardly (dare to) ask questions and the customers hardly (dare to) answer in real-time. Despite the face-to-face method, the 1:N setting and Regulation principles hamper a real-time, two-way interaction. Yet 'Look & Listen' has - based on the interviews - the following

advantages. (1) With a limited effort the customer can inform all potential suppliers at the same time, in the same tone, and uphold 'transparency and equal treatment' principles. (2) The suppliers are in favour of meeting the customer representatives, and receive the explanation to the tender documentation, processes and procedure, planning, and/or the customer's site and context. (3) 'Competition at work': the customer is happy to see (and show) there is competition in this tender, and the suppliers can gauge their competitors. 'Look & Listen' requires extra skills from the customer's representatives to limit the information exchange to the substance, the scope of the tender, and the protocol set for the site inspection; and, to report to all suppliers the extra information disclosed during the visit or meeting. 'Look & Listen' can be part of any regulated procedure (Section 4.3.2), either during the supplier selection and/or the solution selection episodes. The customers tend to time the 'explanatory meeting' at the start of the tender and the 'site inspection' at the start of the solution selection, to limit the number of suppliers attending. Of course the customers can choose to use both forms of 'Look & Listen' in their tender. Since not all cases in this study have applied these interactions, a meaningful comparison between the SCR types is not possible. However, the comments on this additional interaction - made by the customers and suppliers in the interviews after the tender phase - show that both parties see the benefits of 'Look & Listen' (Appendix, Section 6.4.4), as presented above. In cases B and C the customers used 'site inspections', in both instances at the start of solution selection (in case C, nine sites were visited); in cases D1/D2 and E1/E2 the customers organized an 'explanatory meeting' right at the start of the tender. And, in hindsight, customer of case E understood they should have had such an explanatory meeting in their first tender. In Section 6.5 the interactions employed in each of the types (and cases) are presented and discussed.

'Look & Listen' interaction is an accumulation of one-way messages between parties.

#### 6.4.5. *'Direct Q & A'*

Another interaction specifically designed to serve the suppliers' understanding is 'Direct Q & A'. Only customer of case D practised

this type of regulated interaction to clarify the documentation for the solution assessment (14 documents), right at the start of this episode. See for details Section 6.2.4. One supplier mentioned this meeting also offered the opportunity to hint at possible elements of their proposal, and see the reactions of the customer (Appendix, Section 6.4.5).

Compared to 'Look & Listen', during 'Direct Q & A' the suppliers feel free to ask questions due to the one-on-one setting. This is the customer's team of representatives meeting the team of representatives of one supplier at a time. On the other hand, it requires more time from the customer's representatives, as here too the Regulation's principles need to be followed: the customer has to meet with each supplier active in that tender episode. Therefore this interaction is used when only a limited number of suppliers is still in the race. The same interpersonal skills as mentioned above are necessary, and more. These representatives need to be fully aware of the subject to be able to answer live, to treat each supplier equally, and to judge what and how to report to all suppliers. The project manager of customer of case D made it quite clear: "What is of general interest, will be divulged to all, what is specific for the supplier's solution, not". Yet, although the interaction is now one-on-one, face-to-face, with instant answers, the pattern is still one-way: the supplier asks, the customer answers.

The pattern of the 'Direct Q & A' interaction is one-way: the supplier asks, the customer answers.

#### 6.4.6. 'Examination'

The 'Examination' interaction takes place at the very end of the procedure. Here the customer team meets the suppliers, one by one. This interaction, using the face-to-face method, enables the customer to assess the supplier's offer and the competencies of the supplier's representatives related to the requested service. The latter is practised when the service requires named supplier experts to work (quasi full time and on premise) together with the customer's employees.

The pattern of the 'Examination' interaction is one-way: the customer asks, the supplier answers.

However, in ‘Examination’ the stakes are much higher than in any of the above-mentioned interactions. Instead of information gathering (‘Pong’), in ‘Examination’ 30% to 50% of the score on the awarding criteria depends on this assessment. That is why some supplier representatives call it an exam. The researcher has observed two series of these interactions and indeed, it does resemble an ‘Examination’, if not an interrogation.

On the other hand, further observation learns that much depends upon the interpersonal skills of the supplier representatives. If they dare and have the competences to ask questions themselves, or take the initiative and answer questions not (yet) posed, they can turn this interaction into a two-way pattern, or even a ‘Dialogue’ (next section). This is not forbidden in the documentation. In cases A and B, this type of interaction (often called an ‘interview’ in the tender documentation) is part of the procedure. The tender documentation specified in case A that the supplier has to be represented by the two key experts meant to work at the customer’s premises when delivering their service and expertise. In case A, the ‘Examination’ was the first time parties met in this tender. In case B, the two key supplier representatives were interviewed individually. In the 16 interviews observed, only once did the supplier turn the meeting into one for shared understanding, even ‘bonding’, see Section 6.5.2.

Of course for the ‘Examination’ interaction too, the customer representatives need interpersonal skills for such interviews and have to uphold the principles of equal treatment. This means that each of the suppliers was interviewed in the same setting, with the same protocol, and the same questions were posed by the same customers team. In order to adhere to the transparency principle, these interviews were recorded by the customer.

#### 6.4.7. ‘Dialogue’

For shared understanding between the customer and each of the suppliers the interaction ‘Dialogue’ is employed, (in the case study) towards the end of the tender. Here, parties endeavour to get shared understanding of whether the supplier’s offer and expertise sufficiently covers the customer’s demand and context.



The pattern of the 'Dialogue' interaction is reciprocal information exchange of understandings and interpretations in a one-on-one, face-to-face meeting, with questions and answers in real-time turn-taking.

All the suppliers which are still in the race have such a one-on-one interaction. Within the case study, two types of 'Dialogue' were encountered: known as 'negotiation' and 'verification'. The difference between the two forms is that after 'verification' the customer reassesses the offer, based on the additional information, explanation, and shared understanding; while after 'negotiation' the supplier adapts and makes his 'best and final offer', which is then assessed by the customer.

#### 6.4.8. *'Bonding'*

'Bonding' involves implicit interactions using the previously mentioned interactions as carrier. In this study four 'layers of bonding' have inductively been found: (a) making acquaintance between the teams of representatives of the customer and the supplier, (b) building precursors for governance (Section 3.7.4), (c) establishing rapport (Section 3.7.6), and (d) enacting own attitude and expectations and assessing those of the counterpart, to establish congruence (Section 3.5). Together, this resembles "informal sense making" (Ring & Van de Ven, 1994). These bonding interactions only occur in conjunction with face-to-face interactions; first and foremost, together with recurrent, and one-on-one interactions (Ring & Van de Ven, 1994). For 'Dialogue' and 'bonding' to be effective, both parties need to 'tune in' to this type of interaction (see Section 6.5.5), and to participate with stable teams (Jap & Anderson, 2007; Narayandas & Rangan, 2004). Meeting recurrently with the same teams enables making acquaintance. However, if one party is not interested in this, such implicit interaction does not take place (see Section 6.5.4). If this does happen, making acquaintance enables the other steps of bonding: rapport, building precursors of governance, and congruence.

'Bonding' requires stable, delivery responsible teams which make acquaintance through recurrent face-to-face meetings, subsequently in one-on-one settings they can extend their formal interaction in a process of real-time turn-taking with reciprocal informal interaction and affective information disclosure enabling representatives to build extended sequences of affiliation. This can lead to rapport, which facilitates the building of precursors for relational governance. Further, by exchanging their needs, understandings, and interpretations parties can establish congruence.

#### 6.4.9. *Regulated interactions summary*

The regulated interactions encountered in this case study are illustrated in Figure 6.15. These interactions show four different purposes.

First, for the benefit of the suppliers' understanding of the customer's demand and the customer's context. There are three forms, each with their own specific method and setting: (a) documents exchange ('Ping'), written; (b) 'Look & Listen' (either as 'explanatory meeting' or 'site inspection'), face-to-face, 1:N and (c) 'Direct Q & A' face-to-face, 1:1. Second, for the benefit of the customer's understanding of the suppliers' offers. There are two forms: (a) documents exchange ('Pong'), written, and (b) 'Examination', face-to-face, 1:1.

Third, for the benefit of a shared understanding between the customer and each of the suppliers is 'Dialogue', face-to-face, 1:1.

Fourth, implicit and informal interactions are required for the benefit of 'bonding'.

The interactions of the first and second kind are one-way. For the third and fourth types two-way interaction is imperative. The interaction of the first, second, and third kind is formal and explicit, on substance, or related to contractual governance. The face-to-face interactions can also be used as a carrier for 'bonding'. The latter are implicit only and are related to elements of relational exchange (Macneil, 1980; Scanzoni, 1979) (Section 3.7) and relational governance (Section 3.3.4). The regulated interactions require interpersonal competencies from both

parties. To take effect, parties need to jointly tune in. Finally, only recurrent interactions between stable teams (Jap & Anderson, 2007; Narayandas & Rangan, 2004) can result in Precursors for relational governance: acquaintance, rapport, and congruence ('informal sense making' (Ring & Van de Ven, 1994), and relational norms (Macneil, 1980). Each of these interactions can be employed in each of the three episodes: market consultation, supplier selection, and solution selection, as far as these episode apply to the procedure followed (Chapter 4). The customer decides the interaction configuration: the total of all planned interactions in the tender phase, specified in type, sequence, and allocation to tender episode. In the next section the interactions configurations for the different SCR types are presented with their effect.

In the RTE, interactions during the tender phase are regulated. Four purposes for interactions are discerned: for the benefit of: suppliers' understanding of the customer's demand and the context customer's, customer's understanding of the suppliers' offers, shared understanding between the customer and each of the suppliers, bonding. Regulated interactions require interpersonal competencies from both parties.

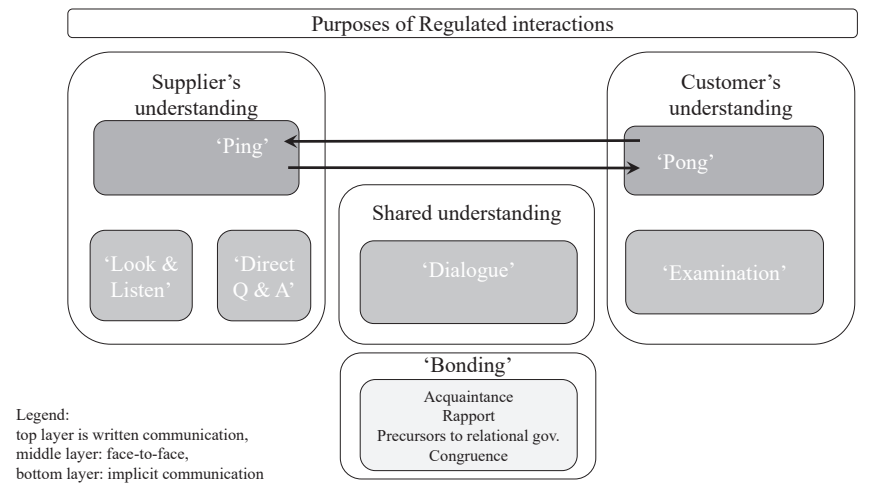


Figure 6.16. Types of regulated interactions by purposes served.

## 6.5. Tender phase

### 6.5.1. Introduction

This section starts off by discussing three aspects of governance during the tender phase. (a) The customer-led process governance as deduced in Chapter 4. (b) The governance through choice of procedure and (c) the governance through choice of interactions. Additionally, for all SCR types the chosen interaction configurations and the outcome of the tender phase are presented. Finally, the findings regarding the tender phase are summarized.

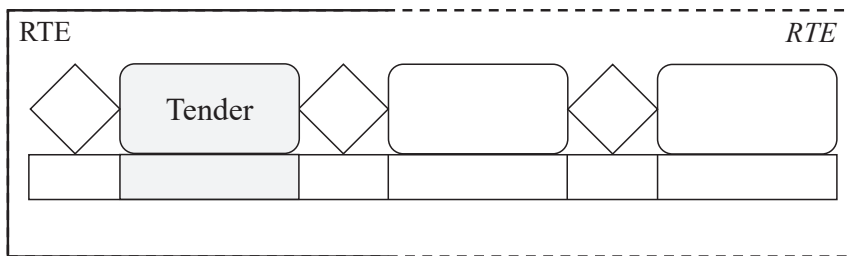


Figure 6.17. Tender phase for the SCRs in the RTE.

### 6.5.2. Customer-led process governance

As introduced in Chapter 4, the customer sets the scene when initiating an SCR through his call for competition. In the RTE, the customer is empowered to govern the tender process (Section 4.7). The customer defines the SCR through substance specification, contract type and duration, and the number of contracts on offer. For the tender phase, the customer further specifies in the call for competition, the type of regulated procedure, the number of episodes and the tender planning, the interaction configuration, and the selection and awarding criteria. Together this constitutes the customer-led process governance. This literature based finding is supported by findings from the case study. Both customers and suppliers view the customer as the sole governing party during the tender phase (Appendix. Section 6.5.2).

In the RTE customer-led process governance prevails during the tender phase.

The suppliers illustrate their view on governance during the tender. The senior manager of supplier of case A remarks: “All control was in the hands of the customer. We could not influence. The whole process was very much ‘parent/child’”; and the director of supplier of case E2 reflects on the tender process by stating: “The customer is very much top down: [with an attitude like] we will tell you what to do and how to do it.” Also, the customer’s comments describe their governance. The project manager of customer of case D states: “Formal governance is high, completely nailed by us”; and the procurement manager of customer of case B remarks: “We have clearly described for the full process what is expected [of the suppliers], what would be the consequences, if not adhered to”. In an additional comment the procurement manager of customer of case D states: “If we don’t follow the procedure, then we end up in court”. That the customer is governing the tender process is underlined by the customer’s detailed documents initiating each tender episode. For example in case D, 16 pages for the market consultation, 20 pages for the request for information, and 47 pages for the request for proposal, together with another 13 documents.

### 6.5.3. *Governance through choice of procedure*

In the RTE, the effect of the customer’s initiative (Larson, 1992) goes further than the call for competition (Chapter 4). Customers determine the procedure, timing, and interactions (Section 4.3.2). How the customers utilize their power or show restraint (Macneil, 1980) resonates throughout the tender and beyond (Sections 6.3 - 6.9). First, it is analysed whether the customer’s choice of procedure has an effect on interaction during the tender. In Sections 2.5.2 and 4.3.2 the procedural difference was identified as potential indicator of the level of interaction during tender. Table 6.5 illustrates which interaction types are employed by procedure and case. These results show that the procedure does not predict the number of interactions nor the application of face-to-face interactions. Contrary to the assumption, all procedure types in all cases apply face-to-face interactions, except for cases E01/E02. In case C the open procedure - where minimal interaction is assumed - is chosen. Yet, in this case suppliers and customer interact in the most numerous and diversified ways, while, in case A - with its negotiated procedure - only one face-to-face interaction took place. Here, the one-way ‘Examination’ is chosen

to enable the customer to assess supplier and his offer. Not quite a two-way negotiation, as the name of the interaction might indicate. Further, customers of cases C and D choose different procedures, yet both first conduct a (written) market consultation. For the 'open' procedure ('minimal interaction') this is not expected. Finally, customers of case D and E procure the same service, using different procedures; customer of case D configured many interactions, while customer of case E chose the very minimum. In this case study no effect of procedure on interactions is apparent.

Table 6.5. Interaction types employed by procedure and case. Shaded interactions are face-to-face.

Procedure (Section 4.2) → ↓ Interaction type (Section 5.4.9)	Open		Restricted		Negotiated	
Case →	C	E1/ E2*	B	E01/ E02*	A	D1/ D2*
'Ping-Pong' (market consultation)	1					1
'Ping-Pong'	1	1	1	1	1	1
'Look & Listen'	1 (9x)	1	1			1
'Direct Q & A'						1
'Examination'			1		1	
'Dialogue'	1					1
# face-to-face interactions	10	1	2		1	3

\* Case pairs E01/E02, E1/E2, and D1/D2 have had same interactions per pair. Supplier D2 only asked questions in the market consultation. Did not reply to customer's requested information. In case C 9 site inspections were conducted.

The assumed effect (Sections 2.5.2 and 4.3.2) of the tender procedure on the level of interaction during tender does not hold.

#### 6.5.4. *Governance through choice of interactions*

The responsibility for adhering to the Regulations lies primarily with the customers (Chapter 4). The procurement directors state in the interviews that their companies in general are risk averse, also in regard of the Regulations. The actual customer's frame of mind for the tender phase is assessed by taking three reference points, based on the coding of the customer interviews. The assessment is made by SCR type (Appendix, Section 6.5.4). These measures are (1) dominance, (2) Regulations effect, and (3) mutuality. Three conclusions are taken from the results. (1) The customer's dominance is in line with the types: type I and II are more dominant than types III and IV. (2) Irrespective of their attitude, the customers view that the tender procedure necessitates a formal way of interacting. In addition, the customers perceive that the Regulations force a focus on the process and have other (procedural) influences. (3) Dominant customers use their dominance to establish a formal process, and view mutuality as less important in this phase. This in contrast to the 'as equals' customers (SCR types III and IV), which focus on mutuality, be it through a formal process, and by taking the RTE influence into account. It is concluded, that the customer's initial attitude determines his 'Regulations' frame of mind for the tender phase. As long as the dominant customers conduct a dispute-free tender and contract a supplier with a solution, which meet the qualification/awarding criteria, they regard the tender as a success. This is called a 'tender = transaction' governance approach. Customers with an 'as equals' attitude, have a 'Relationship' frame of mind, and a 'Mutuality' governance approach. They regard the tender as a first leg of a joint journey towards a dyadic success.

The customer's governance approach is manifested in his choice of interactions. Customers of SCR types I and II tend to limit the tender interactions. These customers do not conduct a market consultation prior to the tender, they configure a tender with few interactions, of which zero to two are face-to-face. Customers of SCR types III and IV first conduct a market consultation and configure a tender with many and various types of interactions. The 'Dialogue' interaction is applied by these customers only. This is illustrated in Table 6.6.

Table 6.6. Interactions by SCR type, and case.

SCR Type → ↓ Interaction (Section 5.4.9)	I				II		III	IV	
Case →	A	B	E01	E1	E02	E2	D2	C	D1
'Ping-Pong' (Market consultation)							**	1	1
'Ping-Pong'	1	1	1	1	1	1	1	1	1
'Look & Listen'		1		1		1	1	9	1
'Direct Q & A'							1		1
'Examination'	1	1							
'Dialogue'							1	1	1
# face-to-face interactions	1	2		1		1	3	10	4

\*\* Supplier D2 did not contribute

Customer's initial dominant attitude leads to a 'Regulations' frame of mind, and a 'tender = transaction' governance approach.

Customer's initial 'asequals' attitude leads to a 'Relationship' frame of mind, and a 'Mutuality' governance approach.

Frame of mind towards governance focus.

Here too, no procedural effect can be identified in the cases studied. For type I all procedures have been used, yet with few interactions. For type IV many interactions take place, both with an 'open' and a 'negotiated' procedure. See Table 6.7.



Table 6.7. SCR types and cases by procedure.

Procedure→ Type ↓	Open	Restricted	Negotiated
Type I	Case E1 (1)	Cases B (2), E01 (0), E02 (0)	Case A (1)
Type II	Case E2 (1)		
Type III			Case D2 (3)
Type IV	Case C (10)		Case D1 (3)

Customers govern the tender process through the interaction configuration chosen, not through the choice of procedure.

#### 6.5.5. Interactions for Type I SCRs

Type I SCRs with a dominant customer and an opportunistic supplier are represented in the case set by cases A, B, E01, and E1 (Table 6.4). The interactions configured by the customers for their tenders in type I SCRs are presented in Table 6.8. Each of these configurations is discussed below.

All customers in type I SCRs show their ‘Regulations’ frame of mind, and a ‘tender = transaction’ governance approach. Their teams only have responsibility for the tender, not for delivery.

The cases studied show that customers of type I did not use the interactions ‘Look & Listen’, ‘Dialogue’, nor ‘Bonding’. All four SCRs of type I engage in one to three interactions. These customers do not configure a market consultation episode. In case E01, the additional unplanned exchange occurs in relation to a dispute between the customer and a rival supplier (see Section 6.2.5). And in case E1 – the retender – these contacts are taken into account, and interpreted as (an unplanned) market consultation, see Section 6.2.6.

In this section the three interaction patterns observed in SCRs of type I are discussed. First, only the ‘basic’ configuration of the ‘Ping-Pong’ interaction. Second, based on cases A, B, and E1, the pattern is

extended to include one or two (one-way) face-to-face interactions. Third, a pattern, where a one-way face-to-face interaction is transformed by the supplier (case A) into a two-way interaction, including bonding elements.

Table 6.8. Interactions used by type I SCRs.

↓ Interaction (Section 5.4.9)	SCR Type I			
Case →	A	B	E01	E1
(Market consultation)				(1)
‘Ping-Pong’	1	1	1	1
‘Look & Listen’		1		1
‘Direct Q & A’				
‘Examination’	1	1		
‘Dialogue’				
Bonding				
Exchange related to conflict E02			1	

The minimal interaction for regulated tenders is shown in Figure 6.18. This only comprises the ‘Ping-Pong’ interaction. In the case set only E01 (and its twin case E02, discussed in Section 6.5.3) have this interaction configuration. All other cases - including those of other SCR types - have more interactions. The written exchange includes an agreement proposal from the customer. Suppliers can question this and hand in suggestions for amendments. The final agreement is drafted by the customer. Suppliers have to accept it as is, as part of their offer. These opportunistic suppliers do indeed accept the agreement, for now, to get an award. Whether it really displays their intention will be seen in the next phases. For this reason, it is called

an ‘agreement’ for type I SCRs. This ‘agreement’ is the precursor for contractual governance (Section 3.7.4). Because no further interactions take place, this SCR cannot develop acquaintance, nor build precursors for relational governance, nor establish congruence or rapport during the tender.

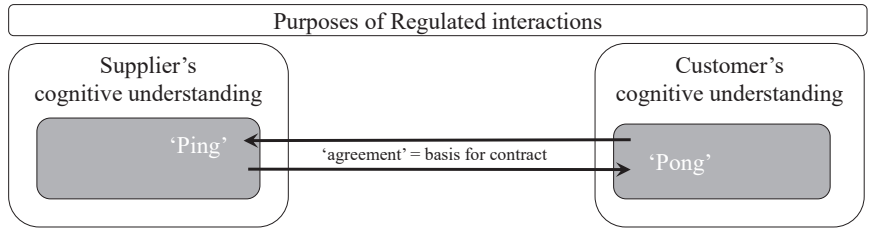


Figure 6.18. Basis interaction in the RTE tenders.

The second configuration is extended with one or more face-to-face interactions like ‘Look & Listen’ and/or ‘Examination’, as shown in Figure 6.19. These face-to-face interactions are unilateral. This configuration supports a better understanding by the supplier of customer’s request; and the customer can assess the supplier’s representatives and get a profound understanding of supplier’s offer. However, this configuration does not support the building of shared understanding nor bonding. No acquaintance, precursors for relational governance, or congruence are established, or has rapport been built.

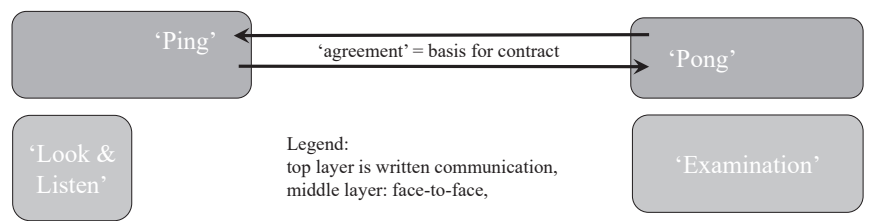


Figure 6.19. Basic interaction configuration, including one-way, face-to-face interactions.

In addition to the remarks made per interaction type (Sections 6.3.2 -6.3.7), five specific interaction effects for the set type I cases are discussed. (1) The effect of the supplier’s understanding of the customer’s request through the ‘Look & Listen’ site inspection was limited. See further Section 6.2.2. In case E1 supplier hardly mentioned the explanatory

meeting at the start of the tender.

(2) The 'Examination' in case A proved to be more than answering the customer's questions. Here the third configuration encountered for type I SCRs is discussed. Although the formal configuration for this case was like the second one discussed above, in this case the actual interaction proved to be more extensive. The researcher observed eight 'Examinations' between the customer and each of the remaining suppliers. Supplier of case A (and only this supplier) showed this face-to-face interaction can be used to start a 'Dialogue', at their initiative (Figure 6.20). For details see 6.2.1.

(3) Moreover, in case A the 'Examination' interaction, which was turned into a 'Dialogue', showed elements of rapport building. For details see 6.2.1. In this third interaction configuration (Figure 6.20), an attempt has been made at bonding. However, this could not be established with one one-hour meeting, between representatives not meeting anymore after the tender. Although the supplier representatives do not know this yet, the customer representatives have a mind set for the tender phase only. Therefore their interest in bonding is limited. Yet, this example shows which competences are necessary, on 'both sides of the table', to use a one-on-one face-to-face meeting for shared understanding, even for the beginning of bonding. No acquaintance, precursors for relational governance, or congruence are established, or has rapport been built. So, also for this tender configuration, only the 'tender = transaction' approach is served. Not forgetting that the customer's objective is to contract several competing suppliers with a framework agreement. This does not display a 'Relationship frame of mind' from the part of the customer.

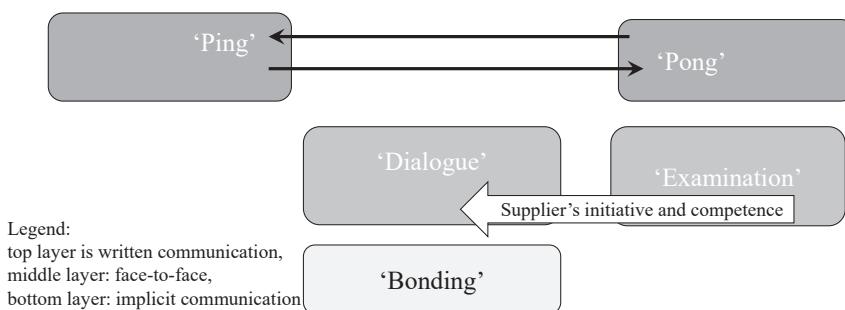


Figure 6.20. Turning 'Examination' into 'Dialogue' and 'Bonding'.

(4) During the dispute and court case of the tender in the failed cases E01/E02 (See Section 6.2.5 and Section 6.5.6), the customer and both suppliers of cases E01 and E02 engaged in one-on-one, face-to-face additional contacts. Although no market consultation was planned for these type I SCRs, this additional interaction is interpreted as an unofficial, unplanned market consultation for the subsequent tender with cases E1 and E2. Here, only the effects of this interaction are noted because of the resulting path dependency (Harmeling & Palmatier, 2015).

(5) Both parties in case E1 make a new beginning: the customer with a changed tender, the supplier with an adapted offer. For regulatory reasons the call for competition has essential changes to the prior tender (cases E01/E02).

The interaction pattern of type I SCRs is an accumulation of one-way interactions during the tender phase. This only serves the supplier's and the customer's understanding.

#### 6.5.6. *Interactions for Type II SCRs*

Type II SCRs - with a dominant customer and an 'as equals' supplier - are represented in the case set with cases E02 and E2 (Table 6.4). In both cases the customer shows his 'Regulations' frame of mind, and a 'tender = transaction' governance approach. His team only has responsibility for the tender, not for delivery. For case E02 newly found interactions with the purpose of conflict resolution are found, see Figure 6.21. These interactions take place in the 'Dispute' and 'Court' phases, see Figure 6.9. The interaction 'Dispute' is one-on-one and face-to-face. The dispute did not result in shared understanding as parties were unable to resolve the dispute by themselves. Subsequently the supplier decided to insert the 'third party assisted' interaction by calling on the court to resolve the conflict. This interaction follows the rules for court proceedings. The result of this interaction was that the customer decided to abort the tender.

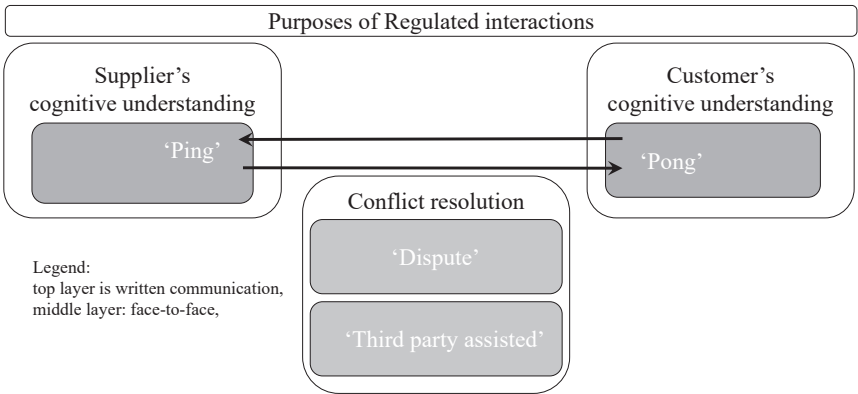


Figure 6.21. Interaction configuration with conflict resolution interaction.

For the new tender (case E2), the interaction configuration is shown in Figure 6.22. Prior contacts during case E02 are construed as market consultation for case E2. Further, 'Look & Listen' is applied. This 'unplanned market consultation' and the 'Look & Listen' interaction of the explanatory meeting have been discussed already for the paired case E1 (Section 6.5.5). The interaction configurations in type II are presented in Table 6.9.

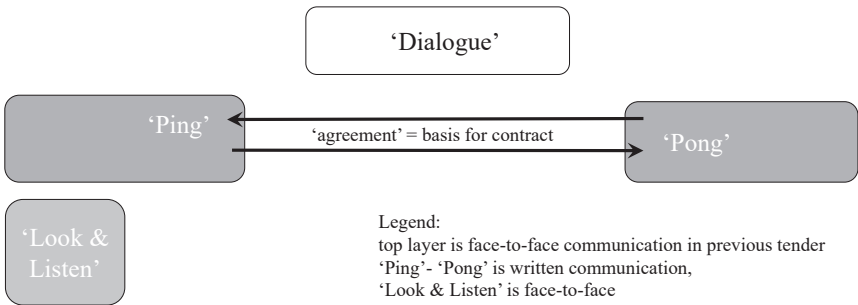


Figure 6.22. Interaction during re-tender.

Table 6.9. Interactions used by type II SCRs.

Prior contacts during case E02 are construed as market consultation.

↓ Interaction (Section 5.4.9)	SCR type II	
Case →	E02	E2
* (Market consultation)		*
‘Ping-Pong’	1	1
‘Look & Listen’		1
‘Direct Q & A’		
‘Examination’		
‘Dialogue’		
‘Conflict resolution’	1	
‘Court case’	1	

For case E02, the additional interaction took place after the moment of the customer’s intended non-award. This and related specific interaction effects for type II cases are discussed below. The consequences of not meeting the start-up conditions is described here, as these have an effect on the re-tender (cases E1/E2).

- (1) In the case study a situation is encountered with an incompatible combination of attitude and expectations, in this case of the customer. See Section 6.2.5. In essence, supplier of case E02 questions the compatibility of the customer’s attitude and expectations. The effects of this judgement are discussed under governance of start-up conditions (Section 6.6).
- (2) The next episode in the tender phase of case E02 starts. Supplier of case E02 does not accept the fact that the customer does not intend to award a contract as his offer meets the awarding criteria. See Section 6.2.5.
- (3) After the unsuccessful meeting with the customer, the supplier initiates a ‘third party assisted’ interaction with the purpose to resolve the conflict. Supplier of case E02 uses his regulations-empowered prerogative to dispute the customer’s intended non-award by going to court (Chapter 4) This aspect is further discussed in Section 6.6.
- (4) There is yet more to learn from this incident. The court-ordered governance secures that parties do meet face-to-face. This increases the customer’s understanding of the supplier’s tender interpretation

and attitude. Moreover, the re-tender regulation influences the customer in repositioning his attitude. “A new procurement procedure is required in case of material changes to the initial contract” (DIRECTIVE 2014/25/EU, article 113). In practice, this clause is also interpreted the other way around: a new procurement procedure for the same service, requires substantial alterations in the specifications, volume etc. The re-tender documentation and process showed that the customer adapted (Doz, 1996) his attitude and specifications and doubled the scope. See also Section 6.5.5(5). Supplier of case E2's manager comments: “the customer has taken many of the remarks from the court case on board in the new tender”. The re-tender is further followed as case E2.

(5) Further, these changes by the customer signal his different attitude at the start of the second tender. As the customer's senior manager reflects on the failed tender: “We could have prevented the failure of this tender, if we had had more opportunities for ‘Dialogue’ with the suppliers beforehand”. This supplier rightfully pointed to the very high specifications in our request for quotation. We could have commissioned a market consultation instead of drafting the Request for Quotation (RFQ) all on our own. During the court case, the supplier clearly showed they knew what they were talking about and possessed the knowledge on how the RFQ should have been formulated. I thought that is what makes them the meticulous expert that this job requires”. The senior manager of supplier of case E2 is content with the effect of the conflict: “The customer has taken many of the remarks from the court case on board in the new tender”. The customer's attitude for this SCR is assessed as opportunistic. The additional exchange of interpretations and understandings during the court case clearly have the effect of a ‘market consultation’. The supplier's initial attitude for case E2 is back to ‘as equals’, therefore this case is classified as a type II SCR. The change in the initial attitude of customer of case E from dominant (cases E01/E02) into more opportunistic (cases E1/E2) is underpinned by the results from the ‘frequency-based’ assessment score (Appendix, Section 6.5.6).

(6) Clearly in case E02 no rapport, precursors, or congruence were built. In case E2, the supplier of case E2 is awarded a contract, yet the interaction configuration does not enable to build rapport, precursors for relational governance, or congruence.



The interaction pattern of type II SCRs is an accumulation of one-way interactions during the tender phase. This only serves the supplier's and customer's understanding.

### 6.5.7. Interactions for Type III SCRs

Type III SCRs with an 'as equal' customer and an opportunistic supplier are represented in the case set with case D2 (Table 6.4). The interactions configured by the customer for this tender in type III SCR are presented in Table 6.10. This case renders another exceptional opportunity to gain more knowledge on the effect of the supplier's initial attitude and expectations. Cases D1 and D2 only differ in supplier's initial attitude and expectations. The interactions applied in cases D1 and D2 are discussed in detail in the next section. Here, the focus is on the effect of the different attitudes and behaviour during the tender.

Table 6.10. Interactions used by type III SCRs.

↓ Interaction (Section 5.4.9)	SCR Type III
Case →	D2
'Ping-Pong' (Market consultation)	**
'Ping-Pong'	1
'Look & Listen'	1
'Direct Q & A'	1
'Examination'	
'Dialogue'	1

\*\* Supplier of case D2 did not fully participate in this written market consultation

This configuration shows a build-up of many interactions, culminating in a 'Dialogue' interaction. In this case the customer has chosen 'Negotiations' as form for the 'Dialogue' interaction. That means that after this interaction, the supplier can use the information received for their best and final offer (see Figure 6.21), their final 'Pong' in the hope for an 'award Ping'. The customer and the supplier show the following differences in how they use these interactions. See also Section 6.2.4.

(1) Supplier of case D2 did request the documentation regarding the market consultation and did pose some questions, however, he chose not to participate further.

(2) Customer of case D not only configured all of the above interactions in his tender, he also made sure that the team with delivery responsibility represented the company during the tender. In all interactions, the same three persons acted on behalf of the customer. This is indicated by the arrow through all interaction types (Figure 6.23). Instead of an 'Examination' interaction for their understanding, customer of case D used the 'Look & Listen' interaction on their part to 'Present and Show', and for the 'Direct Q & A' the same team provided the answers then and there. Customer of case D can accumulate these face-to-face experiences and use for their own understanding.

(3) From the suppliers' side there is no such concerted action. The supplier's team changes in composition during the tender, the members are not aligned, the supplier's director observes upon being awarded a contract: "For now we have made promises on how we are going to set up the project." (Director supplier of case D2). See for further detail Appendix, Section 6.5.7(3).

(4) The researcher's observations from documentation and interviews imply that this supplier has reserves about the customer's intent. As his team was not stable, this supplier deprived himself of the ability to use the subsequent interactions as a carrier for 'bonding'. See for further detail Appendix, Section 6.5.7(4).

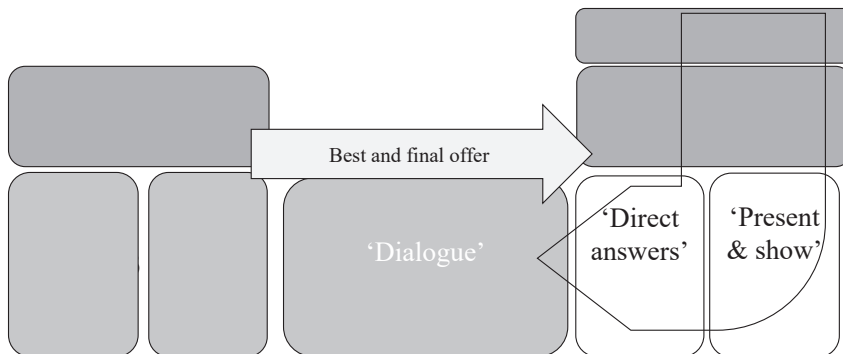


Figure 6.23. Interaction configuration and application for type III SCRs.

The customer's actions and intent are not matched by the supplier's behaviour during tender. Opportunities for bonding are not used. As a result, this type III SCR follows the path of type I SCRs due to the supplier's opportunism with a 'tender = transaction' approach.

The interaction pattern of type III SCRs is an accumulation of one-way interactions during the tender phase. This only serves supplier's and customer's understanding.

Type III SCRs also have a 'tender = transaction' approach.

#### 6.5.8. Interactions for Type IV SCRs

Type IV SCRs with an 'as equal' customer and ditto supplier are represented in the case set with cases C and D1 (Table 6.4). The interactions configured by the customers for the tender in type IV SCR is presented in Table 6.11. All customers in type IV SCRs show their 'Relationship' frame of mind, and mutuality governance approach. Their tender teams also have responsibility for the delivery. Except for 'Examination', all interaction types are used, starting with a (written) market consultation. All SCRs have interactions geared for shared understanding. This enables the 'bonding' interaction to take place in both tenders. By its nature this interaction cannot be counted. All interactions types are discussed below, because of the richness in their intentions, execution, and added value.

Table 6.11. Interactions used by type IV SCRs.

↓ Interaction (Section 5.4.9)	SCR Type IV	
Case →	C	D1
'Ping-Pong' (Market consultation)	1	1
'Ping-Pong'	1	1
'Look & Listen'	9	1
'Direct Q & A'		1
'Examination'		
'Dialogue'	1	1
'Bonding'	√	√

### *Market consultation*

Customers of cases C and D chose carry out formal market consultation, adding an episode to the tender phase (Section 4.3.2). To underpin that this is a regulated phase, the customer sends out a call for consultation. This is a 'Ping-Pong' type of interaction. The consultation request relates to the substance of the tender (cases C and D), as well as to the procedure to follow (case C). The customers divulged their conclusions from the consultation in the tender documents in the subsequent call for competition documentation. (Regulations' transparency and equal treatment principles). As the customer shows to be open to information from suppliers, it is assumed that the same initial attitude ('as equals') as later found during tender, applies for the customer during the market consultation. No signs have been picked up that the attitude of a party has changed because of the market consultation.

### *'Look & Listen'*

In Section 6.2.4 the value of having a 'Look & Listen' interaction is reflected upon by the customer and the supplier. This quite clearly demonstrates that what 'Look & Listen' is for the supplier, means 'Present and Show' for the customer, when applied actively (see Figure 6.24). This interaction also serves its purpose of knowing and understanding the customers. It replaces their need for an 'Examination' interaction.

Similarly, customer of case C uses the 'site inspections' for their understanding of the suppliers. The manager of customer of case C reflects: "I have been present at a site visit, then you can observe a lot. You see how people look upon the installation, how they inspect, what their behaviour is. So site visits most certainly have an added value". This makes the one-way interaction, in fact a two way exchange, serving a double purpose. For supplier of case C, the site visits were an opportunity to gauge the competition and retrieve specific information, without disclosing which importance this equipment information has for supplier of case C. The manager of supplier of case C explains: "Beforehand, I knew what I wanted to learn. I looked at the [and]. This way, I could calculate what was happening". The supplier of case C later jumped at the opportunity to apply the information assembled during these visits. It was used

for the offer, and during the ‘Dialogue’ meeting (below). These site inspections proved an essential element of the tender procedure, both for the customer and the winning supplier.

#### *‘Direct Q & A’*

Only customer of case D introduced ‘Direct Q & A’ right at the start of the solution assessment episode. Figure 6.24 shows that the customer’s active participation in ‘Direct answers’ also served the customer’s purpose of understanding the suppliers. See further Section 6.4.5, where this interaction is presented and discussed.

#### *‘Dialogue’*

The ‘Dialogue’ interaction is only configured by the customers of type IV SCRs. In case D1 as ‘negotiation’ meeting and in case C as ‘verification’. See Section 6.2.4 for details of the workings of a ‘negotiation’ meeting.

A direct comparison of cases D1 and D2 (previous section) renders the following insights. On the one hand supplier of case D2 remained reserved towards this type of interaction while supplier of case D1 on the other hand is very enthusiastic. His managing director reflects: “It was fun to be able to sharpen our bid. That was unique”. Moreover, these suppliers differ in their behaviour during the tender. While supplier of case D2 remains apprehensive in his approach, supplier of case D1 goes full-out to win this customer. Suppliers of case D1’s team responsible for delivery attends all face-to-face sessions. Customer of case D is represented in all interactions with the same three people, this is indicated by the arrow through all interaction types (Figure 6.23). In case D1, through team continuity and the intent displayed the interactions have a cumulative effect for both parties. Getting acquainted starts during the one-way ‘Look & Listen’/‘Present & show’ and ‘Direct Q & A’ interactions. The recurrent nature of the one-on-one, face-to-face interactions enables parties to jointly work towards a shared understanding and bonding during the tender phase. The bonding, as illustrated in Figure 6.24, is taking place in the full breadth of purposes. In contrast to case D2, in case D1 both parties deploy the full potential of the interaction configuration which enables to serve all four purposes. In this study this is called a ‘W’ interaction pattern, as illustrated in Figure 6.24. ‘W’ is to be read as: ‘Double You’. Or is it ‘We’?

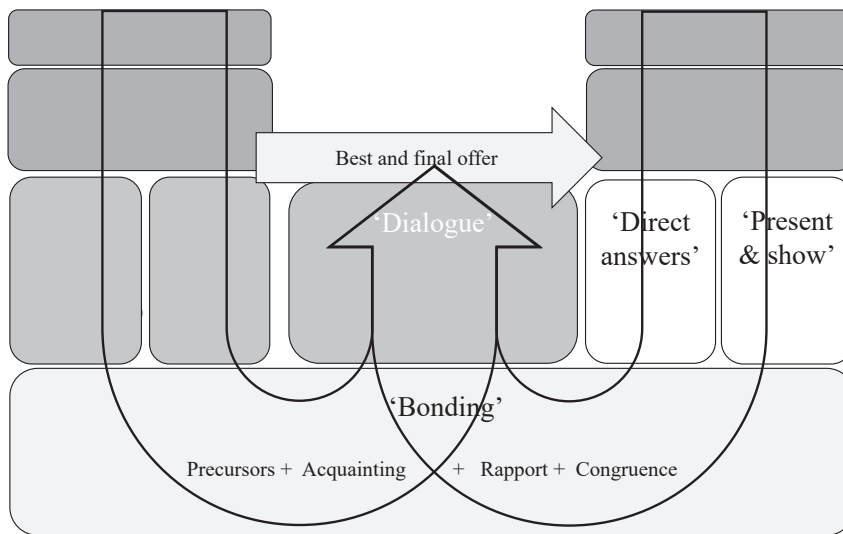


Figure 6.24. Regulated interactions for type IV SCRs serve all purposes and result in a 'W' interaction pattern. Legend: top layer is written communication during market consultation, next down: written communication during the tender (together 'Ping'- 'Pong' interaction), next down: face-to-face interactions, bottom layer: implicit communication facilitated by the explicit interactions. Left column interactions serve supplier's understanding (with face-to-face 'Look' & 'Listen' and 'Direct Q & A' interactions), right column interactions serve customer's understanding, middle column interactions serve shared understanding (with 'Dialogue' interaction). See Figure 6.16 for legend of blocks.

In type IV SCRs both parties ensure that the interactions have a cumulative effect. Getting acquainted starts during the one-way 'Look & Listen' and 'Direct Q & A' interactions and through the team continuity at both sides. With the intent and openness displayed by each, the recurrent one-on-one, face-to-face interactions enable parties to jointly work towards a shared understanding and bonding during the tender phase.

Type IV SCRs have a 'W' pattern of interactions during the tender phase, executed by a team with tender and delivery responsibility.

This serves the suppliers, customers, and their shared understanding and bonding.

Interaction in type IV SCRs do result in precursors for relational governance, acquaintance, rapport, and congruence during the tender phase.

In type IV SCRs parties start their cooperation during the tender phase.

#### 6.5.9. *Tender phase summary*

- In the RTE customer-led process governance prevails during the tender phase.
- The assumed procedural effect regarding tender interactions (Chapter 4) does not hold.
- Customers govern the tender process through the interaction configuration chosen, not through the choice of procedure.
- The customer's initial dominant attitude leads to a 'Regulations' frame of mind, and a
  - 'tender = transaction' governance approach.
- The customer's initial 'as equals' attitude leads to a 'Relationship' frame of mind, and a
  - 'Mutuality' governance approach.
- The tender processes are marked by the Regulated interactions parties have.
- The interaction pattern of type I, II, and III SCRs is an accumulation of one-way interactions. This only serves supplier's and customer's understanding.
- All four interaction purposes (supplier's, customer's, and shared understanding, and bonding) are only served if both customer and supplier have an 'as equals' attitude (type IV SCR). This results in the 'W' interaction pattern. Precursors for relational governance, acquaintance, rapport, and congruence are built.
- Only the customer's and supplier's teams of type IV SCRs are responsible for the tender and the delivery.

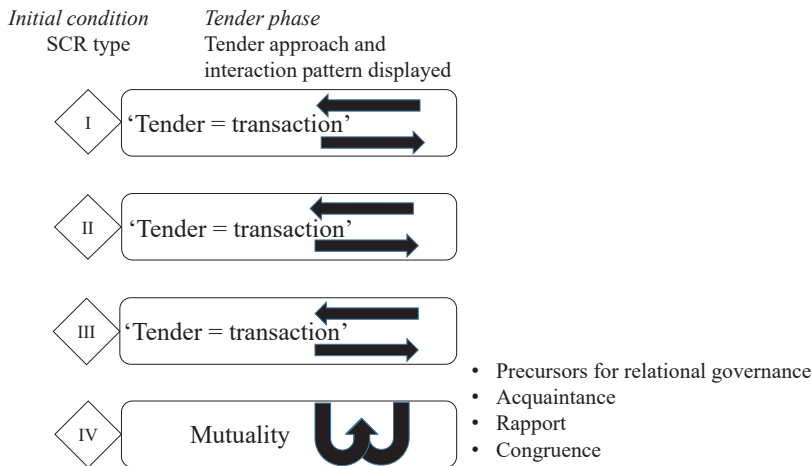


Figure 6.25. Summary of tender interaction pattern displayed by SCR type and outcome.

## 6.6. Start-up condition

### 6.6.1. Introduction

In the RTE the start-up conditions are a regulations-proof tender and contract-awarding procedure and execution, and an acceptance of being awarded a contract by the winning supplier (Section 4.5.5). This section analyses the governance approach employed and whether the outcome of the tender phase suffices for meeting the start-up conditions. No additional start-up conditions for asymmetric SCRs in the RTE are encountered, congruence, for instance, is such a condition for reciprocal SCRs (Ring & Van de Ven, 1994). Further, the outcome of the tender phase is analysed by type, in terms of precursors for relational governance, rapport, and congruence.

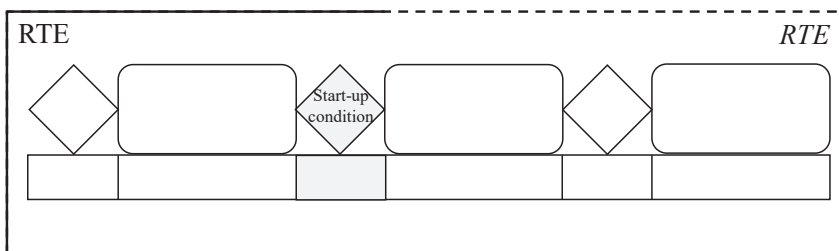


Figure 6.26. Start-up condition for the SCRs in the RTE, for its governance see Section 6.10.4.



### 6.6.2. Governance approach

During the tender and start-up condition, both customers and suppliers influence the course the SCR takes through their attitude, resulting in a frame of mind that influences their participation in interactions. For customers the frame of mind has been analysed above (Section 6.5.4). Here, the effects of the supplier's initial attitude on their frame of mind is analysed by taking the coding of supplier interviews only, and using the same measures as applied for customers. The assessment is made by SCR type (Appendix, Section 6.6.2). The main conclusion is that initially opportunistic suppliers (types I and III) view 'Mutuality' and 'Reciprocity' as less important than the 'as equals' suppliers of type IV do. The type II suppliers value this aspect at the level of the opportunistic suppliers. This seems in line with their changed attitude during the tender. Further:

Suppliers with an initial opportunistic attitude have a 'win the award' frame of mind. Suppliers with an initial 'as equals' attitude have a 'win the customer' frame of mind.

The customer's and supplier's initial attitudes each result in a frame of mind for the start-up condition. Through this both influence achieving the start-up conditions. Combined this leads to three specific governance approaches for the start-up condition. For Type I SCRs it is 'tender = transaction', for Type IV SCRs it is 'Mutuality'. Types II and III SCRs have a mixed approach, see Table 6.12.

Table 6.12. Governance approach by SCR type for start-up condition.

↓ Party →			Customer	
	Attitude →		Dominant	'As equals'
		Frame of mind →	Regulations	Relationship
Supplier	Opportunistic	Win award	I 'Tender = transaction'	III Mixed approach
	'As equals'	Win customer	II Mixed approach	IV Mutuality

Type I SCRs govern the start-up condition with a 'tender = transaction' approach. Type IV SCRs govern for 'Mutuality'. Types II and III have a mixed approach.

Further, in the RTE suppliers can apply a Regulations empowered unilateral governance, and suppliers can retreat from the tender (Appendix, Section 6.6.2).

### 6.6.3. Award

The customers awarded contract(s) to the announced number of suppliers, except for cases E01/E02 (next section). So, the suppliers in cases A, B, C, D1, D2, E1, and E2 succeeded in winning an award. In all these cases, the dual conditions to enter the start-up phase have been met. The reasons why other suppliers retreated from the tender at some point in time has not been investigated (see Recommendations, Chapter 7).

All SCRs in this study have at the moment of award an agreement as defined by Ring & Van de Ven (1994). Although this agreement is predominantly the concept as initially presented by the customer, the suppliers have to some extent had an influence on it. And, as shown in case E02 (Section 6.5.3), the suppliers also do decide not to offer, given the conditions of the agreement. In Section 3.7.4 the agreement

is identified as precursor to contractual governance. Whether all suppliers do regard it as a contract, is investigated in the start-up phase (Section 6.7).

SCRs meeting the award criterion enter the start-up phase with an agreement also serving as precursor for contractual governance. SCRs not meeting the award start-up condition are stopped by the customer, or by the suppliers retreating from the tender.

#### 6.6.4. *'Regulations-proof'*

The tender of cases E01/E02 was aborted for Regulations reasons (Sections 6.5.5 and 6.5.6). In all cases the customers often refer to the Regulations in their interview regarding the tender phase. (Appendix, Section 6.6.4). To illustrate the importance customers attach to the Regulations for the tender phase, some typical quotes follow. The project manager of customer of case A states: "Because of the regulatory aspects, you create a distance between the supplier and the customer during tender. We often give short answers, or just say: No; as short and clear as possible"; and "A tender is full of judicial consequences. If we do not follow the rules, suppliers can dispute. Worst case: you have to re-tender". This is interpreted as, all customers take care their procedure, documentation, tender execution, and awarding is 'regulations-proof', meaning: no participating supplier successfully objects to it. Nevertheless, in most cases Regulations-related issues occur, despite the customer's preparations (Appendix, Section 6.6.4).

#### 6.6.5. *Precursors to relational governance*

Precursors for relational governance are measured in two ways, for details see Appendix, Section 6.6.4. First, based on interviews by coding for Macneil's (1980) norms of contractual solidarity, mutuality, and reciprocity. Second, based on interviewee's rating for the relational governance. It is concluded:

Only type IV SCRs enter the start-up phase with precursors for relational governance.

### 6.6.6. *Rapport*

The findings of the case study show that parties can create rapport, even during a regulated tender. In emerging SCRs with recurrent implicit interactions between stable teams, parties develop acquaintance. This is a necessary condition for parties to create rapport through mutual connection, understanding, and affiliation (Kaski et al., 2018; Clark et al., 2003). Recurrent, open, and intense interaction between stable teams of parties can occur in the RTE. Only cases C, D1, and D2 have recurrent interactions during tender, it is concluded that lasting rapport has been built in cases C and D1 during the tender; yet, not in case D2. (Appendix, Section 6.6.6).

Kaski et al. (2018) conclude that “A lack of rapport can have both immediate and lasting negative consequences” (p. 248). For instance, in this study case E02 definitely lacks rapport during tender and is aborted (see Section 6.5.3). Also, in case D2 no rapport is established. Even though supplier of case D2 is awarded a contract, during start-up this SCR is prematurely stopped (see Section 6.7). In none of the cases without rapport being built in the tender phase, is this developed in a later phase of the time window studied.

When both parties have an ‘as equals’ attitude they can create rapport during a Regulated tender through recurrent, open, and intense interaction between stable teams.

### 6.6.7. *Congruence*

Customers with an ‘as equals’ attitude have a ‘Relationship frame of mind’ in their governance during tender (Section 6.5.4). For these customers the dual conditions for start-up (award and ‘regulations-proof’) are just an intermediate step towards a mutually beneficial relationship. Meeting each of the suppliers one-on-one is part of that since they know it is for improving dyadic understanding. Moreover, they use the explicit interactions on substance as a carrier for interactions to make acquaintance, build relational governance aspects, and to adopt, own, and assess the other’s expectations and attitude. These customers aim for early congruence and do establish rapport. “It helps that we think in terms of equivalence. The way we act as a person, exchange pleasantries, have lunch together after the meeting” (Project manager customer of case D). What is more, also

suppliers of cases C and D1 are inclined to use the formal interactions for bonding (Section 6.5.8), and have a mutuality and reciprocity mind set (Appendix, Section 6.6.7).

Expectations of customers and suppliers in all cases have been assessed by the researcher. This assessment is based on triangulated evidence (Appendix Quotes-based assessment/tender phase), the results are presented in Table 6.13. Only for cases C and D1 is congruence established during tender. In the other cases attitudes do not match. Further, in four out of these seven cases expectations are not the same either. Even if attitudes had matched, still no congruence would have been established.

Table 6.13. Expectations, attitudes, and SCR type for all cases. Rapport and congruence only established in cases C and D1, both of type IV.

Case→ Attribute ↓		A	B	C	D1	D2	E01	E02	E1	E2
Expectation	Customer	appr.	perf.-b.	'vested'	perf.-b	perf.-b	perf. -b.	perf.-b.	perf.	perf.
	Supplier	pref.	perf.-b.	'vested'	perf.-b	perf.	appr.	perf.-b.	perf.	perf. -b
	Same		=	=	=			=	=	
Attitude	Customer	dom.	dom.	as eq.	as eq.	as eq.	dom.	dom.	dom.	dom.
	Supplier	opp.	opp.	as eq.	as eq.	opp.	opp.	as eq.*	opp.	as eq.
	Match			=	=					
Congruence				√	√					
Rapport				√	√					
SCR type		I	I	IV	IV	III	I	II*	I	II

\* Supplier's initial 'as equals' attitude changed during tender into opportunistic (Section 6.3.9).

In the RTE, congruence is only reached by type IV SCRs in the tender phase.

Cases C and D1 - in which congruence is established - differ with respect to substance (service), procedure, customer, and supplier. In one case, the customer and supplier had prior contact whereas the other parties first met during tender. These elements do not seem to have an effect on reaching congruence. Moreover, although customer of case D had the same attitude and expectations towards supplier of case D2 as to supplier of case D1, no congruence was reached for case D2 due to the opportunistic attitude and 'preferred' expectations of supplier of case D2 (all other elements are the same in cases D1 and D2). The customer's intentions need to be understood by the supplier as 'it takes two to tango'. Case D2 shows this is not a given (Section 6.5.4). Similarly, for cases E02 and E2 congruence is not reached during tender, even though this supplier (initially) displayed an 'as equals' attitude; but the customer's dominance, later mixed with more opportunism, does not match.

Whether congruence can be reached with a dominant customer's attitude cannot be concluded based on the cases studied (A, B and E01) as in these cases congruence was not reached during tender. The Regulations do not prescribe an exchange of attitudes and expectations. When interaction is limited to the minimum written exchange ('Ping-Pong'), it is difficult for parties to establish congruence during tender. Nor can it be concluded whether congruence would have been established during tender, if these cases had had as many (and/or diverse) interactions as the cases C and D. In addition, during the tender process, other suppliers either have not been selected and/or have stopped participating in the tender. It has not been investigated whether this is caused by a lack of congruence or for other reasons. Although Section 6.5.6 illustrates that a lack of compatibility between attitude and expectations of the other party can be a cause. See for further discussion of non-selected suppliers Chapter 7.

Whereas Ring & Van de Ven (1994) identify congruence as a condition for phase transition in reciprocal SCRs after the negotiations phase (in the RTE: the tender phase), no other similar reference has

been identified. The contribution of Munksgaard et al. (2015) on asymmetric SCRs does not cover conditions.

In this study congruence occurs as part of the following two conditions. First, in the start-up condition, for type IV SCRs only. Second, in the delivery condition (Section 6.8.).

#### 6.6.8. *Summary of the start-up condition*

- (1) Type I SCRs govern the start-up condition with a 'tender = transaction' approach. Type IV SCRs govern for 'Mutuality'. Types II and III have a mixed approach. This has an effect on the outcome of the tender, see Figure 6.27.
- (2) Conditions which must be met by SCRs in order to transition from the tender phase to the 'start-up' phase are: first, the 'award condition', which means that (a) the supplier must meet the customer's selection criteria and (b) his offered solution must be the best in relation to the awarding criteria, to be awarded the contract; (c) the supplier needs to accept this award and the agreement as prepared by the customer. This agreement serves as precursor for contractual governance for the SCR. Second, the execution of the selection and award processes must be 'regulations-proof'.
- (3) If these conditions are not met, the emerging SCR is dissolved. In this case study, this is related to the customer's attitude and expectations being incompatible (Case E02, Section 6.5.6). A re-tender, with a changed customer's attitude and expectations, was 'regulations-proof' and the same suppliers were awarded a contract.
- (4) In the transition to the start-up phase, the SCR can carry forward the shared outcome from the tender phase, if any. Such outcomes can be (a) acquaintance, (b), rapport, (c) precursors to relational governance, and (d) congruence.
- (5) Of those SCRs that did meet the conditions, only type IV SCRs have established precursors for relational governance, acquaintance, and congruence, and have built rapport. This is illustrated in Figure 6.27.

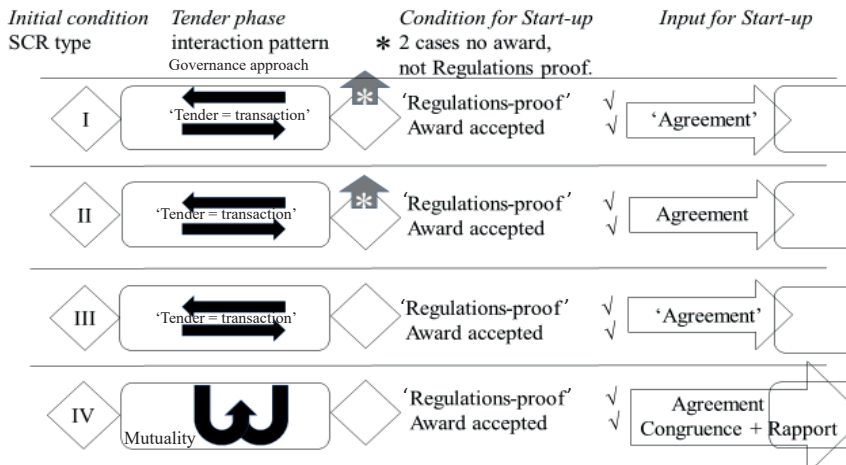


Figure 6.27. Summary of start-up conditions (not) being met and input for start-up phase, by SCR type.

## 6.7. Start-up phase

### 6.7.1. Introduction

From the start-up phase on, the Regulations are less prescriptive as they only limit the duration and scope of the SCR (Section 4.3.3). This is illustrated by the dotted boundary line in Figure 6.28. From the start-up onwards, parties can interact more freely since the burden of having to operate ‘regulations-proof’ and the uncertainty of obtaining an award are gone. Additional reasons why parties can now interact and intervene more freely are: (1) there is no strict protocol or procedure to adhere to, (2) no written reports have to be made and sent to other parties; and (3) whereas the customers previously had to operate strictly in parallel to each of the suppliers - like for the two SCR twin cases (cases D1/D2 and E1/E2) - each SCR now can develop unencumbered. The ‘freed-up’ context also gives parties more leeway to enact their expectations and attitudes, and discern those of the counterpart. Furthermore, this freedom enables parties to build precursors to governance, to establish acquaintance, build rapport, and congruence more easily, or to strengthen their shared outcome of the tender phase. For the start-up phase the following aspects will be discussed first: contractual changes and detailing of specifications, precursors to relational governance, cooperation,



performance and dispute, changing attitudes and expectations. These aspects are discussed for the four SCR types. Further, a direct comparison is made for each of the twin cases D1/D2 and E1/E2. Finally, the governance during the start-up phase is discussed. For an overview of the SCR development per case, reference is made to Section 6.2. This shows, for instance, the dissolution of case D2 (the only type III SCR) during the start-up phase, and changing attitudes and expectations in a number of cases. The effects of the start-up developments become apparent when discussing the delivery conditions (Section 6.8).

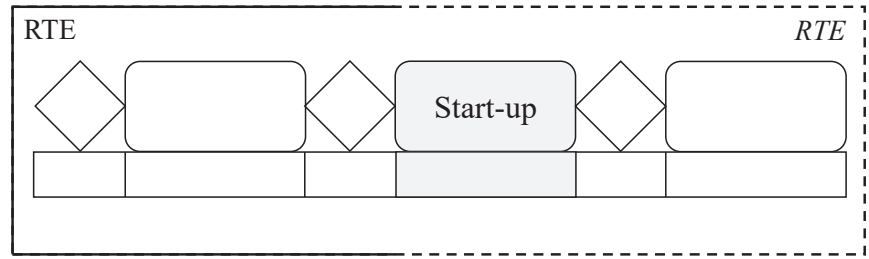


Figure 6.28. Start-up phase for the SCRs in the RTE.

6.7.2. Coding result for the start-up phase

The interviews of customers and suppliers regarding the start-up phase have been coded, using a code table developed for this phase (Section 5.4.12). The following aspects are measured: (1) contractual changes and detailing of specifications, (2) precursors for relational governance, (3) cooperation, (4) performance and dispute and (5) contract expectations. See Appendix, Section 6.7.2. Below these aspects are discussed in turn.

6.7.3. Contractual changes and detailing of specifications

The agreement achieved during tender is now in effect, meant to become the contract. Especially, if the agreement is ‘performance-based’ (including ‘vested’) (cases B, D2, E1, and E2), the agreement should ensure that the supplier delivers the agreed performance during the execution. In all SCR types, much attention is given to changing the contract. The type of changes and the process of doing so is, nevertheless, different for the SCR types. Further to the freed-up context of the SCR as of the start-up phase, another important change is that suppliers can now take the initiative. And suppliers do

so, even though in different ways. This relates to the attitude suppliers have during the tender phase and which they continue in the start-up phase. Opportunistic suppliers display a 'Contracting frame of mind', while suppliers with an 'as equals' attitude show a 'Performance frame of mind'. The SCR development is described and compared for these two groups, here labelled 'opportunists' (SCR types I + III) and 'performers' (SCR types II + IV). Each of the 'performer' suppliers (from cases E2, C, and D1) takes the initiative to detail the service specification together with the customer, to a level which will ensure the supplier can perform and deliver the quality level offered. This is a major joint activity at the start of this phase. In case E2, the customer's original 10-page specification was reworked and differentiated, resulting in a 200-page working instruction document. During the rest of the start-up and at later stages, this document has jointly been improved upon. Parties then amended the contract by way of consensus. Processes for data exchange, timing, and planning are agreed. Test deliveries are started and the quality of the first output is checked. For case D1 a similar process takes place. In case C, the supplier takes the initiative to make an inventory of his own of the customer's equipment. This leads to additional sites and equipment for the contract. Additionally, here too procedures and planning are discussed and agreed. For these SCRs the contract expectations of each party are not much of an issue, they obviously have already fully understood and agreed on these during the tender phase, see further cooperation (Section 6.7.5). On the other hand, the common denominator of suppliers of SCRs types I and III is their opportunistic attitude. During tender they accepted the conditions as set by the customer. This does not mean that they fully understand the customer's expectations, nor that they agree to all elements of the contract (Section 6.5.2). This also shows in the importance they attach to contract expectations. These opportunistic suppliers take a different initiative at the commencement of the start-up phase. Their focus is to renegotiate the terms of contract, and (later) claim to be paid for extra work which, in their opinion, is outside the agreed scope. Further, at the beginning of this phase the customer's key representative changes in cases A, B, and E. Now, the person responsible for delivery comes into the picture. In cases A and B, this person had not taken notice of the supplier's offer. These parties cannot build upon a shared outcome of the tender. In these cases, based on

observations, the new representative has a different interpretation of the agreement and puts a different emphasis on what is agreed. The external validity of the result of comparing the ‘opportunists’ with the ‘performers’ is enhanced by the fact that each group holds one of each of the twin cases (D1/D2 and E1/E2), and the substance of the case pairs D and E is basically the same. In each twin, only the supplier’s attitude is different when comparing the two. This difference resonates throughout the start-up phase and beyond. See further direct comparison (Section 6.7.8).

Suppliers in type II and IV SCRs initiate joint detailing of customer’s specifications to secure their performance.

Suppliers in type I and III SCRs try to renegotiate the terms of the agreement.

#### 6.7.4. *Precursors to relational governance*

In this study using Morgan & Hunt (1994), precursors for relational governance are measured by adding the frequency for the codes ‘commitment’, ‘flexibility’, and ‘trust’ as mentioned in the interviews (Appendix Section 6.7.2). In SCR types II and IV interviewees stress the importance of these elements. These types have suppliers with an initial ‘as equals’ attitude in common. In addition, all the SCRs have a ‘performance-based’ contract. These suppliers focus on (achieving the goals of) the relationship, first during the tender, and now during the start-up. They build on the precursors for governance, acquaintance, rapport, and congruence established during the tender phase. In the case E2 where the tender did not have this shared outcome, an extra effort is needed, and discerned and addressed by the supplier (Section 6.7.8). The initiative regarding the detailing of the customer specifications into work instructions for the supplier’s offshore workforce, shows the supplier’s commitment which is very much welcomed by the customer. It becomes clear to the customer that this is really necessary and the supplier of the twin case does not have that expertise, nor such drive. Supplier of case E2 shows flexibility, as they do not charge for additional work resulting from these changes and they do not even mention the subject. This, as opposed to the inflexibility of supplier of case E1. Obviously, the

display of expertise, commitment, and flexibility builds the customer's trust in supplier of case E2. At the same time, supplier of case E2's trust in the customer improves, as the customer relaxes his prescribing attitude, seen in tender documentation. The customer allows, even welcomes, the initiatives supplier of case E2 takes. For the SCRs of type IV, where precursors were already established during the tender, these are further improved upon during the start-up. For supplier of case C, it serves as a sound base for an issue encountered (see next section). In case of types I SCRs the opportunistic suppliers and their dominant customers also start to establish precursors for relational governance. These SCRs cannot build upon the outcome from the tender phase. Moreover, the negotiating atmosphere regarding the contract hampers this process. In cases D2 and E1 the lacking performance (Section 6.7.6) requires attention from both parties. In case D2 (type III) precursors are hardly established. In cases A and B parties professionally build on all three precursors (commitment, flexibility, and trust), despite their different attitudes and expectations.

Parties in type IV SCRs strengthen the precursors for relational governance developed in the tender. In type II SCRs parties focus on building precursors. Whereas in type I and III SCRs, this process is hampered by the negotiating atmosphere.

#### 6.7.5. Cooperation

Also, with regard to cooperation the SCR types differ. Types I and III score nil or low, types II and IV high (Appendix, Section 6.7.2). Here, cooperation is measured as dyadic and reciprocal behaviour. Because in type II and IV SCRs at least one of the parties has an 'as equals' initial attitude, and both parties in these SCRs continue or develop this attitude during the start-up (Section 6.7.7), their high score is no surprise. On top of that, they have joint ('performance-based' or 'vested') expectations since the tender (Table 6.13). All of the above is facilitated by team continuity for both the customer and the supplier, in each of these SCRs. All the cooperation enhancing elements are missing in the other SCRs (of type I and III). The start-up phase for these SCRs is primarily used to make up for what the other have already established in their initial attitude and in their interactions during the tender phase.

Parties in type II and IV SCRs start/continue their cooperation from the tender phase.

In type I and III SCRs, parties only start to get to know each other in the start-up phase.

#### 6.7.6. *Performance and dispute*

In the type II and IV SCRs (all with a 'performance-based' or 'vested' contract) can focus on performance. This because of (1) the joint improvement of the substance specifications, (2) their easily accomplished agreement on the contract details, (3) their team continuity, (4) shared precursors for relational governance. (5) In addition, for - type IV SCRs - the bond is strengthened by the tender resulting in rapport and congruence. These five results enable parties to focus on achieving a performance level in test deliveries, necessary for the delivery condition. For case C, an issue arises because the customer's payments are lacking, then lagging, then incomplete. Further, no decision is made by the customer pertaining to the proposed equipment alterations. In the end these issues are resolved. Also, in cases D1 and E, the customer's (IT systems) performance during the start-up - necessary for a seamless cooperation and performance - caused some delay. These issues have been resolved between parties.

However, in all cases of types I and III SCRs disputes arose. This is related to the combination of the opportunistic attitude of their suppliers, the necessary negotiations regarding the contract, and the discrepancy in their expectations during the tender phase. For cases A and B, these disputes have been resolved by the suppliers giving in. These suppliers have a corporate interest with the customer. At the supplier's corporate level, other (and sometimes more important) SCRs with the same (corporate) customer were or are active, under tender, or hoped for. Further, in case A, the focus of the interaction changes from between customer and supplier to between customer and supplier's employees. In cases D2 and E1, the disputes result in the customer changing his attitude towards the supplier. These disputes are discussed in the direct comparison of cases D1 versus D2, and of E1 versus E2 (Section 6.7.8).

Parties in type II and IV SCRs focus on performance, they resolve issues constructively.

Parties in type I and III SCRs run into dispute and conflict.

#### 6.7.7. *Changing attitudes and expectations*

For cases A and B, these disputes have been resolved by the suppliers adjusting their attitude and expectations to become congruent with the customer. In cases D2 and E1, the disputes result in the customer changing his attitude towards the supplier, adopting his inherent dominant position (Section 6.3.2). The contractual governance (Section 6.7.9) becomes unilateral customer-led: in case E1, the customer put the supplier in default and gave notice, with a last chance to improve his performance. The supplier then changed his attitude from opportunistic to submissive, and performed up to the customer's expectation. In case E2, the customer relaxed his dominant attitude in the course of the start-up phase, and changed to an 'as equals' modus. The above changes in attitudes and expectations are further discussed under 'congruence' in Section 6.8.2. In case D2, the changes in the customer's specification necessitated a renegotiation. However, here parties could not agree to new financial terms. The customer unilaterally decided to dissolve the contract.

In type I and III SCRs conflicts lead suppliers to adopt a submissive attitude, and perform to their offer, or the SCR is dissolved.

In type II SCRs the supplier's 'as equals' attitude is being mirrored by the customer.

#### 6.7.8. *Direct case comparison*

A direct comparison between cases E1 (type I) and E2 (type II) is illustrative, in view of the dispute with only E02 during the first tender phase (Section 6.5.6). Moreover, in case E2 congruence is established by the customer changing his attitude in line with supplier of case E2, as opposed to case E1, where the supplier changed his attitude and expectations to match those of the customer. In this comparison the differences observed in each of the episodes of the start-up phase are described.

### *Kick-off meeting*

The start-up phase was initiated in a joint meeting of both the suppliers' teams and the customer's expanded team, including board members. The managing director of supplier of case E2 stated: "We are happy to be awarded a contract. We hope to start from scratch, to work together, and make the project a success. That is our sole goal". The customer's senior manager reacted: "We are happy with this statement. The same goes for us". Here, parties (attempt to) nullify antagonism and the effect of the court case (Section 6.5.6) and not being able to establish rapport during the tender phase of cases E02 and E2 (Kaski et al., 2018).

### *Detailing specifications*

The major focus during the first part of the start-up phase was a joint effort by both the suppliers and the customer to detail the specifications into working instructions. Here, supplier of case E2 has taken the lead, based on their expertise and experience: "we have put a strong emphasis on good specifications and instructions. The customer acknowledged this when we started asking questions". Although the scope of work somewhat changed, it was no reason for supplier of case E2 to claim extra work. This process enabled parties to establish shared understanding on the substance matter of the SCR. However, for case E1, the further detailed specification resulted in a difference in expectations regarding the scope of work. The supplier requested to be paid for what it considered to be extra work, which was denied by the customer. Further, the customer was not pleased with this supplier not meeting the production and quality levels, the throughput times, and agreed start-up timetable. Parties have constructively agreed to give the supplier more time and take appropriate actions to resolve these issues.

### *Production site visit*

During the visit to supplier of case E2's offshore production site, the understanding and building of precursors to relational governance was extended to the senior managers participating. Parties both see the visit as a very positive experience. The customer's team also visited supplier of case E1's location. The differences seen and sensed reinforced customer's difference in appreciation of suppliers' expertise, attitude, and performance.

### *Performance effects*

Meanwhile, supplier of case E2 - although he had to start later - has surpassed supplier of case E1 in the start-up process. Because of his performance (quality, low rejection level, timing, throughput volume), the customer has requested supplier of case E2 to handle additional, more complicated work. This, based on a suggestion from the supplier, to reduce the rejection level further through adding a data source. The performance of supplier of case E1 was still behind schedule. The customer declared supplier of case E1 in default and gave notice. Parties have agreed on a course of action for this.

Similarly, a direct comparison is made of the development during the start-up phase between cases D1 (type IV) and D2 (type III). The attitude of supplier of case D1 is 'as equals'. During the tender, this SCR has reached rapport and congruence. During the start-up phase, supplier of case D1 is performance-focussed, delivers according to the start-up timetable, and quality specifications, without claiming to be paid for extra work. On the other hand, supplier of case D2 does try to claim for extra work when finalizing the contract. And later, after the two suppliers and the customer have further detailed the specifications, both suppliers are requested to renew their offer based on these specifications. Supplier of case D2 offers a substantially higher price than the price agreed in the tender, and substantially higher than the renewed offer from supplier of case D1. Meanwhile, supplier of case D2 struggles to get production up and running at the agreed quantity and quality levels. Moreover, supplier of case D2 did not change his opportunistic attitude nor 'preferred' supplier expectation. So, no congruence emerged. In this case, the customer was less lenient. After discussing the offer of supplier of case D2, it offered supplier of case D2 a possibility to review their offer. When the supplier's renewed offer did not meet the customer's expectations, the customer ended the contract. Case D2's workload was added to that of supplier of case D1, with the same timetable. The customer and supplier of case D1 adapted their contract hassle-free.

#### *6.7.9. Start-up phase governance*

Parties have reached an agreement (at least accepted the customer's proposal) during the tender phase. This document is the basis for the contract to be signed during the start-up. The agreement also



guides parties in starting their contractual governance (Section 3.3.3). In this study various forms of governance have been observed during the start-up phase. For case E1, contractual governance is started as stipulated in the agreement, the agreed meetings are being held almost ritual like (Dwyer et al., 1987) without parties really entering into a 'Dialogue,' it is more an exchange of points of view. During the start-up, the customer's satisfaction went from good, to mediocre, to even very poor, due to missed deadlines, poor quality, and inflexibility from the supplier. Parties entered a dispute phase. In addition to the regular meetings, both supplier and customer have taken several initiatives for informal meetings, at several levels (applying relational governance). Here, the prior established rapport at corporate level was enabling. This rapport was built between this corporate customer and the supplier's partly different team during a successful SCR bearing on another supplier's expertise. The dispute resulted in the customer changing his attitude towards the supplier, enacting his inherent dominance (Section 6.3.2). As a consequence, the contractual governance becomes unilateral and customer-led: in case E1 the customer put the supplier in default and gave notice, with a last chance to improve his performance. The supplier then changed his attitude from opportunistic to submissive and performed up to customer's expectation. The combination of relational and contractual (partly unilateral customer-led) governance has helped parties to resolve the various issues. The critical events resulted in supplier's attitude changing to submissive, and his expectations becoming 'performance-based'.

From another observation (case E2) it is concluded that while parties were jointly translating the customer's specifications in to work instructions, parties had their regular contractual meetings at three levels, which served a very structured information exchange. The researcher observed many of these meetings. Here, supplier of case E2 again questioned (like in the tender) the customer's interpretation of the statistical method applied for quality measurement. Eventually, the customer acknowledged the supplier's interpretation as being correct.

In cases E1 and E2, using the very same agreement between parties, contractual governance has developed differently during the start-up. In case E1, the supplier focussed on negotiating the contract,

and ended up in a dependent position, with unilateral contractual governance by the customer. In case E2, the pro-active behaviour of the supplier resulted in active bilateral contractual governance.

In type IV SCRs, the researcher observed yet a different governance development during the start-up. Because of the precursors for governance established during the tender, these SCRs show right away a very active bilateral contractual and relational governance. This governance has enabled these SCRs to resolve in a consensual way (Van de Ven & Poole, 1995) the differences of opinion or expectations as these arise. For example, in case C an issue arises because the customer's payments are lacking, then lagging, then incomplete. Further, no decision is made by the customer C pertaining to the proposed equipment alterations. By active bilateral and relational governance parties are able to resolve these issues. For the type IV SCRs, the balance in governance gradually goes toward relational, while contractual is still active.

During the start-up parties develop contractual governance. For type I and III SCRs this can be bilateral, when the supplier performs and changes his attitude to submissive. However, it becomes unilateral customer-led, if this is not the case.

Type IV SCRs develop bilateral and relational governance based upon their shared outcome of the tender phase.

Type II SCRs can develop precursors for relational governance and congruence during the start-up phase, while professing bilateral contractual governance.

#### *6.7.10. Start-up phase summary*

Whereas interaction in the tender phase is regulated, during the start-up parties can interact more freely.

- Suppliers take the initiative during the start-up. And suppliers do so, differently.
- The supplier's attitude determines the development during start-up. Combining the findings on above mentioned topics of contractual changes and detailing of specifications, precursors for relational governance, cooperation, performance and dispute, and changing attitudes and

expectations there is a consistent development difference between type I and III SCRs on the one hand and type II and IV on the other. This conclusion is projected on the case pairs D1/D2 and E1/ E2, which each hold a case of each SCR type group. Within each case pair, the same SCR development difference during the start-up phase is apparent as well. The only difference between the twin cases is the supplier's attitude.

- For opportunistic suppliers and their customers the SCR is only now emerging, or failing. Opportunistic suppliers have
- a contracting frame of mind, (b) need to catch up with what is not discerned and established during the tender, (c) struggle to understand customer's need, (d) struggle to meet the requested performance, (e) only now see the customer enacting his attitude; (f) end up being confronted with an inherently dominant customer, (g) these suppliers either shed their opportunism, and become submissive, adapt their expectations to those of the customer, and perform, (i) establishing congruence during the start-up phase and (j) or their SCR is dissolved.
- While for 'as equals' suppliers and their customers the SCR becomes effective immediately during the start-up phase. Suppliers with an 'as equals' attitude (a) initiate joint detailing of the customer's specifications to secure their performance,
- build or strengthen the precursors for relational governance, (c) start or continue their cooperation, (d) focus on delivering performance, (e) resolve issues constructively, (f) in case of type II SCR bring the customer to change his attitude to 'as equals' and (g) establish or continue congruence.
- Corporate interests do play a role in the SCR development.

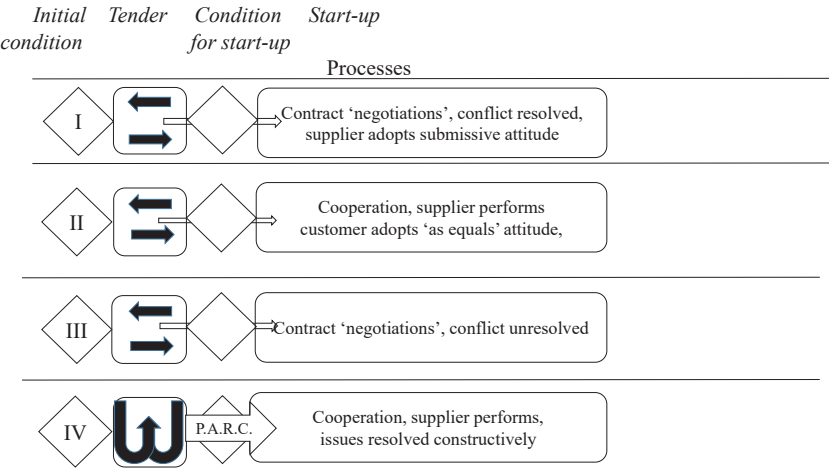


Figure 6.29. Summary of the start-up process and outcome, by SCR type.

Legend: P = precursors for relational governance, A = acquaintance, R = rapport, C = congruence.

## 6.8. Delivery condition

### 6.8.1. Introduction

The prominent transition condition in literature is congruence (Ring & Van de Ven, 1994). Yet in the RTE this is not a start-up condition (Section 6.6). This section analyses whether it is a delivery condition. And if so, how congruence is established during the start-up phase in the different SCR types. Further, it investigates whether other delivery conditions apply.

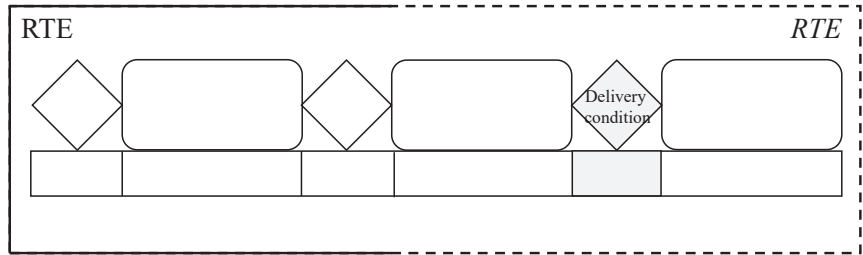


Figure 6.30. Delivery condition for SCRs in the RTE.

### 6.8.2. *Congruence*

In this study the delivery condition is congruence for all SCR types and all contract types. In all four types of SCR, parties either establish (or continue, type IV) congruence during the start-up or they terminate the contract. Five SCRs enter the start-up phase without congruence, i.e. cases A, B, D2, E1, and E2. As with the tender phase, the researcher assessed the expectations and attitudes for all customers and suppliers at the end of the start-up phase. Table 6.14 illustrates which attribute, of which party changes to reach congruence. The SCR of case D2 does not meet the congruence nor the proof of concept (next section) criteria and is dissolved. The four other SCRs establish congruence during start-up: cases A, B, E1 and E2. However, there is a difference. The suppliers which entered the start-up phase with an opportunistic attitude (cases A, B, and E1), adjusted their attitude to submissive in order to match the customer's dominant attitude. In cases A and B the customers continued their dominance, in case E1 the customer showed his inherent dominance in view of the supplier's lacking performance. At the same time, customer E in the twin case E2 changed his attitude into 'as equals' (Section 6.7.7), to match the supplier's attitude. In addition, expectations changed as well. In case A, the supplier had to 'downgrade' his expectations from 'preferred' to 'approved' supplier in order to become congruent to the customer. In case E1 and E2, the customer returned to his original 'performance-based' expectation. For supplier of case E2 that fitted his own expectations, for supplier of case E1 it meant a great deal, having to live up to a 'performance-based' expectation. Case E2 shows the power of a the supplier's combined authenticity, initiative, and expertise. In line with his 'performance-based' expectations and 'as equals' attitude, this paves the way for the customer. In the start-up phase, the customer's expectations go back to the original value of 'performance-based', and the attitude trajectory goes from first dominant (during tender phase case E02, then opportunistic (tender phase case E2), to 'as equals' in the start-up and delivery phases. In the extensive contacts during this start-up phase, parties build precursors for relational governance. As a result of these attitude changes, the SCR type of case E2 changes from type II to type IV.

Table 6.14. During start-up SCRs develop from having no congruence to congruence, except D2.

Shaded areas show which attribute of congruence have changed during the start-up phase.

Case→		A	B	D2	E1	E2
Attribute ↓						
Entering start-up phase as		Type I	Type I	Type III	Type I	Type II
Expectation	Customer	appr.	perf.-b.	perf.-b.	perf.-b.	perf.-b.
	Supplier	appr.	perf.-b.	perf.	perf.-b.	perf.-b.
Attitude	Customer	dom.	dom.	dom.	dom.	as eq.
	Supplier	subm.	subm.	opp.	subm.	as eq.
Congruence		√	√	-	√	√
Type change during start-up		No	No	Not applicable	No	Type IV

In the RTE parties entering the start-up phase without congruence establish congruence during the start-up phase, or terminate the contract.

### 6.8.3. Proof of concept

The other finding related to the phase transition condition from start-up phase to the delivery phase is: proof of concept (for 'performance-based' contracts only). Except for case A, all cases have a signed 'performance-based' (or 'vested') contract. Still, not all suppliers adopt 'performance-based' expectations from the start of this phase. During the start-up phase the suppliers have to prove that their offer is regarded favourably and that performance is as agreed. As described above, in cases C, D1, E2 the suppliers accomplish this matter-of-factly, in case E1 the supplier struggles, and in case D2 the supplier fails. In case E1 the supplier is only allowed to enter the delivery with delay, after proof of their performance. For the type of one-off work in a bespoke context, like in case B, performance is difficult to prove beforehand. During the one-day start-up, the new customer's representative met the supplier, explained her method of

working and set her expectations. The contract was signed with the non-performance and delay clauses. This marks the supplier's change from an opportunistic to a submissive attitude. Further, delivery had to start immediately, due to the delay in the tender procedure.

In the RTE suppliers in 'performance-based' contracts must show proof of concept as delivery condition.

#### 6.8.4. *Delivery condition governance*

##### *Bilateral governance*

During start-up parties develop the governance of their SCR further. Both parties actively govern to meet the delivery conditions. At the same time, parties reduce their opportunism, mainly through establishing congruence during start-up. The following items causing opportunism in the tender phase do not apply anymore: (1) 'tender = transaction', (2) withholding critical information, (3) sensitive to opportunistic partners, less likely to share and accept information from another party, and (4) goal incompatibility. That means that the counterpart does not accept that critical information is withheld. At the same time goals are aligned; parties agree to a contract, if need be re-contract (Ring & Van de Ven, 1994), so perception of payoff inequity (unfair dealing) is reduced. For the 'performance-based' contracts, opportunism as assessed for the tender phase, is indeed not discerned in the interviews on the start-up phase, except for cases D2 and E1. In case E1, the customer's project manager stated about the negotiation of a contract addition "The fact that we had to make clear that we don't want to pay for your investment and learning costs to be able to do this extra work, gave us the feeling that we have to pay [supplier of case E1] for them to develop their proposition". For case E1 opportunism changed to submissiveness when customer gave notice. For case D2, opportunism did not change, the SCR was aborted by the customer. For all cases with a 'performance-based' contract, parties eventually develop bilateral contractual and relational governance. This is in line with literature: "contracts, trust, and relational norms jointly improve satisfaction and relationship performance and jointly reduce opportunism" (Z. Cao & Lumineau, 2015, p. 15).

##### *Unilateral governance*

The Regulations-induced initial asymmetry applies to all cases (Section 6.3). Within this generic initial condition, various specific initial situations occur for the cases studied. One is adopted symmetry or reciprocity, another is inherent asymmetry: one party (in this study the customer) enacts his dominance or his dominance is latent. According to the procurement directors interviewed (Section 6.3.2) inherent dominance is a default condition for many tendering entities (customers). For example, all cases have a clause in their contract, that the customer can stop the contract without cause or compensation. This inherent dominance can be enacted consistently (cases A and B), or situational (cases D2 and E1). In each case this dominance takes its effect in a customer-led unilateral contractual governance. (Appendix, Section 6.8.4)

#### *6.8.5. Delivery condition summary*

For SCRs to transition from the start-up phase to the delivery phase, six conclusions can be made (1) In the RTE parties establish (continue) congruence during start-up, or terminate the contract. After start-up all SCRs become either type I or type IV or are dissolved. (2) In the RTE suppliers in 'performance-based' contracts must show proof of concept as a condition for delivery. (3) Suppliers in type I SCRs must change their attitude from opportunistic to submissive and bring their expectations in line with those of the customer to reach congruence. Type I SCRs all become dominant customer/submissive supplier. (4) Customers in 'performance-based' type II SCRs change their attitude to 'as equals' to establish congruence. Type II SCRs convert to type IV. (5) Unless suppliers in 'performance-based' type III SCRs change their attitude to 'as equals' (converting the SCR type III into type IV), their SCR becomes type I, because of the change in customer's attitude to dominant. If then the supplier does not act according to finding (three), the SCR is dissolved. (6) Type IV SCRs continue their rapport and congruence which was established during tender.



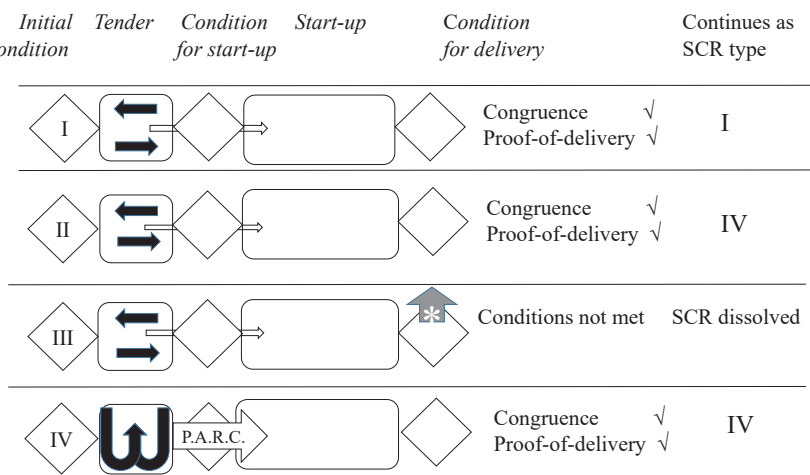


Figure 6.31. Summary of delivery conditions and outcome. Legend: P = precursors for relational governance, A = acquaintance, R = rapport, C = congruence.

6.9. Delivery phase

6.9.1. Introduction

The SCR emergence and development into a congruent state happens during the tender and start-up phases (Sections 6.3 - 6.8). In the delivery phase SCRs develop into producing the desired results. It is unlikely to find as much dynamics in the delivery phase as has been found in the SCR development from initiation into delivery. After all, the pinnacle of relationship development is in the early phases (Jap & Anderson, 2007). Further, in this study only the first episode of the delivery phase (three up to six months) has been investigated, which for all cases is to continue for a number of years. The dynamics found in the cases during the delivery are presented as part of the case descriptions (Section 6.2), and in Appendix 6.9.2-7. Developments per case are summarised by SCR type in table 6.15. Based upon the interviewee’s answers per case, their common satisfaction with the SCR is presented. In all cases parties were determined to continue their SCR. The governance during delivery is discussed in Section 6.10.7.

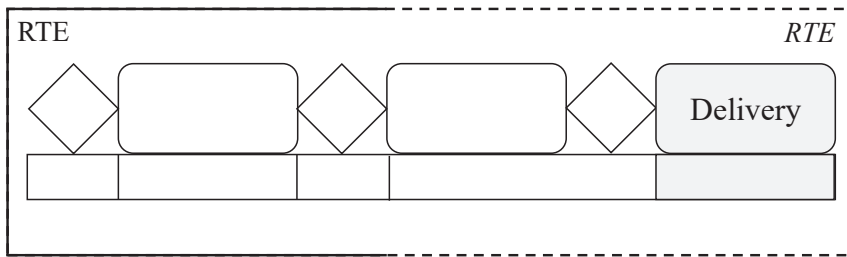


Figure 6.32. Delivery phase for SCRs in the RTE.

#### 6.9.2. Case A

See for details delivery phase Section 6.2.1.

#### 6.9.3. Case B

See for details delivery phase Section 6.2.2.

#### 6.9.4. Case C

See for details delivery phase Section 6.2.3.

#### 6.9.5. Case D1

See for details delivery phase Section 6.2.4.

#### 6.9.6. Case E1

See for details delivery phase Section 6.2.6.

#### 6.9.7. Case E2

See for details delivery phase Section 6.2.6.

Table 6.15. Position and developments during the delivery phase.

Cases	Type I		Type IV	
Type changes shown:	A	E1 → B	E1 D1 → E2 - - - - - →	C D1
Expectations changed into	‘Approved’ ↓ ‘Basic’	‘Performance-based’	‘Performance-based’	‘Vested’
Governance See Section 6.10.7	Customer- led contractual	Bilateral contractual (medium) + relational (medium)	Bilateral contractual (high) + relational (medium)	Relational (high) + Bilateral contractual (medium)
Rapport	-	-	-	√
Satisfaction	Mediocre	Good	Good/very good	Very good/ good
Development motor (Van de Ven & Poole, 1995)  See Section 6.10.3	Evolution	Dialectic	Teleology	Teleology

### 6.9.8. *Delivery phase governance*

For the development into effective and efficient delivery the customer and the supplier use contractual and relational governance. The mix of governance applied, differs by SCR type. The manner in which the parties govern during the 'delivery' phase resembles the 'change motor' mechanisms (Van de Ven & Poole, 1995), which mechanism depends on the SCR type.

There are indications that this governance's mix and manner is:

- For type I SCRs with a passive submissive supplier, unilateral customer-led contractual, and compliant adaptation by the supplier to the customer's plans.
- For type I SCRs with a performance based contract and an active submissive supplier, bilateral contractual and relational in the mix, and constructive confrontation in the manner.
- For type IV SCRs the consensus manner with active relational and bilateral contractual governance from the start-up is continued.

## 6.10. **Summary of the case study findings**

### 6.10.1. *Main findings*

This research sets out to answer the question: How does the supplier- customer relationship governance emerge and develop in the regulated tender environment? The answer is threefold:

First, SCR and governance development depend on the initial attitudes the customer and the supplier choose to take. The customers either take a dominant or 'as equals' initial attitude. The suppliers choose opportunistic or 'as equals' as initial attitude. This study categorizes SCRs in the RTE in four types:

- I = dominant customer, opportunistic supplier,
- II = dominant customer, 'as equals' supplier,
- III = 'as equals' customer, opportunistic supplier,
- IV = 'as equals' customer, 'as equals' supplier.

The type-dependent SCR and governance development are described below.

Second, the SCR development undergoes a series of conditions and phases, with an RTE specific beginning. Third, for each condition and phase a form of governance has been found, with RTE specific elements as well. The conditions and phases are described below. Figure 6.33 illustrates all three findings.

#### *6.10.2. Development by SCR type*

##### *Type I (dominant customer/opportunistic supplier)*

Both the customer and the supplier approach the tender as a transaction. The customer wants to obtain a 'regulations-proof' license to do business with the chosen supplier, without risking regulatory conflicts with any of the rejected suppliers. The customer minimizes the interaction with the suppliers. Suppliers want to be at the competitors and obtain the contract. Without meeting the customer or fully understanding the request, suppliers opportunistically make an offer and accept the prescribed contract. The interaction profile is an exchange of unilateral messages ('Ping-Pong'). This results in a regulated tender where 'bargaining' is in writing only, without parties meeting face-to-face, and without the customer being aware of the supplier's expectations.

Only upon entering the next phase of their relationship parties regularly meet and explore the details of the customer's request, the supplier's offer, and their agreement. The customer wants the supplier to show his offer meets the requested specifications, whereas the supplier wants to renegotiate the scope of work and its price. The dominant customer denies any change. The contract stipulates the governance for the relationship. Further, in order to enter the delivery phase of their relationship the supplier has to change to a submissive attitude. Parties now have matching attitudes and the same expectations; they congruently continue as principal and agent. Governance is contractual, unilaterally customer-led with compliant adaptation by the supplier.

This is also the case when the customer and the supplier agree to a performance-based contract. Here, the customer relaxes its dominance, and accepts that the supplier determines his product

design and production governance, as long as the supplier meets the contracted performance, and operates within the customer's guidelines. Parties use bilateral contractual governance and relational governance in their constructive confrontation.

*Type II (dominant customer/'as equals' supplier)*

Due to the customer's dominance in attitude and in setting the tender process the tender phase resembles that of type I. Parties are clearly not congruent in their attitudes and expectations. Suppliers who are aware of this might choose not to offer and leave the emerging relationship. Or they might try to influence the customer's request to leave the product design and production governance to the supplier's expertise. In that case the supplier will see to it that the tender is 'regulations-proof' or will dispute, even initiate court-ordered conflict resolution. If awarded the contract, the relationship continues without congruence.

Upon entering the next phase the pattern switches from that of type II to type IV (below). The supplier initiates joint detailing of the customer's specifications to secure his performance. Based on the supplier's expertise the customer's attitude becomes more relaxed. The customer now experiences the supplier's 'as equals' attitude and relationship focus. Parties start cooperating, build precursors to relational governance, and the contractual governance becomes bilateral. Now the supplier's 'as equals' attitude is being mirrored by the customer. Congruence is established. When the supplier meets the performance criteria of the contract, the relationship continues to the delivery phase as a type IV.

*Type III ('as equals' customer/opportunistic supplier)*

The customer has a relationship focus and facilitates recurrent interactions, including market consultation, meeting face-to-face, and dialogues with one supplier at a time. However, the opportunistic supplier with his win-the-award focus is not prepared or equipped to fully utilize the offered interactions. Shared understanding and bonding does not take place and therefore the pattern and outcome is rather like type I. If awarded the contract, the relationship continues without congruence, as a type I (see above). In case of a performance-based contract and the supplier's inability to deliver, the customer ends the relationship before starting the delivery phase.

*Type IV ('as equals' customer and supplier)*

From the very start both the customer and the supplier focus on mutuality. They regard the tender as a first leg of a joint journey towards a dyadic success. During the tender the customer facilitates recurrent interactions, including market consultation, meeting face-to-face, and dialogues with one supplier at a time ('W' interaction profile). This marks the start of their cooperation and results in the suppliers' understanding of the customer's demand and the context, the customer's understanding of the suppliers' offers, shared understanding between the customer and the supplier, and bonding. For this, both parties have stable, delivery responsible teams that make acquaintance. By showing their commitment and building trust, parties prepare for relational governance. Only in type IV do parties establish congruence in attitude and expectations during the tender, even build rapport. Joint expectations are 'performance-based' or 'vested'. At the same time the tender is 'regulations-proof' and the contract is understood and agreed upon.

Upon entering the next phase the supplier initiates joint detailing of the customer's specifications to secure his performance. Parties continue their attitude, strengthen the precursors for relational governance, and resolve issues constructively. Parties develop bilateral and relational governance based on their shared outcome of the tender phase. For performance-based contracts suppliers show proof of concept. Based on that and their continued congruence, parties enter the delivery phase. The relationship grows through consensus, governance is relational and bilaterally contractual. In expectations the relationship is or can become 'vested'.

*6.10.3. Development by condition and phase Initial condition and tender phase*

Dominant customers (in SCR types I and II) initiate the SCR with the norm of asymmetry and adopt a 'Regulations frame of mind' in determining the interaction configuration for the tender phase. The resulting interaction comprises 'accumulated one-way interactions' between the parties. These customers further have a 'tender = transaction' approach towards meeting the start-up conditions of 'regulations-proof' procedure and awarding of a contract.

Customers with an ‘as equals’ attitude (in SCR types III and IV) start the SCR off with the norm of reciprocity and adopt a ‘Relationship’ frame of mind in determining the interaction configuration. The resulting interaction enables parties to get a shared understanding and achieve bonding. These customers govern with the aim of mutuality and in addition to achieving the start-up conditions, they aim for rapport, congruence and precursors for relational governance.

Opportunistic suppliers have a ‘beat competition, win award frame of mind’ and a ‘tender = transaction’ governance approach. ‘As equals’ suppliers, have a ‘win the customer’ frame of mind, and govern for mutuality. If one party has a ‘tender = transaction’ approach, this prevails: For SCR type III the tender process evolves as it does for types I and II.

#### *Start-up condition*

SCRs that meet the start-up conditions of award and ‘regulation-proof’ continue with an agreement that is a precursor for contractual governance. SCRs that do not meet the conditions are dissolved. Only SCRs with an ‘as equals’ customer and supplier, additionally establish precursors for relational governance, rapport, and congruence during the tender.

#### *Start-up phase and delivery condition*

For the start-up phase, the supplier’s attitude determines the developments. Opportunistic suppliers want to renegotiate the contract, ‘as equals’ suppliers start cooperating. In the RTE, congruence is a delivery condition. SCRs establish congruence either as they develop into a dominant customer/submissive supplier combination (SCR type I) through supplier’s adaptation, or grow into a reciprocal ‘as equals’ relationship (SCR type IV) through the customer’s adaptation. If this condition is not met, the SCR is dissolved prematurely. This also happens if the supplier does not provide proof of concept during the start-up phase. Only SCR types I and IV enter delivery.

#### *Delivery phase*

Governance becomes bilateral contractual combined with relational governance for performance-based contracts, as long as the supplier



performs. For dominant customers, governance dynamics resemble constructive confrontation. For 'as equals' customers, parties govern by consensus. Otherwise, and for input and output contracts the customer resorts to his inherent dominance and applies unilateral contractual governance. The governance dynamics resemble compliant adaptation.

#### *6.10.4. Governance definition*

Finally, the definition of relationship governance is extended:

Governance comprises the attitudes and actions parties take to control, influence, or regulate the policy and affairs of their SCR. Parties use roles, obligations, responsibilities, contingency adaptation, and legal penalty (as specified or adapted in formal agreements) to reach their goal, in addition to trust, flexibility, solidarity, information exchange, fairness, and informal rules and procedures (as embedded in the relationship).

#### *6.10.5. Model for emergence and development of SCR governance in the RTE*

The answer to the question: How does the supplier-customer relationship governance emerge and develop in the regulated tender environment? is illustrated in a model (Figure 6.33) as built up in the previous sections of this chapter (Figures 6.2-11, 6.25, 6.27, 6.29, and 6.31).

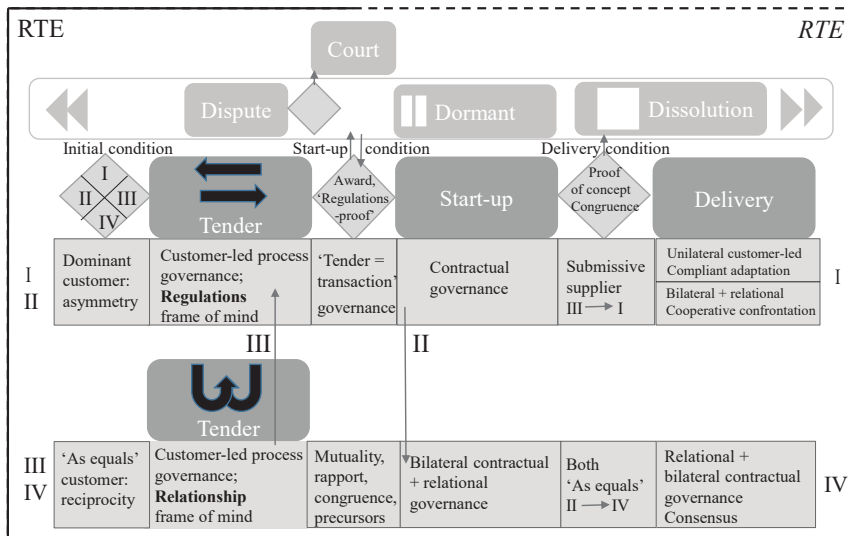


Figure 6.33. Model for emergence and development of SCR governance in the RTE.

Legend: Roman figures denote the SCR types. SCR types I and II start in the top development path, their regulated interactions are an accumulation of one-way exchanges (denoted by horizontal arrows). Type I suppliers change to submissiveness during start-up to establish congruence and continue into delivery. Type III and IV SCRs start in the bottom development path, and have a 'W' interaction pattern leading to shared understanding and bonding between the teams. Type III SCRs cross over to the top path during the tender. During the start-up these can become a type I, or end in that phase. Type II SCRs can cross over to the bottom path during the start-up when the customer changes to an 'as equals' attitude, and become a type IV.



## 7. DISCUSSION

### 7.1. Introduction

In the previous chapters of this dissertation the emergence and development of SCRs with initial asymmetry and their governance have been studied through literature research and a real-time, comparative case study of SCRs in the regulated tender environment. The findings of this study - presented in the model for the emergence and development of SCR governance in the RTE (Figure 6.33) - are discussed below in relation to the literature. The following elements of the model are discussed: Phases (Section 7.2), Initial condition (Section 7.3), Interactions (Section 7.4), Conditions (phase transitions) (Section 7.5), Governance (Section 7.6). In Section 7.7 reflections on this study and its execution by the author and recommendations for further research are discussed. In Section 7.8 recommendations for practise, and in Section 7.9 recommendations for regulators are presented.

### 7.2. Phasing

In this chapter the Dwyer et al. (1987) phase names have been used for easy reference to other literature. In brief: this dissertation extends the widely accepted phases of Dwyer et al. (1987) to include a dormant/reactivation phase (Batonda & Perry, 2003), and a new 'third party conflict resolution' phase. In addition, it confirms the not strictly sequential order of the phases (Batonda & Perry, 2003; Jap & Anderson, 2007; De Rond & Bouchikhi, 2004). In total this research makes five contributions regarding phasing, each is discussed below, and positioned in relation to the phasing aspects which are confirmed.

In literature the processes of the first (awareness) phase are described differently: Wilson (1995) includes partner selection, whereas others include only unilateral actions and no interaction (Dwyer et al., 1987; Ford, 1980) in their models. The authors mentioned previously conceptualize the start of the next phase with initiation and first bilateral interaction. In the RTE the SCR start is pinpointed as the beginning of the 'regulated tender' phase (Exploration). The first

contribution: this start is solely on the customer's initiative, and is signalled by his 'public call for competition' or by a 'public call for consultation'. In the RTE SCRs with and without an awareness phase have to be treated equally from initiation onward. In this study the awareness phase is out of scope.

Further, this empirical process study supports the literature findings on a series of phases: exploration (tender in the RTE), expansion (start-up in the RTE), commitment (delivery in the RTE), and dissolution (Dwyer et al., 1987; Ford, 1980; Larson, 1992; Wilson, 1995). The literature has conceptualized phases as strictly sequential (Dwyer et al., 1987; Ford, 1980; Heide, 1994; Kanter, 1994; Larson, 1992; Wilson, 1995). This study makes a second contribution to the emerging work namely that within the primarily sequential order-non-sequential phase transitions occur (Batonda & Perry, 2003; Jap & Anderson, 2007). For instance, dissolution before expansion or commitment is occurring in this case study. In Section 7.5 is explained why these non-sequential transitions occur.

In addition, (the third contribution) a sixth phase dormant/reactivate (Batonda & Perry, 2003) is confirmed. This phase has a specific additional application within the RTE. During a dispute between the customer and one of the tendering suppliers, the SCRs of the other suppliers are 'put on hold' (kept in dormant phase). After resolution of the dispute all SCRs are re-activated again to progress with the tender process. The fourth contribution is the 'court' phase found. This phase resembles the third party conflict resolution (Williamson, 1985), although in the RTE it is positioned before contracting. The 'court' phase can be activated by the supplier in the case where his dispute with the customer has not been resolved. During the 'court' phase the other SCRs in the tender are made dormant, to be re-activated by the customer once he decides how to implement the court order. The dormant, 'court', and dissolution phases can be part of the non-sequential order, even be intermitted during the tender (exploration) phase, with both 'forward' and 'backward' sequencing. These non-sequential steps during the tender phase are not random, but have clear causes within the SCR or in related SCRs.

In the RTE dissolution is pre-defined in time, due to the regulated maximum duration of the contract. The fifth contribution details the premature end of the SCR. Although dissolution was not intended to

be part of this case study's time window, these early terminations have been described as well since three cases were stopped prematurely. It supports the findings of an unpredictable evolution (Batonda & Perry, 2003). A precise grasp of the initial condition could probably serve the customer and the supplier as an early indicator of such a possible SCR development. This non-sequential step during the start-up phase is not random but has a clear cause within the SCR. See further Section 7.8. The other cases continued till after the time window studied.

Cyclical processes in SCRs (Doz, 1996; Ring & Van de Ven, 1994; De Rond & Bouchikhi, 2004; Van de Ven & Poole, 1995) are found as well. First and foremost, developments in all cases during the tender phase resemble the evolutionary development motor (Van de Ven & Poole, 1995): competition is the prime motor for suppliers to beat competitors and for customers to get the best deal. See further Section 7.6.

### 7.3. Initial condition

Whereas phasing is widely covered in literature, the initial condition has been described only scantily (Edvardsson et al., 2008; Mandják et al., 2015; Ring & Van de Ven, 1994). This may be related to the unclear starting moment of an SCR. The literature findings related to conditions (Mandják et al., 2015; Ring & Van de Ven, 1994) are confirmed and the following contributions are made. In this research for SCRs four initial conditions have been found. Additionally, early indicators of these conditions are described. Moreover, it is shown (next sections) that the initial condition resonates throughout all phases and phase transitions.

One of the initial conditions found is reciprocity. In literature such a condition is assumed for collaborative inter-organizational relationships by Ring & Van de Ven (1994). However, it is unclear whether this assumes symmetry (in size, dependence, power) or can also exist under asymmetry (Munksgaard et al., 2015). Munksgaard et al. (2015) selected cases with (firm size) asymmetry, and found two types of asymmetric relationships. This study also selected asymmetrical cases (amongst others, with power asymmetry in the

customer's favour) and confirms the Munksgaard et al. (2015) findings that the powerful party in an asymmetric relationship has a choice between a dominant and an 'as equals' attitude. This dissertation finds cases where asymmetry is the norm (customer displays his inherent dominance in his attitude), and those with reciprocity as the norm, with a customer displaying an 'as equals' attitude. In this study the Munksgaard et al. (2015) findings are pinpointed to the initial condition. Further, for the SCRs with reciprocity as the norm, the findings from this research confirm the Ring & Van de Ven (1994) descriptions regarding interaction, (precursors to) governance, and phase transition conditions (see Section 7.4 onwards).

Munksgaard et al. (2015) did not study SCRs as a dyad. This study finds that the initial condition for asymmetrical SCRs is to be divided into four types: two initial attitudes for each party ('dominant' or 'as equals' for the customers, 'opportunistic' or 'as equals' for the suppliers). Such a typology for asymmetric SCRs has not yet been documented. In the limited number of nine cases, at least one example of each type appeared to be present and could be studied. The advantage of the RTE is that these SCRs could be studied from the very start, both from a customer's and a supplier's perspective. Additionally, ample documentation is available, observation was allowed, and interviews were conducted. This enabled me to assess by triangulation the customer's and the supplier's initial attitudes.

The differentiated initial condition is important as it has an effect on the interaction, the governance, and the phase transition conditions (next sections). Knowing the initial condition and understanding its effects could help parties to predict their satisfaction with the SCR. Various phenomena could be used as indicators for the initial condition. For example, within the case set, the only customers initiating a market consultation are the only ones with an initial 'as equal' attitude. Combining the customer's preparedness to initiate a market consultation phase or not, with customer's attitude being either dominant or reciprocal, could prove to be an (early) indicator for a supplier's influence on the SCR outcome. Initiating a market consultation (especially one with face-to-face interaction) could signal a reciprocal attitude of the customer (see Recommendations for further research). And this market consultation offers suppliers the opportunity to render a first impression, and make early

acquaintance (see Recommendations for practise). Also, the planned interactions during the tender phase (conveyed through the tender documents) can send a similar signal, see Section 7.5. Further to Harmeling & Palmatier (2015), this study finds that encounters of initial attitude can confirm or contrast relationship expectations. ‘Reading’ the initial condition could guide parties in their early decisions of emerging SCRs. Additionally, it could help them to understand the development of their SCR. Because of the research design, some initial attitudes and combinations are excluded, see further Section 7.7.

#### **7.4. Regulated interactions**

Interactions during the regulated tender differ (Hoezen, Voordijk, & Dewulf, 2012) from those described in literature (Ford, 1980; Håkansson, 1982; Ring & Van de Ven, 1994) for the exploration phase. The Regulations determine which interactions are obligatory and how interactions should be executed. In this study it is inductively concluded that regulated interactions can serve four different purposes: (1) facilitating the supplier’s understanding of the customer’s request and context, (2) enabling the customer’s understanding of the supplier’s capabilities and offer, (3) creating a shared understanding between the supplier and the customer, whether the supplier’s offer and expertise sufficiently covers the customer’s demand, and (4) ‘bonding’. Not in all cases are all purposes served.

The premise of this dissertation was that the tender procedure chosen by the customer determined which interactions could be applied. The findings show that there is no relation between procedure and interactions applied. However, another finding is that the customer’s initial attitude determines the interaction configuration he chooses for the tender phase. The customers with an ‘as equals’ attitude facilitate a number of interactions: (1) enable many explicit, implicit, and recurrent interactions, (2) include face-to-face and one-on-one interactions, (3) participate with a team responsible for delivery of the service, which focusses on the relationship, and (4) choose a ‘performance-based’ contract. In those cases interactions can lead to precursors of governance (Dwyer et al., 1987; Heide & John,



1992; Morgan & Hunt, 1994) and congruence (Ring & Van de Ven, 1994). Additionally, in this study it is found that such an interaction configuration can lead to rapport (Kaski et al., 2018; Batonda & Perry, 2003) during the tender phase. However, such effects require suppliers (1) willing and able to use the interactions offered to the full extent, with (2) an 'as equals' attitude, (3) an expertise to deliver the requested performance, (4) a continuing representation by those responsible for delivery, and (5) a relationship focus. The above mentioned set of interaction purposes, set of requirements, and the resulting rapport building are not included in the design of this research. It is recommended that this is checked in a replication study (see Section 7.7, recommendations).

In all other cases in this study the interactions during tender phase are ritual like (Dwyer et al., 1987). The interaction pattern deviates from Ring & Van de Ven's 'formal bargaining' (1994), which is understood to include recurrent, real-time, bilateral, face-to-face, and conditional exchange of arguments, offers, and responses. In the RTE, the 'bargaining' is 'mute' (in writing only), 'blind' (without parties meeting face-to-face), and 'deaf' (without the customer being aware of the supplier's expectations). In those cases no acquaintance, precursors for relational governance (Dwyer et al., 1987; Heide & John, 1992; Morgan & Hunt, 1994), or congruence (Ring & Van de Ven, 1994) are established, nor has rapport been built. Either, the emerging SCR is aborted by one or the other party, or does result in meeting the 'regulations-proof' and 'award' conditions. In the latter cases the SCR parties regard the 'tender = transaction', allowing them to transition to the expansion phase, without really knowing each other. The exploring is postponed till after award. This deviates from the pattern described in literature. What is more, in the case study these parties do not build rapport later (see Section 7.7, recommendations).

During the expansion (start-up) phase in the RTE parties are more free to interact, as described in literature (Dwyer et al., 1987; Heide & John, 1992; Morgan & Hunt, 1994). This interaction leads to either explicit agreement on a contract and its contractual governance, reduction of opportunism, and building precursors of relational governance, while aligning expectations and matching attitudes, or not. In the case of an agreement, parties attain congruence, and suppliers need to show their proof of concept, after which the SCR continues to

'Delivery'. This means that confirming relational expectations lead to assimilation and relationship building mechanisms (Harmeling & Palmatier, 2015). In case of non-agreement, unilateral customer-led contractual governance results. This shows the negative relationship effect from disconfirming relational expectations (Harmeling & Palmatier, 2015). The mechanism of reaching congruence is described in the next section.

### 7.5. Phase transition

A differentiating of the phases (Batonda & Perry, 2003; Dwyer et al., 1987; Ford, 1980; Heide, 1994; Kanter, 1994; Larson, 1992; Wilson, 1995) supposes a transition from one phase to another either sequentially or not. However, literature hardly details the nature of these phase transitions. This study makes several contributions in this respect. This study supposes transition conditions after each phase, determining whether the transition will be effected, be sequential or different (including delayed). Ring & Van de Ven (1994) posit (for SCRs with reciprocity) congruence as transition condition after their first 'negotiation phase' (exploration). This study finds that for SCRs with reciprocity, parties show that they reach congruence during tender; in line with Ring & Van de Ven (1994). Congruence is not so much a condition and neither party refers to it as such, nor seems to be explicitly aware of it. Nor does the case set studied hold SCRs with reciprocity, without congruence, or of congruence without reciprocity. The first contribution is the strong evidence that after the start-up phase, congruence is a condition for phase transition. Whereas five out of seven cases enter the start-up phase without congruence, all six cases continuing to delivery reach (or continue) congruence during the start-up phase; and the one without reaching congruence does not make the transition it instead follows a non-sequential route to dissolution. The second contribution is the congruence finding mechanism. There is evidence that it is not possible to reach a type of congruence if one party (in this setting a supplier) senses during the tender phase that the attitude/expectations combination of the counterpart is inherently incompatible with his own. This supplier deselects himself (aborts the procedure), despite his ability to meet the awarding criteria. Another such supplier resorts to

opportunism to get in sync with the customer's tender focus. Taken together, it seems that during the phase (either the tender or the start-up) where both parties give and seize the opportunity (1) to communicate recurrently, formally, and informally, (2) adopt their own attitude and stick to their expectations, and (3) assess those of the counterpart, that those parties can establish congruence and continue to the next phase. Or (4) otherwise parties sense that they are unable to adapt and stop their emerging SCR. As one supplier mentioned: "Until today I still don't have a clear understanding of customer's goal. At this stage we don't know each other's intentions yet". This SCR failed in the start-up phase. In the paired case, the customer and the supplier did understand each other: during the tender phase they established congruence and rapport. Their SCR developed successfully into a 'vested' relationship. Both cases are examples of exchange encounters regarding relational expectations (Harmeling & Palmatier, 2015). Here too, such exchange encounters either lead to confirmation, assimilation, and relationship building mechanisms, or to negative contrasting expectations, and negative discontinuous relationship change (Harmeling & Palmatier, 2015). The mechanisms found to reach congruence during the start-up phase are either the supplier adapting its opportunistic attitude to submissiveness to match the dominant attitude of the customer, or the dominant customer adapting its attitude to 'as equals' to match the suppliers 'as equals' attitude. Where the supplier failed to match the customer's 'as equals' attitude, the customer changed to a dominant attitude. In a replication study these mechanisms should be further investigated.

Next, three other phase transition conditions also surface in this study. First, and specific for the RTE is the 'regulations-proof' condition. This means that the procedure, awarding criteria, interactions, and their application/execution should comply with all Regulations' principles. This case study shows strong evidence for this being the case and it is being felt by both customers and suppliers, although by customers more strongly. Complying with the Regulations is a part of the process to the extent that for the tender phase the dominant customers focus on just that, next to 'instrumentally' applying the awarding criteria. This study categorizes these customers as having a 'Regulations frame of mind' and results in a 'tender = transaction' governance approach. Further evidence comes from the case, where

one supplier successfully objects to the customer not awarding him a contract. This is not in line with the procedure and criteria as set. See further third party governance, Section 7.6.

Second, for all suppliers 'award' is a condition to enter the start-up phase (start-up condition). For suppliers with an 'as equals' attitude 'award' is a step towards realizing a relationship. For suppliers not having an 'as equals' attitude, the sole objective for the tender phase is to beat the competition and win an award. They opportunistically also see the 'tender = transaction'. This case study shows the suppliers attitude can remain hidden by opportunism throughout the tender phase and start-up condition. This means no real exchange encounters regarding relational expectations take place (Harmeling & Palmatier, 2015). This happens in six of the nine cases. Both customers with a dominant or reciprocal attitude have awarded opportunistic suppliers a contract; these cases do not have congruence. Congruence proves not to be a start-up condition. Although award criteria are out of scope for this study, apparently the criteria used were not sufficiently geared to exclude opportunism and test expertise. In two cases there is evidence that by awarding an opportunistic (and less experienced) supplier, another expert supplier with an 'as equals' attitude has been deselected.

Third, for performance-based contracts there is another phase transition condition to enter the delivery phase ('delivery condition'): proof of concept. It could even be regarded the other way around: the start-up phase takes as long as needed to establish, that the solution presented by the supplier functions to the customer's specifications. In one case, the supplier was not able to meet the proof of concept condition, was at the same time unable to renegotiate an amended contract with the customer, and did not adapt to the customer's 'as equals' attitude and 'performance-based' expectations. It cannot be established whether one or more of these conditions were pivotal, nor how they affected each other. In another case, the supplier also had difficulty proving his concept (in timing, costs, quality and reliability). The customer changed his attitude to dominant and insisted on performance. Eventually, the supplier did meet the proof of concept criterion, did adapt his attitude to establish congruence, and did abstain from increasing his prices for the extra work claimed. Then, the supplier was allowed to move on to the delivery phase.

## 7.6. Governance

In literature only the relationship governance after contracting has been described (Cao et al., 2013; Cao & Lumineau, 2015; Duan, 2012; Dwyer et al., 1987; Heide & John, 1992; Huber et al., 2013; Jap & Anderson, 2007; Narayandas & Rangan, 2004; Poppo & Zenger, 2002; Ring & Van de Ven, 1994; Dyer & Singh, 1998; Williamson, 1985; Klein Woolthuis, Hillebrand, & Nooteboom, 2005). This study focuses on the analysis that SCRs in the RTE have governance in each of the conditions and phases from initial condition through into delivery. Such evolution of governance has not been found in literature. Nor has the effect of the initial attitudes of both the customer and the supplier on the governance development been described. Further, three new governing phenomena are found, and three new types of governance dynamics are uncovered.

First, the customer's governance is embedded in his initial attitude as he sets the norm of asymmetry or reciprocity for the emerging SCR. Moreover, in this study a literature-based process definition of governance is developed. Based on the case study findings, the definition is expanded. Next to actions, also attitudes are used to control, influence, or regulate the SCR.

Second, in the tender phase there is customer-led process governance which is a new phenomenon. This was concluded from literature analysis and is supported by the case study. Customers use this form of governance to determine the interaction configuration, the planning, and the awarding criteria for the tender phase. However, if suppliers find the customer's execution of the tender and awarding process not in line with the Regulations, suppliers can - before final awarding takes place - dispute this. If parties cannot resolve the issue between them, the supplier can invoke a conflict phase, in which court-ordered (or third party) governance takes over. After this intermediate phase, the customer-led governance is re-installed. Third, the customer's initial attitude determines how the start-up condition is governed: with a 'tender = transaction' approach or for 'mutuality'.

Below the general pattern and the three new types regarding the governance dynamics are discussed. In general the SCRs develop bilateral contractual and relational governance during the start-up

and delivery phases, like other SCRs outside the RTE (Roehrich & Lewis, 2014). Here, the combined contractual and relational governance with a dynamic pattern regarding the mix of contractual versus relational instruments used (Cao et al., 2013; Cao & Lumineau, 2015; Clauß, 2013; Huber et al., 2013) is encountered as well. Most of the papers shown in Table 2.1 confirm the SCRs studied show a similar pattern, yet none of these authors describe the three patterns discussed here. The first new pattern shows that this can turn into unilateral contractual governance by the customer, if the supplier does not establish congruence and/or does not deliver the offered service during the start-up phase. Such unilateral governance can lead to premature dissolution of the SCR. The occurrence of this pattern seems to be dependent upon the initial attitudes of the parties. Second, the suppliers use their part of contractual governance differently, depending on their initial attitude. Right at the beginning of the start-up phase the opportunistic suppliers question the customer's specifications and want to renegotiate the agreement from the tender phase. They then find a dominant customer as a counterpart, forcing the supplier to change to a submissive attitude and perform to contract, or else. On the other hand, the suppliers with an 'as equals' attitude take the initiative based on their expertise and experience to improve the customer's specifications jointly. Based on the accomplishments of their tender (precursors to relational governance, acquaintance, rapport and congruence) these parties build relational and bilateral governance to reach the dyadic goals.

Third, the governance dynamics regarding how the parties steer towards their own and/or joint goals has not been described for example, by using the change modes of Van de Ven & Poole (1995). Only studies taking a dyadic perspective could find such dynamics (Binder & Edwards, 2010). The general pattern of cyclical processes of the SCRs (Doz, 1996; Ring & Van de Ven, 1994; De Rond & Bouchikhi, 2004; Van de Ven & Poole, 1995) also appears in this case study. For example, during the tender phase the developments resemble the 'evolutionary development' (Van de Ven & Poole, 1995): competition is the prime motor, for suppliers to beat competitors, and for customers to get the best deal. Further, in this study various modes in which the parties govern during the commitment ('delivery') phase resemble the 'change motor' (Van de Ven & Poole, 1995) mechanisms. Again, these modes seem to be related to the

initial attitude of the parties. The initial condition of reciprocity develops - as with Ring & Van de Ven (1994) - into the teleological mode (Van de Ven & Poole, 1995). Several other cases end up (in this time window) into the dialectical mode (Van de Ven & Poole, 1995); with one case in the life-cycle mode (Van de Ven & Poole, 1995). See further next section recommendations.

## **7.7. Reflection and recommendations for further research**

### *7.7.1. Reflections*

Upon concluding this study my reflections are divided into three clusters and a final remark. My reflections bear on my personal execution of the study, the research approach, and the validity of the conclusions.

#### *Researcher bias*

Morse (2015) mentions three types of researcher bias. First, the tendency to see what is anticipated, closely related to the value system of the researcher. The researcher has taken a 'neutral stance' (Popper, 1963) as much as possible. The case study groundwork (case selection, interviewing, observations, document study, coding, analysis) has been executed only by the researcher. Despite the diligence of the method and its execution, the multiple informant data collection, the dyadic perspective taken, the triangulation of evidence, the results can be biased. A dependency bias is unlikely, as the researcher is independent from each of the parties in the case study and of the outcome of the research (see Chapter 1). I also was fully at liberty to choose the subject of this study and the companies and cases\*), Further, I have taken care that my prior professional work in the RTE as a procurement director of a special sector company is embedded in the views of six peers who have been interviewed in preparation for this study. I have taken their combined views as leading for the special sector company attitude and behaviour towards suppliers.

\*) Upon the insistence of the customer in case D to investigate both cases D1 and D2, I decided to utilize this exceptional opportunity of paired cases. I could have decided not to pursue cases D1 and D2.



Similarly, both cases E1 and E2 and their predecessors have been studied. Choosing only one case could introduce a bias.

In addition, one potential case was not studied to prevent potential conflict of interest with another activity of the researcher. However, by definition the researcher can never be sure he achieves this fully. Given the result - several types of SCRs are found and followed, each with its own governance development - supports the neutral stance of the research towards SCR type or governance. However, the fact that in all cases governance is identified could be caused by a researcher bias: in not a single case no governance was concluded, although it cannot be argued that governance must occur.

The second bias involves the sampling method. The case selection method involves a selection of cases at their initiation. This secures that the researcher has not applied a bias towards the outcome of the case in selecting the cases. The third potential bias could occur with regard to the research design. For instance, questions may be biased. In this case the very same questions have been posed to representatives from the customers and the suppliers. Both views have been taken into account. It has not been discerned that either party felt unfairly treated in the interviews. And ample opportunity was provided to the interviewees to voice their opinion, concern, and feelings.

### *Research approach*

Regarding the research approach: three reflections concern the selected domain and cases. First, despite the effort to exclude path dependency, the companies in the following cases have (had) prior business contacts: in case C regarding related substance, and - at a corporate level only - in cases A, B, and E, pertaining to other services than the substance of the SCR. Second, this study is limited to services contracts for special sector companies in the Dutch RTE. Replication in other jurisdictions or cultures, other tendering entities (governments), or other substance (goods, works) could lead to other results. Third, in this research only the companies in relation to their existing SCR have been studied. The suppliers that were not awarded a contract and those that did retreat from the tender have not been investigated. Nor have the views of SCR parties been studied after the end of the contract, or after a premature ending.



In addition, SCRs for which the customer did not tender have not been taken into account. In building the research methodology using Dul & Hak (2008), in hind sight the more recent views by Fisher & Aguinis (2017) on theory elaboration could have been added. In their terminology this research has applied horizontal contrasting (non-RTE versus RTE), construct specification (e.g. rapport, attitude), and structuring specific relations (e.g. attitude and governance).

### *Validity*

Regarding the validity of the conclusions: three reflections regarding the internal validity, and two in respect to the external validity are made. Regarding the internal validity: the following assumptions need further testing. First, the assumption that the emergence and development of the SCRs and their governance can be analysed in a model through a series of conditions and phases. In the RTE there is strong evidence for this with regard to the initial condition, tender phase, the 'start-up condition', the start-up phase, and the 'delivery' condition. For further developments this is less clear and has only been studied for the start of the delivery phase. Second, it is assumed that parties have an initial attitude which has a strong effect on the emerging relationship and their governance. However, the initial attitude as assessed by the researcher has not been tested with the persons interviewed. Third, in the field study, parties have not been asked whether congruence was reached, nor what their attitudes and expectations and those of the others were in the phases studied.

Regarding the external validity: first, studying SCRs in the RTE has made it possible to uncover in detail what happens in the emerging relationship and their governance from initiation onwards. It could well be that these developments are valuable for (the governance of emerging and developing) SCRs outside the RTE. Second, from this case study no precise conclusions can be drawn about the relationship between attitude, interaction configuration, SCR type on the one hand and the establishment of 'layers of bonding' like acquaintance, rapport, precursors for relational governance, and congruence or their sequence on the other hand. For what can be concluded in this respect and what is recommended for further research, see Appendix, Section 7.7.1.

Finally, studying the emergence and development of SCRs and their

governance within the RTE has uncovered a number of previously unknown aspects. The relation between governance and the results of the SCR (and those for each of the parties) remained out of scope of this study, even though governance is but a means to these ends.

### 7.7.2. *Recommendations*

The recommendations for further research are clustered in five topics.

First, the effect the initial condition of the SCR has on the emergence and development of the SCR and their governance should be tested in a larger study. Such a study should test the initial attitudes and expectations of both parties, and their grasp of the attitude and expectations of the counterpart, and whether congruence is established. Next, the claimed effect the initial attitudes have on the interaction configuration, the start-up condition, the start-up developments and the delivery condition should be analysed. Using the findings of this study, a variance approach could be applied. Preliminary, it could be tested whether the initial condition can be assessed less cumbersome, e.g. based on desk research of the planned interactions during pre-tender and tender, and some questionnaires.

Second, the mechanisms leading to congruence should be tested and further investigated. For this, a shorter time span would suffice as only the start-up condition, start-up phase and delivery condition would be included. In the same time frame the SCRs that do not meet the start-up condition can and should be studied in order to validate the congruence building mechanisms. Such a study could at the same time test the findings on the condition of incompatibility by investigating why suppliers on their own initiative abort a tender procedure, especially when they would qualify for the selection and awarding criteria. This could further validate the congruence building mechanisms.

Third, the relationship between attitude, interaction configuration, SCR type on the one hand and the establishment of 'layers of bonding' like acquaintance, rapport, precursors for relational governance, and congruence, and any sequence in these relations on the other hand, should be studied in a further process study. See Appendix, Section 7.7.1.

Fourth, the relationship between initial attitudes and the long term

effects of the differentiated initial condition, specifically the SCR result and parties' satisfaction need further investigation, including the mediating/moderating role of the SCR governance modes (resembling the Ven & Poole (1995) 'change motors') employed. For this the time window of the study should be extended from the very start to the end of the SCR. A real-time process approach is advisable to capture the necessary detail. Measuring at the start, just after the delivery condition and at the end would most probably suffice.

Fifth, similar studies focussing on related domains are needed to enhance the validity of this study's findings. This study is limited to the special sector companies. The reason to choose special sector companies (procedural differences) is shown to be irrelevant. Based on the research approach, and the diversity in cases studied, the findings are deemed to be of value to all tendering entities, and all jurisdictions under EU Regulations. However, it would be advisable to explicitly study cases where (1) governments are tendering, (2) cases with goods and (3) works as substance, (4) cases in other jurisdictions. Further, this study has selected cases where the customer's request had to be publicly tendered. Other SCRs, for example those where the customer is in a supplier lock-in, or generically SCRs in Kraljic's (1983) bottleneck quadrant (5), with the same type of customers were not taken into account. It is recommended to study these as well, to see the effect of the customer's inherent dominance in dependent circumstances.

## **7.8. Recommendations for practice**

### *7.8.1. Personal position regarding the practice within the RTE*

In the practice of public procurement customers and suppliers use the Regulations as an excuse preventing them from following normal, non-RTE business practise. This study shows customers and suppliers can professionally start and develop their SCR within the RTE without compromising the Regulations' leading principles. This study offers practitioner's guidelines which affect a relationship built on mutuality and early warning signals which prevent that. Suppliers and customers can each take early measures to secure the emerging SCR is of the type they pursue: type IV or type I.

The recommendations made also draw upon my related work and experience. These guidelines and signals are also reflected in the propositions in this dissertation.

### 7.8.2. *Guidelines to effect mutuality*

Four guidelines stand out which can affect an SCR built on mutuality.

#### 1. Choose an 'as equals' attitude

Both customers and suppliers have a choice regarding their attitude for the SCR from initiation onwards (Section 6.3). For customers dominance is the inherent attitude of monopolists; and for the tender phase the Regulations empower customers with dominance. However, customers have a choice between enacting a dominant or 'as equals' attitude towards the (prospective) suppliers. The Regulations require the customers to treat all prospective suppliers equally. Only customers with an 'as equals' attitude towards the suppliers can build towards mutuality (Figure 6.25). This guideline is reflected in Proposition 7: In public tendering it is equally important to treat each prospective supplier as equal, as it is to treat all equally.

For suppliers the choice is between an opportunistic or an 'as equals' initial attitude. Only suppliers with an 'as equals' attitude towards the customer can build towards mutuality (Figure 6.25). Only SCRs with an 'as equals' attitude for both parties (type IV SCRs) are based on mutuality. Suppliers choosing an opportunistic attitude either end up having to change this into submissive during the start-up (resulting in a type I SCR), or their SCR is aborted during the start-up (Section 6.8)

#### 2. Tendering is bonding

The regulated tender interactions planned should enable (1) the suppliers in understanding the customer's demand and context, (2) the customer in understanding the suppliers' responses and offers, (3) to get to a shared understanding between the customer and each of the suppliers, and (4) parties to bond, i.e. get acquainted, build precursors for relational governance, build rapport, and establish congruence (Section 6.4). The customer should choose, publish, and explain an interaction configuration which will serve all four purposes. The suppliers contemplating to participate can judge from

the call for competition documents whether such an interaction configuration applies to the tender. Further, both parties should secure a stable team responsible for the tender, start-up, and delivery phases that participates in all interactions and continues the start-up and delivery phases. These teams should understand the purposes of the tender interactions and have the competences for these. Ideally the market consultation is enhanced with a one-on-one, face-to-face interaction with each of the suppliers. In such interaction parties can enter a discussion and make suggestions for the tender process, procedure, and interactions, enabling the suppliers to influence the tender governance (Steller, 2018). The resulting interaction pattern for such a tender is called a ‘W’ or ‘double U’ pattern. (Section 6.5.8).

This guideline is reflected in Proposition 3: ‘Double U’ interaction leads to rapport.

### 3. First impressions count

Procedures can be adapted and process steps be redone, however, the attitudes displayed in wording and behaviour by each and all representatives are difficult to undo, or align afterwards. Therefore it is important for representatives to personally and jointly enact the attitude of choice. Also (the wording of) all documentation should reflect this choice. The initial attitudes reverberate through all phases and conditions of the SCR (Section 6.10). A first interaction during market consultation (before ‘the heat is on’) can serve parties to display their attitude and assess that of the other party.

This guideline is reflected in Proposition 9: Attitudes are more important in governance than regulations.

### 4. Go for congruence

Without congruence, no SCR enters the delivery phase (Section 6.8). The sooner congruence is reached or parties’ inability to achieve this is established, the better. Each of the parties can apply all three previous guidelines irrespective of what the other party does. These steps offer ample opportunity to enact their own attitude and expectations and assess those of the other party during the tender process. Each party can conclude whether congruence (e.g., matching attitudes and same expectations) is established. Only type IV SCRs achieve congruence during the tender phase (Section 6.6). Other SCR types can reach

congruence during the start-up phase when the opportunistic supplier and/or dominant customer adapt their attitude to match the other's (Section 6.7). In case a party senses that no congruence is established, they can choose to adapt their attitude to achieve congruence, or influence the other party to adapt their attitude, or they can choose to stop their emerging SCR. If the congruence leads to a type IV SCR parties can continue. If the congruence would lead to a type I SCR, parties pursuing a type IV should stop the emerging relationship, or should knowingly accept this and continue.

In a tender process where awarding is postponed till after the start-up (like in the Best Value Approach (Van de Rijt, Witteveen, & Santema, 2016)) process governance can become bilateral, enriching parties' opportunities to influence and achieve the type of congruence sought (Steller, 2018). Especially when such a tender process is preceded by an enhanced market consultation (see 2, above). Such a tender process is likely to influence both parties in their choice of initial attitude towards 'as equals', or for suppliers to re-contemplate their participating. If such a tender process does not lead to the SCR pursued, with the supplier of first choice, it can be continued without the need to retender, saving time and effort for the customer and the remaining selected suppliers.

This guideline is reflected in Proposition 4: In public tendering parties should only offer/award after congruence is reached.

Table 7.1. Guidelines for mutuality and their corresponding proposition.

Guideline to effect mutuality	Corresponding proposition
Choose an 'as equals' attitude	In public tendering it is equally important to treat each prospective supplier as equal, as it is to treat all equally
Tendering is bonding	'Double U' interaction leads to rapport
First impressions count	Attitudes are more important in governance than regulations
Go for congruence	In public tendering parties should only offer/award after congruence is reached

### *Early warning signals preventing mutuality*

Four signals to warn parties that mutuality might not develop.

#### 1. Incongruent attitude

For customers: if suppliers show an opportunistic attitude the SCR might not develop into a type IV, or even a type I, and fail (Section 6.8).

For suppliers: if the customer shows a dominant attitude the SCR might not develop into a type IV, or even a type I, and fail (Section 6.6).

This early warning signal is reflected in Proposition 1: Dominant customers and opportunistic suppliers each endanger their emerging relationship.

#### 2. Tender is ritual-like

For both parties it is important to assess the other's behaviour towards the tender process. For the supplier: if the customer focuses on the Regulations instead of on the relationship this displays a 'the tender is just a transaction' frame of mind. Such behaviour has the sole purpose of complying to the Regulations and preventing Regulations-related disputes with the rejected suppliers (Section 6.6). For customers: if the supplier focuses on winning the award instead of winning the

customer this displays a 'the tender is just a transaction' frame of mind. Such behaviour has the sole purpose of (just) meeting all the awarding criteria. This can signal incomplete information disclosure, which can trigger adverse selection (Williamson, 1985). Further, precious time is lost: parties are solely interested in acquiring from the other a 'regulations-proof' license to do business with each other (Section 4.5.3) instead of using the tender phase to explore each other and their potential SCR. Post-contract this can trigger morally hazardous behaviour (Williamson, 1985).

This early warning signal is reflected in Proposition 2: In 'tender = transaction' parties hold each other hostage.

### 3. Only 'Ping'-'Pong'

If the tender interaction is 'Ping-Pong' only (Figure 6.18) parties cannot be sure the contract at award is an understood, discussed, adapted, and accepted bilateral agreement. The effect will be the bargaining will start after award. Post-contract this can trigger morally hazardous behaviour (Williamson, 1985).

This early warning signal is reflected in Proposition 5: In Regulated tenders 'formal bargaining' (Ring & Van de Ven, 1994) is 'mute', 'blind', and 'deaf'.

### 4. Monopolistic

Every special sector company is a monopolist with their exclusive concession for public service (Chapter 4). Their company culture and behaviour is inherently monopolistic. Although the Regulations empower the customers to dominate the tender process, such behaviour is not dictated by the Regulations. Customers do have a choice as to whether to enact an 'as equals' attitude. Suppliers can signal to the customer his behaviour is monopolistic. And suppliers can - irrespective of this - adapt an 'as equals' attitude and behaviour. This could lead to customers mirroring such behaviour.

This early warning signal is reflected in Proposition 6: Regulated tendering authorizes monopolistic behaviour.



Table 7.2. Early warning signals preventing mutuality and their corresponding proposition.

Early warning signals	Corresponding proposition
Incongruent attitude	Dominant customers and opportunistic suppliers each endanger their emerging relationship
Tender is ritual-like	In 'tender = transaction' parties hold each other hostage
Only 'Ping' - 'Pong'	In Regulated tenders 'formal bargaining' (Ring & Van de Ven, 1994) is 'mute', 'blind', and 'deaf'
Monopolistic	Regulated tendering authorizes monopolistic behaviour

In addition, specific recommendations are made for each of the two groups of practitioners:

*For customers*

Related to the elements of the model the recommendations concern:

1. Improved selecting

Even though the awarding criteria were not part of the study, in this research I came across instances of 'false negative' and 'false positive' selection. For achieving the best SCR results, chances for both types of selection errors need to be minimized. 'False negative' selection is deselecting a qualified supplier on the wrong grounds, (mostly early in the tender) (see Appendix, Section 6.6.4). In designing the tender procedure and drafting the documents, the RTE-proof 'repair options' need to be allowed for. Customers with a 'Relationship frame of mind' (see Sections 6.5 and 6.6) would allow suppliers the opportunity to supplement their answers or offer, to comply with missed administrative requirements. (Customer of case D missed out on two serious suppliers for administrative reasons, which could have been circumvented).

'False positive' selection is awarding a contract to a supplier who fails later. For example when during the start-up phase the supplier is unable to deliver the offered service (in quality, price and timing). In cases D and E the customers ended up in the start-up phase

with substandard suppliers (Section 6.8). A much more serious investigation by the customer into claimed expertise, experience, and the supplied references during the tender phase, could have prevented non-expert suppliers being selected.

If the customer would have configured the tender to such an extent that congruence is established before the contract is awarded (see guideline 4, above), the effect of false negative selection is less serious. More importantly, such a procedure would certainly reduce suppliers' opportunism at the start of the tender.

## 2. Prepare for tender contingencies

Customers can configure the procedure to such an extent, that a reserve-supplier can be admitted to the procedure, or even be awarded a contract, without having to re-tender. For this, the wording of the tender documentation should enable this to be used more easily.

## 3. Assertive investigation

During tender, the start-up, and delivery phases the customers can act more on their intuition when encountering opportunism, under-performance, or shirking. Early investigation of the root cause for this feeling in an open dialogue with the supplier can prevent misfortune later. Further, customers can - already during the tender - learn from suppliers especially from those who subsequently decide not to continue participating in a tender.

## 4. Written Q/A used for joint reflection

Currently in the written questions and answers (from the 'Ping-Pong' interaction) options are underutilized. The harvest of this interaction is not taken into account in the rest of the procedure. Mostly the questions are anonymized before being answered by the customer's experts. The questions (and answers) could be grouped per supplier. In the next one-on-one, face-to-face interaction, parties can jointly reflect on the questions and answers related to the specific supplier and use it as food for dialogue. In knowing that this is planned for, suppliers might ask more and other questions, which they currently do not dare to do. And customers might give other, more complete answers instead of being abrasive and afraid of the Regulations.

### *For suppliers*

#### 1. Selective bidding

Suppliers can reduce their cumulative negative experiences with regulated tenders by being much more specific in their bid/no bid decisions. (a) Only tenders for which the supplier truly qualifies, i.e. has the necessary expertise including proven competences/ organization/ technology, and proven track record should be considered. (b) And then only, when the supplier knows the procedure and planning of the tender beforehand, and judges these to be in line with the intended SCR type. (c) And most importantly, suppliers should be enabled to discern the customer's attitude and expectations during tender, and judge whether these are compatible, and match those of the supplier. (d) Suppliers should only (confirm their) offer after congruence is established. (e) Opportunism will eventually be unmasked anyway.

#### 2. Credible behaviour

When qualified suppliers decide not to bid for tenders that do not offer suppliers the above-mentioned opportunities ((b) and (c)) they can make this clear to the customer. Eventually they will influence customers to configure tenders on a level playing field: for suppliers in public tenders it is as important for each to be treated by the customer as an equal as it is for all suppliers to be treated equally. Of course this approach requires suppliers to shed their opportunism in order to be credible.

## **7.9. Recommendations for regulators**

Regulators acknowledge the administrative burden of public tendering. Yet, the most recent adapted Regulations have not led to more efficient tendering. Customers and suppliers cope with, circumvent, or ignore the added requirements. The additional goals country governments add to public procurement are ineffective, time consuming, and/or lead to wrong decisions. The new procedural opportunities in the latest version of the Regulations has not yet led to a more daring choice of interactions. The 'tender = transaction' behaviour still prevails.

Moreover, the practitioners do not see the wood (leading principles) for the trees (numerous detailed rules). They resort to rules-focused legal support in their tendering, cluttering the pre- and post-contractual interaction. The principles of equal treatment and transparency in practice lead parties to unequal (dominant/opportunistic) attitudes and opaque (incomplete disclosure) behaviour in their interactions.

Based on this research, regulators should clear the wood from the trees, reducing the Regulations to the principles. Further, they should promote (1) face-to-face market consultation, (2) tenders serving all four purposes of pre-contractual interactions, and (3) awarding after proof of concept. In addition, regulators should support customers and suppliers in improving their 'soft skills' (open communication, dialogue, learning and understanding the interests of the other party). Finally, they can trigger customers and suppliers with real-life cases, which do apply the principles, and have proven to be effective and efficient in government spending. Together, this can make public tendering more enjoyable, more efficient, and more effective.

This recommendation is reflected in Proposition 8: "Rules of bureaucracies to regulate in detail [...] will not work" (Macneil, 1980, p. 77).



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## End notes

1 [http://www.wto.org/english/tratop\\_e/gproc\\_e/gp\\_gpa\\_e.htm](http://www.wto.org/english/tratop_e/gproc_e/gp_gpa_e.htm)

2 [https://www.wto.org/english/tratop\\_e/gproc\\_e/gproc\\_e.htm](https://www.wto.org/english/tratop_e/gproc_e/gproc_e.htm)

3 [http://www.wto.org/english/tratop\\_e/gproc\\_e/gp\\_gpa\\_e.htm](http://www.wto.org/english/tratop_e/gproc_e/gp_gpa_e.htm)

4 TED Structured Dataset (2009-2014), Tenders Electronic Daily, supplement to the Official Journal of the European Union. DG Internal Market and Services, European Commission, Brussels. Received on 2015-03-18.

5 Directive 2004/18/EC, as of 2016: 2014/24/EC.

6 Directive 2004/17/EC, as of 2016: 2014/25/EC.

7 Appendix 4.2.3 Detail for the three most frequently used procedures in the RTE.

8 Van der Horst, Aanbestedingswet 2012, Berghauser Pont Publishing, 2013.

## SUMMARY

Successful business-to-business relationships are jointly governed by customers and suppliers. My research explores whether and how such governance can be achieved in public procurement. Procurement by governments and public utilities in all European Union (EU) countries is regulated. These Regulations form a specific environment for supplier-customer relationships (SCR): the regulated tender environment (RTE). SCRs in the RTE have initial asymmetry, as only the customer can initiate an SCR through his 'public call for competition'.

This study contributes to theory elaboration on the governance of relationships with initial asymmetry. It advances the scientific debate through a better understanding of the conditions for building relationship governance. Whereas successful business-to-business SCRs develop their governance through pre-contractual two-way interaction, in public procurement the Regulations can cause parties to treat the tender as a discrete transaction with limited and superficial interaction. The resulting incomplete information disclosure can trigger adverse selection. In addition, post-contract parties can hold each other hostage through their tender investment, which can trigger morally hazardous behaviour. The forming of SCRs and their governance in the RTE is not well documented, which leads to the following research question:

**How does the supplier-customer relationship governance emerge and develop in the regulated tender environment?**

This question has been researched through a qualitative, real-time, comparative case study. The research domain is service relationships of Dutch public utilities. In this study the SCR is the unit of analysis, the perspective is dyadic, and the level of observation is the organization. The research is positioned in the fields of relational exchange, social exchange theories and transaction cost economics.

### *Main findings*

1. SCR and governance development depend on the initial attitudes the customer and the supplier choose to take. The customers either take a dominant or an 'as equals' initial attitude. The suppliers choose an opportunistic or an 'as equals' initial attitude.
2. From a RTE specific beginning the SCR develops via a series of conditions and phases.
3. The SCR development shows for each condition and phase a form of governance with RTE specific elements.

### *Initial condition*

This study categorizes the initial condition of SCRs in the RTE in four types:

I = dominant customer, opportunistic supplier,

II = dominant customer, 'as equals' supplier,

III = 'as equals' customer, opportunistic supplier,

IV = 'as equals' customer, 'as equals' supplier.

The SCR governance development is type dependent. Only types I and IV make it into the delivery phase.

### *Phases*

This dissertation confirms the widely accepted phases: awareness, exploration (in the RTE: tender), expansion (start-up), commitment (delivery), dissolution, dormant/reactivation phase, and extends these with a regulated third party conflict resolution phase. The latter is positioned in the RTE before contracting. Also, the not strictly sequential order of the phases is confirmed.

### *Regulated interactions*

Interactions during a regulated tender differ from those described in literature for the exploration phase. It is concluded that regulated interactions can serve four different purposes: (1) facilitate the supplier in understanding the customer's demand and context, (2) enable the customer in understanding the suppliers' responses

and offers, (3) create a shared understanding between the supplier and the customer and determine whether the supplier's offer and expertise sufficiently cover the customer's demand and context, and (4) support parties in 'bonding'. The customer's initial attitude determines the interaction configuration he chooses for the tender phase. The customers with an 'as equals' attitude enable many explicit, implicit, and recurrent interactions, they include face-to-face and one-on-one interactions, and participate with a team responsible for delivery of the service, focusing on the relationship, and these customers choose a 'performance-based' contract. In those cases interactions can lead to precursors of governance, congruence, and rapport during the tender phase. However, such effects require suppliers willing and able to use the interactions offered to the full extent, with an 'as equals' attitude, an expertise to deliver the requested performance, a continuing representation by those responsible for delivery, and a relationship focus. In all other cases in this study the interaction during tender phase is ritual-like and deviates from formal bargaining. In the RTE the bargaining is mute (in writing only), blind (without parties meeting face-to-face), and deaf (without the customer aware of the supplier's expectations). In those cases no acquaintance, precursors for relational governance, or congruence are established, or has rapport been built. The exploring is postponed until after the contract has been awarded.

### *Conditions*

This study establishes a number of conditions after each phase that determine whether the transition is affected, sequential or different. Congruence (matching attitudes and same expectations) is a delivery condition. In order to assess congruence, parties need to (1) communicate recurrently, formally and informally, (2) enact their own attitude and expectations, and (3) assess those of the counterpart. Congruence is established in the tender phase (type IV). For other types congruence is reached in the start-up phase, either as they develop into a dominant customer/submissive supplier combination (SCR type I) through the supplier's adaptation, or grow into a reciprocal 'as equals' relationship (SCR type IV) through the customer's adaptation. If this condition is not met, the SCR is dissolved before the delivery phase.

Next, three other phase transition conditions surface in this study.



Specific for the RTE is the ‘regulations-proof’ condition; for all suppliers award is a condition to enter the start-up phase while for ‘performance-based’ contracts the proof of concept is a condition to enter the delivery phase.

### *Governance*

Based on the literature and the findings the following process definition of governance is developed:

*Governance comprises the attitudes and actions suppliers and customers take to control, influence, or regulate the policy and affairs of their supplier-customer relationship. Parties use roles, obligations, responsibilities, contingency adaptation, and legal penalty (as specified or adapted in formal agreements) to reach their goal, in addition to trust, flexibility, solidarity, information exchange, fairness, and informal rules and procedures (as embedded in the relationship).* The first group of instruments comprise the contractual, the second group the relational governance.

From this study it is concluded that SCRs in the RTE have governance in each of the conditions and phases, from initial condition through to delivery. Such evolution of governance has not been found in literature, nor has the effect of the initial attitudes of both the customer and the supplier on the governance development been described. Three new governing phenomena are determined. First, the customer’s governance is embedded in his initial attitude, as he sets the norm of asymmetry or reciprocity for the emerging SCR. Second, the tender phase features customer-led process governance. Customers use this form of governance to determine the interaction configuration, the planning, and the awarding criteria for the tender phase. Third, the customer’s initial attitude determines how the start-up condition is governed: with a ‘tender=transaction’ approach or aiming for mutuality.

Regarding governance dynamics: in general parties develop bilateral contractual and relational governance during the start-up and delivery phases, like in other SCRs outside the RTE. This includes a dynamic pattern regarding the mix of contractual versus relational instruments used. In addition three new types of governance dynamics appear in this study. In the start-up phase the supplier’s attitude determines the developments. Opportunistic suppliers want to renegotiate the

contract, while 'as equals' suppliers start cooperating. If the supplier does not establish congruence and/or does not deliver the offered service, the customer resorts to unilateral contractual governance. In this study the governance dynamics during the start-up and delivery phase are related to the SCR types. In each type they resemble one of Van de Ven & Poole's (1995) 'change motor' mechanisms.

Studying SCRs in the RTE has enabled uncovering in detail what happens in the emerging relationship and its governance from initiation onwards. It could well be that these developments are valuable for (the governance of emerging and developing) SCRs outside the RTE. Finally, recommendations are made for both practitioners (customers and suppliers) as well as for regulators, and for further research.



# SAMENVATTING

## Regels of Rapport? Over de besturing van initieel asymmetrische leverancier-klant relaties

Succesvolle business-to-business relaties worden door leveranciers en klanten gezamenlijk bestuurd. Dit onderzoek gaat na of en hoe een dergelijke besturing tijdens en na openbare aanbestedingen kan worden bereikt. Overheden en openbare nutsbedrijven moeten hun inkopen openbaar aanbesteden volgens de regels van de Europese Unie (EU). Deze voorschriften vormen een specifieke omgeving voor leverancier-klantrelaties (SCRs<sup>1</sup>): de gereguleerde aanbestedingsomgeving (RTE<sup>2</sup>). Omdat alleen de klant met een ‘openbare aankondiging van opdracht’ een SCR kan initiëren, zijn SCR's in de RTE aanvankelijk asymmetrisch.

In deze studie wordt de theorie van de besturing verder uitgewerkt voor SCR's met initiële asymmetrie. Het wetenschappelijke debat wordt bevorderd door een beter begrip van de voorwaarden voor het opbouwen van de besturing. Terwijl succesvolle business-to-business SCR's hun governance<sup>3</sup> ontwikkelen via precontractuele wederzijdse interactie, kunnen de EU regels ertoe leiden dat partijen de openbare aanbesteding beschouwen als een discrete transactie met beperkte en oppervlakkige interactie. De resulterende onvolledige vrijgave van informatie kan leiden tot een nadelige selectie. Bovendien kunnen de partijen na een contract elkaar gegijzeld houden, wat moreel verwerpelijk gedrag kan veroorzaken. De vorming van SCR's en hun governance in de RTE is niet goed gedocumenteerd. Dit leidt tot de onderzoeksvraag:

1 Leverancier-klant relaties worden in de dissertatie en deze samenvatting afgekort als SCR, voor supplier-customer relationships.

2 In de dissertatie en deze samenvatting afgekort als RTE, voor Regulated Tender Environment.

3 De besturing wordt ook aangeduid als governance.

## **Hoe ontstaat en ontwikkelt zich de besturing van de relatie tussen leverancier en klant in de gereguleerde aanbestedingsomgeving?**

Deze vraag is onderzocht via een longitudinale, kwalitatieve, vergelijkende case studie. Het onderzoeksveld bestaat uit dienstverleningsrelaties tussen Nederlandse openbare nutsbedrijven en hun leveranciers. In deze studie is de SCR de eenheid van analyse, en wordt deze vanuit een dyadisch perspectief en op organisatieniveau beschouwd. Het onderzoek vindt plaats vanuit de ‘Transaction Cost’ Economie, de ‘Relational Exchange’ en ‘Social Exchange’ Theorieën.

### *Voornaamste bevindingen*

1. De ontwikkeling van de SCR en de besturing zijn afhankelijk van de initiële houding die de klant en de leverancier verkiezen. De klanten nemen in het begin ofwel een dominante houding aan of stellen zich op ‘als gelijke’. De leveranciers kiezen voor een opportunistische of een ‘als gelijke’ houding.
2. Vanuit een RTE-specifiek begin ontwikkelt de SCR zich onder voorwaarden in fases.
3. De klanten en leveranciers oefenen in iedere fase en faseovergang besturing uit in hun relaties in de RTE. Deze besturing heeft RTE-specifieke elementen.

### *Begintoestand*

Deze studie categoriseert de initiële toestand van SCRs in de RTE in vier typen:

- I = dominante klant, opportunistische leverancier,
- II = dominante klant, ‘als gelijke’ leverancier,
- III = ‘als gelijke’ klant, opportunistische leverancier,
- IV = ‘als gelijke’ klant, ‘als gelijke’ leverancier.

De ontwikkeling van SCR besturing is afhankelijk van het type. Alleen types I en IV komen in de leveringsfase.

### *Fases*

Dit proefschrift bevestigt de in de literatuur aanvaarde fases: bewustwording, exploratie (in de RTE: aanbesteding), uitbreiding (opstart), commitment (levering), ontbinding, slapende/reactiveringsfase en breidt dit uit met een fase voor gereguleerde conflictoplossing door derden. Deze laatste vindt in de RTE plaats vóór het contract gesloten wordt. Ook wordt bevestigd dat de fases niet altijd een strikte volgorde hebben.

### *Gereguleerde interacties*

De interacties tijdens de aanbesteding verschillen van de in de literatuur beschreven interacties in de verkenningfase. In deze studie worden gereguleerde interacties beschreven, die (tezamen) vier verschillende doelen kunnen dienen: de leverancier begrijpt de vraag en de context van de klant, de klant begrijpt de reacties van de leveranciers en hun offertes, de leverancier en de klant hebben een gedeeld begrip of het aanbod van de leverancier en zijn expertise de vraag en context van de klant voldoende dekt, en partijen 'verbinden' zich. De aanvankelijke houding van de klant bepaalt de interactieconfiguratie die hij kiest voor de aanbesteding. De klanten met een 'als gelijke' houding hanteren vele expliciete, impliciete, en terugkerende interacties, waaronder 'face-to-face' met ieder van de leveranciers apart; en hun team is verantwoordelijk voor de leveringsfase en heeft zijn focus op de relatie met de leverancier; en deze klanten kiezen voor een prestatiecontract. In die gevallen kunnen partijen zich tijdens de aanbestedingsfase 'verbinden', en voorlopers van relationele besturing, congruentie, en rapport bewerkstelligen. Dit effect vereist echter dat de leveranciers de expertise hebben om de gevraagde prestaties te leveren; en verder bereid en in staat zijn om vanaf het begin een team af te vaardigen, dat verantwoordelijk is voor de levering, zich richt op de klantrelatie, de aangeboden interacties volledig benut, en een houding 'als gelijke' toont. In alle andere gevallen in deze studie is de interactie tijdens de aanbesteding ritueel en zonder formele onderhandeling. In de RTE gaat het onderhandelen stil (alleen schriftelijk), blind (zonder dat partijen elkaar ontmoeten) en doof (zonder dat de klant op de hoogte is van de verwachtingen van de leverancier). In die gevallen leren partijen elkaar niet kennen, en wordt niet aan rapport, relationele besturing, of congruentie gewerkt. Het elkaar verkennen wordt

uitgesteld tot na gunning van het contract.

### *Voorwaarden*

In deze studie worden de voorwaarden gevonden die bepalen of de relatie overgaat naar een volgende fase, en welke dat is. Congruentie (overeenkomende houdingen en dezelfde verwachtingen) is een leveringsconditie . Om congruentie te kunnen vaststellen, moeten partijen (1) herhaaldelijk, formeel en informeel communiceren, (2) hun eigen houding en verwachtingen bepalen en (3) die van de tegenpartij achterhalen . Bij type IV komt congruentie tot stand in de aanbestedingsfase. Voor de andere typen wordt congruentie bereikt in de opstartfase, hetzij door zich te ontwikkelen tot een type I SCR (dominante klant / onderdanige leverancier) doordat de leverancier zijn houding aanpast, hetzij door uit te groeien tot een wederkerige 'als gelijke' relatie (SCR type IV) doordat de klant zijn houding wijzigt. Als niet aan de congruentie voorwaarde wordt voldaan, wordt de SCR vóór de leveringsfase beëindigd. Vervolgens komen in deze studie drie andere fase-overgangsvoorwaarden naar voren. Specifiek voor de RTE is de voorwaarde 'voldoet aan regelgeving'; voor alle leveranciers is de gunning van de opdracht een voorwaarde om de opstartfase in te gaan, terwijl voor prestatiecontracten het bewijs dat de geoffreerde oplossing voldoet ('proof of concept') voorwaarde is om de leveringsfase in te gaan.

### *Besturing*

Op basis van de literatuur en de bevindingen is een procesdefinitie van governance ontwikkeld:

*Governance omvat de houdingen van de leveranciers en klanten en hun acties die het beleid en de zaken van hun leverancier-klantrelatie controleren, beïnvloeden, of reguleren. Om hun doel te bereiken gebruiken partijen hiervoor rollen, verplichtingen, verantwoordelijkheden, aanpassing aan onvoorziene omstandigheden, en juridische sancties (zoals gespecificeerd of aangepast in hun formele overeenkomsten), naast vertrouwen, flexibiliteit, solidariteit, informatie-uitwisseling, billijkheid en informele regels en procedures (zoals ingebed in hun relatie).*

De eerste groep van instrumenten vormen de contractuele sturing, de tweede groep de relationele.

De conclusie van deze studie is dat de klanten en leveranciers in hun relaties in de RTE in iedere fase en faseovergang besturing uitoefenen, vanaf de aankondiging van opdracht tot in de leveringsfase. Een dergelijke evolutie van governance is niet in de literatuur gevonden, noch is het effect van de initiële attitudes van zowel de klant als de leverancier op de besturings- ontwikkeling beschreven. Er worden drie nieuwe besturingen gevonden. Ten eerste is de besturing door de klant ingebed in zijn aanvankelijke houding, aangezien hij de norm van asymmetrie of wederkerigheid bepaalt voor de beginnende SCR. Ten tweede is er in de aanbestedingsfase een procesbesturing door alleen de klant. Klanten gebruiken deze vorm van governance om de procedure, de interactieconfiguratie, de planning, en de gunningscriteria voor de aanbesteding te bepalen. Ten derde bepaalt de aanvankelijke houding van de klant hoe de opstartconditie wordt beheerst: met een 'tender = transactie'-benadering of gericht op wederkerigheid.

De besturing kent ook een dynamiek. In het algemeen ontwikkelen partijen bilaterale contractuele en relationele governance tijdens de opstart- en leveringsfase, zoals in andere SCR's buiten de RTE. Dit omvat een dynamische mix van toegepaste contractuele en relationele instrumenten. Daarnaast zijn drie nieuwe types van governance-dynamiek gevonden. In de opstartfase bepaalt de houding van de leverancier de ontwikkelingen. Opportunistische leveranciers willen opnieuw over het contract onderhandelen, terwijl 'als gelijke' leveranciers direct gaan samenwerken. Als de leverancier zich niet congruent opstelt en/of de aangeboden service onvoldoende levert, maakt de klant gebruik van eenzijdige contractuele governance. Verder relateert deze studie de governance-dynamiek tijdens de opstartfase en leveringsfase aan de SCR types. Voor ieder type lijkt de dynamiek op een van de 'verandermotor'-mechanismen van Van de Ven & Poole (1995).

Het bestuderen van SCR's in de RTE heeft het mogelijk gemaakt om in detail te ontdekken wat er gebeurt in de ontluikende relatie en welke governance vanaf de initiatie wordt benut. Het zou best kunnen dat deze ontwikkelingen waardevol zijn voor (de governance van nieuwe en zich ontwikkelende) SCR's buiten de RTE. Ten slotte worden aanbevelingen gedaan voor zowel klanten en leveranciers als voor toezichthouders, en voor verder onderzoek.





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## ABOUT THE AUTHOR



Frank Steller (1951) studied technical physics (bachelors, University Twente) and business administration (masters, University Twente and Dortmund). During 35 years he gathered experience in business-to-business marketing, supply chain services, and general management functions.

He has been (managing) director in transport, wholesale, and third party logistics industries in the Netherlands and abroad. Last, he was Chief Procurement Officer with Nederlandse Spoorwegen for eight years. Upon his retirement he was invited to conduct a PhD research in supply chain cooperation. This dissertation is the result of that quest.



