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Relationship risk perception and determinants of the collaboration fluency of buyer–supplier relationships in public service procurement



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ABSTRACT

Public service procurement effectiveness has been emphasized as a major challenge in recent years. Well-managed partnerships between buyers and suppliers are needed in this domain to achieve collaboration fluency and improve the effectiveness of procurement. The main objective of this study is to determine which issues managerial teams must emphasize when aiming to create a solid partnership based on pre-existing collaborative relationships. The originality of this study lies in the domain approached (public service procurement in social and healthcare services), as well as the variable it attempts to explain (collaboration fluency). The study investigates two major issues: firstly, how collaboration risk perception influences communication, trust, and the governance of a collaboration and, secondly, how these factors (communication, trust, and governance) affect collaboration fluency. The study is performed via a survey regarding the collaboration of the public sector with organizations from the private and third (non-profit) sectors within public service procurement. The empirical evidence was gathered with a structured online questionnaire that was sent to organizations from the private and third sectors that provide services in the social and healthcare domain. The results indicate that in collaborative relationships in public service procurement, the higher the perceived relationship risks are, the more positive effects they will have in terms of increasing trust, communication, and the quality of collaboration management. Furthermore, communication, governance, and administration have strong influences on collaboration fluency.

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1. Introduction

1.1. Background of the study

Public service procurement effectiveness has been emphasized as a major challenge in the last decade (Lawther and Martin, 2005; van der Valk and Rozemeijer, 2009; Merkert and O'Fee, 2013), especially in the social and healthcare domain, where many challenges can be found (Crosby and Bryson, 2005). Public service procurement in the social and healthcare domain requires special attention because it represents an important part of public service procurement. In Finland, for example, more than half of the costs related to public services are incurred due to health and social care. When the focus is on public service procurement, the health and social service sector accounts for 93% of service procurement (Statistics Finland, 2012).

In order to increase the effectiveness of public services procurement, the collaboration between the municipalities (the buyers) and the service providers plays an essential role (Guzmán and Sierra, 2012). Service providers in public procurement are organizations

from the private and non-profit sectors. To provide high-quality services, well-managed cross-sector collaboration is required in this domain. Even if many collaboration practices and relationships have evolved in this area, it remains challenging to obtain fluent collaboration between all partners. Solid partnerships are needed in this domain (Vilén and Palko, 2010). Collaboration is just one stage of a true partnership. A solid partnership also requires management actions and high-quality management skills (Cahill, 1996).

Collaboration and partnership research in public services procurement has generated increased interest in recent years (Guzmán and Sierra, 2012). Collaboration in services procurement, or buyer–supplier relationships, has been studied from various perspectives, such as efficiency (Byoung-Chun et al., 2011), effectiveness (Manzoni and Islam, 2007; Chen, 2010), performance (Heimbürger and Dietrich, 2012), and success (van der Valk and Rozemeijer, 2009; Plane and Green, 2012). However, only a few studies focus specifically on collaboration in public service procurement (e.g., Chen, 2010).

Collaboration efficiency makes reference to the cost of collaboration; it is about its economic value (Byoung-Chun et al., 2011). When studying collaboration effectiveness, the ways in which objectives are achieved using a managerial perspective are evaluated (Manzoni and Islam, 2007). Collaboration performance is a broader concept that includes economic, operational,

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and managerial indicators (Heimbürger and Dietrich, 2012). Collaboration success is related to satisfaction or dyadic sales (Mohr and Spekman, 1994; Byoung-Chun et al., 2011).

However, collaboration fluency has not been studied previously. Similar to collaboration effectiveness, collaboration fluency takes managerial indicators into account. However, collaboration fluency is a new and clearly defined concept (Crockett et al., 2011) that includes broad managerial elements: identifying the common goal and challenges, making a plan to achieve this goal, putting the plan into action, analyzing and developing the activity, and establishing roles. All these managerial elements are parts of partnership management (Thomson et al., 2007). Generally, in collaborative relationships, the aim of collaboration is information exchange (Chen, 2010), whereas in partnerships, a common goal brings partners together (Cooke, 2012). Achieving this goal requires the management of action. Therefore, partnerships are related to the management of collaboration. Because the context of this study relates to partnerships, investigating collaboration fluency is logical.

Furthermore, understanding the risks leads to a better understanding of the risk management process, with direct implications for the success of a collaboration and partnership management (Delerue, 2004). Several studies have approached the field of risk management and the perception of risk in research related to collaboration management. The effect of trust on relationship risks in partnerships (Blomqvist, 2002; Vangen and Huxham, 2003), the effect of communication on risk management (Vangen and Huxham, 2003), and the effect of organizational structure (governance and administration) on the perception of relationship risks (Cooke, 2012; Das and Teng, 2001) are examples of ways in which the effect of various factors on risk management and risk perception have been studied. However, risk perception and relationship risk management are rarely highlighted in discussions of public procurement and collaboration.

1.2. Objectives and benefits of the study

The objective of this study is to determine which issues must be emphasized by a managerial team when aiming to create a solid cross-sector partnership based on pre-existing collaborative relationships. The study concerns buyer–supplier relationships in public service procurement in the social and healthcare domain. The baseline of the study is the perspective of the suppliers. In the social and healthcare domain, the suppliers are representatives of the private sector, as well as the third sector (non-profit and volunteer organizations). The two main research questions that this study addresses are as follows:

Q1: What is the effect of suppliers' perceived relationship risks on partners' trust, communication, and organizational structure (governance and administration) in public service procurement in the social and healthcare domains?

Q2: What are the effects of the most critical success factors of collaboration (trust, communication, and organizational structure) on collaboration fluency in public service procurement?

The perception of relationship risks influences the success of collaboration (Hallikas et al., 2004), and the aim of this study is to explore to what extent perceived risks have an effect on all of these factors (trust, communication and organizational structure). Additionally, the study aims to identify the main factors that affect collaboration fluency in public service procurement.

The role of partnerships in public service procurement is increasing, and new knowledge is needed in that domain (Lawther and Martin, 2005). This study adds new knowledge specifically about the management of public service procurement partnerships and

generally about any partnership. Furthermore, the study contributes to the literature on risk management in public service procurement and collaborative relationships generally, showing that the acknowledgment of risks to collaboration participants is an important issue in risk management. Studying the effect of perceived relationship risks on these factors is important when the aim is to build a solid partnership and organizations are ready to “invest” their resources and commitment in partnerships. Additionally, the study underlines those issues management teams should concentrate on when planning to form a partnership, i.e., which critical success factors must be carefully addressed in the early stage.

1.3. Outline of the study

Drawing on the perception of relationship risks and collaboration management literature, the paper identifies and outlines the factors that may be affected by risk perception, as well as factors influencing collaboration fluency in collaborative relationships. Based on the theoretical background, a series of hypotheses are developed that describe the moderating effects of perceived relationship risks on trust, communication, and organizational structure. Thereafter, these hypotheses are developed to capture the effect of these factors on collaboration fluency. This is followed by the research methods, which link the hypotheses and the essential concepts within the research model, as well as a description of the data collection and the measurement of the concepts. The results focus on testing the research model using partial least squares structural equation modeling. Finally, the discussions and the conclusions are presented, elucidating the theoretical and managerial implications of the study.

2. Theoretical background and hypotheses

Firstly, it is necessary to clarify two main concepts used in this study: collaboration and partnership. Although collaboration and partnership are important topics in the social and healthcare domain, the use of these terms still causes confusion. Often, they are used interchangeably (Carnwell and Buchanan, 2008). In fact, they are two distinct concepts, with collaboration being a component of a complete partnership. Cahill (1996) describes the collaborative relationship as a pyramid, in which the partnership is the top of the pyramid. Collaborative relationships evolve gradually in this order: (1) involvement, (2) collaboration, (3) participation, and (4) partnership (Cahill, 1996). Therefore, partnership can be described as the highest level of a collaborative relationship. It has been proven that in many cases, collaboration and partnerships, especially in the public domain, are merely rhetorical, policy-driven, and far from the real aim of partnership (Carnwell and Buchanan, 2008).

Collaboration implies informal relationships, which do not ensure equality among the parties involved (Gardner, 2005). Collaboration is about sharing information between stakeholders. Unlike collaboration, partnership implies formal and structured relationships between equal partners. Equality makes reference to power, responsibilities, privileges, and mutual decision-making regarding common goals and objectives (Feenstra et al., 2006). A true and solid partnership requires effective management to ensure the fluency of collaboration and to maintain successful relationships (Alexandre and Ponte, 2008).

To understand how relationships develop and evolve in collaborations and partnerships, the understanding of risk perception is a key issue (Delerue, 2004). According to its definition, a relationship risk is a specific risk of partnering, such as the probability of not having a satisfactory collaboration (Das and Teng, 2001) or the probability of opportunistic behavior on the part of one's partner and the consequences that may occur in those circumstances. Additionally, to understand and manage

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