

**ENGAGEMENT AND PARTNERSHIP MODELS WITH
SUPPLIERS**

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Abstract

Nowadays it is essential to establish a good relationship between a company and its suppliers because otherwise, it is not possible that this relationship lasts too much time. In the understanding of recent literature and empirical studies, there is still a lack of collaboration among customers and suppliers, and their relationships are still far from working in a perfect partnership. There is a vision for short-term profit in big companies and less attention to the quality of services provided to them. That is the reason why this study on commitments and partnerships with suppliers was started. The main objective of this study is to find mechanisms that make companies in the same supply chain thrive together. While contributing to reinforce the debate in the literature since the focus has been primarily on clients' interests.

To this end, 15 companies that provide services to big companies in Portugal were interviewed to assess the problems and needs that exist in relations with this type of customers. The interviewed companies provided important information for this study as it was possible to collect several suggested improvements, from the tender phase, the contract itself, to the operational management. Those suggestions allowed the design of two models of good practice in order to support companies in their relations with business partners.

Keywords: Long-Term Partnerships, Quality Indicators in Contracts, Supplier Satisfaction, Procurement.

JEL Classification:

L80 – Industry Studies: Services – General

M10 – Business Administration – General

Resumo

Hoje em dia é essencial as empresas estabelecerem um bom relacionamento com os seus fornecedores, uma vez que de outra forma não é possível que o mesmo seja duradouro. No entendimento da literatura recente e de estudos empíricos, há ainda uma falta de colaboração entre clientes e fornecedores, sendo que as relações entre estes ainda estão longe de funcionar numa perfeita parceria. Existe uma visão focada no lucro a curto prazo por parte das grandes empresas e uma menor aposta na qualidade dos serviços que lhes são prestados, razão pela qual se deu início a este estudo relativo aos compromissos e parcerias com fornecedores. O principal objetivo deste estudo é descobrir mecanismos que façam com que empresas na mesma cadeia de fornecimento prosperem em conjunto contribuindo simultaneamente para reforçar o debate na literatura uma vez que o foco tem sido acima de tudo nos interesses dos clientes.

Para o efeito foram entrevistadas 15 empresas prestadoras de serviços a grandes empresas em Portugal, de forma a avaliar quais os problemas e necessidades que existem nas relações com este tipo de clientes. As empresas entrevistadas forneceram informação importante para este estudo dado que foi possível coletar diversas melhorias sugeridas, desde a fase de concurso, o contrato em si, até à gestão operacional e ainda delinear dois modelos de boas práticas com o objetivo de suportar as empresas na relação com os seus parceiros de negócio.

Palavras-Chave: Parcerias de Longo Prazo, Indicadores de Qualidade nos Contratos, Satisfação dos Fornecedores, *Procurement*.

Classificação JEL:

L80 – Estudos da Indústria: Serviços – Geral

M10 – Administração de Empresas – Geral

Table of Contents

1. Introduction	1
1.1. Objective	1
1.2. Scope.....	2
1.3. Structure	3
2. Literature Review	4
2.1. Collaborative Relations.....	4
2.2. Collaborative Relations vs Competitive Bidding	7
2.3. Supplier Selection Criteria.....	8
2.4. Supplier Relationship Management.....	9
2.5. Advantages of Long-Term Relationships	10
2.6. Disadvantages of Long-Term Relationships.....	12
2.7. Sustainability	12
2.8. Integrations Strategies.....	13
2.9. Facility Management	14
2.10. Contract Management.....	16
3. Methodology	18
3.1. Research Problem	18
3.2. Research Questions	18
3.3. Interview Questionnaire.....	18
3.4. Quantitative Analysis and Content Analysis	21
4. Results Analysis	22
4.1. Service Categories	22
4.2. Years of Partnership.....	23
4.3. Satisfaction Level	23
4.4. Beginning of the Relationship	25
4.5. Improvement Suggestions.....	26
4.5.1. Improvements in the Tender Process	26
4.5.2. Improvements in the Contract.....	27
4.5.3. Improvements in the Operational Model	28
4.6. Resident Workers.....	29
4.7. Favourite Company Type and Profile.....	30
4.8. Win-Win Relationships.....	31

4.9. Client Learnings.....	33
4.10. Compromises in Long-Term Partnerships	34
4.10.1. Share Client Values and Codes of Conduct	34
4.10.2. Share Client Business Management Models	35
5. Results Discussion.....	36
5.1. Flows.....	37
5.1.1. The Choice of Service Providers Flow	37
5.1.2. Long-Term Partnerships Flow	43
5.2. Problem Solving	45
5.3. Research Questions Discussion	47
6. Final Remarks.....	51
6.1. Conclusions.....	51
6.2. Research Limitations	52
6.3. Suggestions for Further Research	53
References.....	55
Appendices	63
Appendix 1: Interview Form.....	63

List of Abbreviations

SLA – Service Level Agreement

KPI – Key Performance Indicator

List of Figures

Figure 1: Types of relationship between Buyers and Suppliers. 14

Figure 2: Relationship development framework in service sector. 15

Figure 3: Service provider category by interviewed company. 22

Figure 4: Years of partnership, on average, between service provider and clients. 23

Figure 5: Level of satisfaction with clients, on a scale of 1 to 10. 24

Figure 6: Justifications for the satisfaction levels with clients. 24

Figure 7: How service providers starts the relationships with their clients. 25

Figure 8: Improvements suggestions for the tender process. 26

Figure 9: Companies that gave suggestions for contract improvements. 27

Figure 10: Improvements suggestions for the contracts. 28

Figure 11: Improvements Suggestions for the Operational Model. 28

Figure 12: Service Providers that have resident workers in client companies. 29

Figure 13: Average of resident workers in client companies. 30

Figure 14: The most attractive company type and profile to partner with. 30

Figure 15: Current relations with clients that are win-win. 31

Figure 16: Justifications for win-win relationships. 32

Figure 17: Companies that consider current customer relationships help them to improve. 33

Figure 18: Companies where this can be reflected throughout the organization. 33

Figure 19: Companies willing to share the same codes of conduct and client values. 34

Figure 20: Companies willing to share the same client business management models. 35

Figure 21: Choice of Service Provider Flow. 42

Figure 22: How to Maintain Long-Term Partnerships Flow. 44

Figure 23: Problem Solving Diagram. 46

List of Tables

Table 1: Competitive Bidding versus Collaborative Relationship.	8
Table 2: Potential advantages of long-term relationships between Customers and Suppliers.	11
Table 3: Service Providers Interviews.	19

1. Introduction

While doing an internship in a big company of the Portuguese energy sector, an idea came up. The work developed in this internship involves the contract management of companies that provide services to this firm.

One subject that has become increasingly important in recent times is the relationship among companies, particularly among a company and its suppliers (Sillanpää *et al.*, 2016). Suppliers are the starting point of a company's supply chain, whether it is a firm that markets goods or one that provides services. Even firms that produce their own services hire other companies to provide them with other types of services, such as cleaning or security. The relationship among companies (buyers/customers) and their suppliers (or service providers) has evolved over the years. The markets have been changing (Christopher and Holweg, 2011) and the conventional strategies are not anymore, the right ones.

For many years, the companies with more power were exploiting their suppliers who often had these firms as their principal or even sole client. The strategy of these companies consisted of tough negotiation with their suppliers, which led them to continuously achieve the reduction of the price of raw materials (Sen *et al.*, 2008). With this, the companies achieved a great increase of their profits which was well seen by its shareholders. However, in recent years, fewer companies have been providing services and supplying products to these so-called bigger firms. With the prices imposed most of the firms did not resist to the market, and the ones that did, found better conditions with other companies.

In this dissertation a greater focus will be given to suppliers and service providers, as few companies listen to what they think and feel about the relationship with their clients. There are also few studies that value the opinion of companies with less power in the client-supplier relationship. In this way, this thesis project will study the relationships between companies (in the same supply chain) and what will be the best way for them to thrive together.

1.1. Objective

The main problem of this thesis is that there is currently a lack of collaboration among customers and suppliers, with relations being more like a simple service provider-client and less a partnership among companies.

To solve this problem, it is required to find an answer for three research questions: Do big companies in Portugal only care about the price factor or also about the satisfaction of their suppliers? How can client-supplier partnerships become more lasting? What can client companies add to the assessment of the services provided by their suppliers?

Therefore, in order to answer the research questions, the main objective of this thesis is to study the creation of mechanisms to support suppliers. With this help, it is expected to increase the probability of suppliers comply with their contracts and be true partners, live and thrive more time in the market and always want to run for big company contests.

To achieve the goals of this thesis project, it will be necessary to go through a multi-step process, such as:

- Review the literature of suppliers and supplier engagement;
- Conduct a set of interviews with a group of companies;
- Detect the difficulties that the supplier companies have;
- Analyse interview data;
- Create a model or an evolution table;
- Present conclusions.

1.2. Scope

As already explained, the idea for this thesis is related to the work that was done at an internship in a large company in the Portuguese energy sector. Therefore, for this study will be interviewed 15 companies that provide or have provided services to this company and other big companies. In this case, there will be considered big companies all those with 1000 or more employees.

The research will focus more on the perspective of the service provider and what they consider that should be changed in the contracts and in the relationship with their clients. The areas of service providers that were identified as appropriate for the purpose of this study were: surveillance and security, cleaning, canteen, gardening, pest control, water supply, vending, global hygiene and fire protection.

For reasons of confidentiality concerning the General Regulation on Data Protection (GDPR), the name of any company will not be mentioned throughout this thesis. Therefore, the type of service provided will be used as identification of each company, followed by the letter "A", "B" or "C".

1.3. Structure

This dissertation will be divided into six chapters:

- Introduction – where a first analysis of how this study will take place is made, the objective for this thesis are stated and its scope and structure are explained.
- Literature Review – description of what several authors have mentioned about the topics of suppliers and supplier engagement. The relationships that companies in the same supply chain have with each other, the impact of duration on the relationship itself, how to choose the right partners and suppliers, and the effects of social and environmental responsibility of a company throughout the supply chain will also be analysed in this chapter. All of this analysis will be more focused on a service rather than product context, addressing from a facility management and contract management perspective.
- Methodology – explanation of the whole process, i.e., how the study was carried out. Starting from the problem itself and the statement of the three research questions. How the interviews were made to the companies, explaining the meaning of each question and the techniques used to analyse the answers obtained.
- Results Analysis – analysis of interview results with the 15 companies, which provide services to big firms (more than 1000 employees). In this way, it will be possible to better understand the needs that service providers have in the course of contracts with big dimension firms.
- Results Discussion – discussion of the analysis made in the previous chapter. Through the construction of diagrams as well as their justifications will be identified the key points of this study to help big companies and their service providers to improve their relationships as it was the purpose of this thesis. Research questions were also answered in this chapter.
- Final Remarks – presentation of the conclusions that can be drawn from each of the themes analysed. Therefore, there will be compared the initial objectives defined for this dissertation and if they were achieved in the study that was performed. Furthermore, the limitations of this study are also presented followed by suggestions for future research that may complement this study.

2. Literature Review

In order to fulfil the objectives defined in the previous chapter, it is necessary to review the existing literature about the themes on which this dissertation will focus. In this way, in the current chapter will be described what several authors have mentioned about the topics of suppliers and supplier engagement.

The relationships that companies in the same supply chain have with each other, the impact of duration on the relationship itself, how to choose the right partners and suppliers, and the effects of social and environmental responsibility of a company throughout the supply chain will also be analysed in this chapter.

All of this analysis will be more focused on a service rather than a product context, addressing from a facility management and contract management perspective.

According to Forkmann *et al.* (2016), the relationship between the companies and their suppliers represents a big challenge for all firm managers.

In recent years, companies have focused on supplier development, performance improvement, and customer enhancement. For Sillanpää *et al.* (2016), this is due to the fact that firms feel that, having quality suppliers and to whom they can trust on, is a competitive advantage.

Sometimes firms underestimate the effort required to support a partnership relation between them and suppliers (Andersen and Gadde 2018).

About 70% of strategic alliances between suppliers and buyers failed (Seçkin and Sen, 2018), so it is necessary to establish a set of supplier selection criteria to improve this performance.

2.1. Collaborative Relations

According to Seçkin and Sen (2018), the relations between firms and their suppliers can be of two types, competitive or collaborative. For Sen *et al.* (2008), the competitive relationship is based on price and short-term contracts, whose negotiations between the parties are generally difficult and complex. The collaborative is the one that consists in cooperation among companies and which is made several exchanges of knowledge and resources that lead to mutual benefit (Sen *et al.*, 2008).

In 2003, Humphreys *et al.* explained that, in some cases, firms adopt the assumption that there is no difference between the suppliers that make them having gains or any kind of

competitive advantage. In this situation, it should be adopted a competitive relationship between companies and suppliers. In this type of relationship, it is not possible to create long-lasting partnerships and all the advantages of a partnership will be lost (Lehtonen, 2006).

Other authors, like Imrie and Morris (1992), support the idea that a more cooperative relationship among companies is important for both buyers and suppliers. The supplier, by having access to the way the buyer company works, can acquire knowledge and skills which will help both companies to grow together.

Until recently, firms preferred a relationship in which the budget spent with suppliers was reduced, as much as possible, to achieve greater profits and be more competitive. However, in recent years these powerful companies have been realizing they need to establish partnerships with their suppliers, once with the traditional approach the survival of the powerless companies was reduced (Lee *et al.*, 2009).

For Ellram (1995) a partnership is a bidirectional relation that benefits both parties so that both parties try to build up and preserve this relation in an enduring way. The customer firm in developing its suppliers will be able to improve and develop the quality of its processes (Krause, 1999).

All the service process must be analysed, otherwise it is not possible to calculate the value that a service has to the customer (Jylhä and Junnila, 2014). A partnership between companies is not always the best solution. Establishing a partnership can lead to initial costs with the coordination and communication needed to implement it, as well as the risk that it will not work (Lambert *et al.*, 2004). However, the prospect is that the costs are easily recovered with the satisfaction of the customers, through a better service provided by both companies (Jylhä and Junnila, 2014).

Companies have a close relationship with suppliers to improve their competitiveness and take advantage of their resources and skills (Seçkin and Sen, 2018). Any firm that wants to survive in the current markets must be very competitive and bet on innovation. Andersen and Gadde (2018) said that more and more companies are betting on the exploitation of the resources and capabilities of their business partners. However, these partnerships, if not well established and continuously monitored (Peng *et al.*, 2014), can cause problems of flexibility and coordination (Yan and Nair, 2016).

Companies seek for variety in their suppliers' resources. Sometimes it is necessary to adjust the type of relationship with suppliers through lessons learned to be possible the integration and generation of knowledge (Andersen and Gadde, 2018).

Mitrega and Pfajfar (2015) follow the concept of dynamic capabilities (Teece, Pisano and Shuen, 1997; Eisenhardt and Martin, 2000), which purpose that the competitive advantage of a company is not only from the resources' exploitation of the relationship with its suppliers but is also achieved through opportunities from the supply chain restructuring.

According to Forkmann *et al.* (2016), it is important that firms make constant improvement in their supply chain network since in this dynamic market it is necessary to explore various types of resources and to be constantly evolving.

Forkmann *et al.* (2016) argued (and according to Mitrega and Pfajfar study) that companies, after a certain period, should look for other types of suppliers that share innovative features and capabilities. All the suppliers that do not present the expected results should be re-evaluated and, in an extreme case, the partnership should be finalized, and a better solution must be sought, as well.

The study by Andersen and Gadde (2018) showed that innovation partnerships have a high degree of uncertainty, especially regarding the performance and the necessary support that must be given to suppliers. To reduce such uncertainties, control by buying firms should be increased. However, this control cannot be too high in order to enable the resources of suppliers be exploited to the best of their ability.

Andersen and Gadde (2018) argue that the relationship between client companies and their suppliers must be established through organizational interfaces. The firms must adapt to the characteristics, competencies, and motivations of their suppliers. Companies enable their collaborative development by exploiting the resources of their suppliers.

For small companies, partnerships or strategic alliances are extremely important, as it is very difficult for them to get all the resources they need. Even for bigger companies, it is very important to have this competitive advantage. Thus, companies start to have a grower and broader knowledge of their business. The construction of a partnership begins to be defined when the needs of the company are evaluated, and the objectives set for the partnership are established. After this, the company should choose the partners that fit

those needs. Throughout the partnership, the best ways to work together should be estimated and the results of the partnership constantly assessed (Salavisa *et al.*, 2018).

Another very important factor for collaborative relationships is trust. Only with trust in their partners will companies be available to share knowledge and skills. To build a relationship of trust, all experiences count, especially the past ones, so it must be built gradually. This trust is easier to gain among companies with similar goals and characteristics (Salavisa *et al.*, 2018).

Companies with a more mature market position can sometimes use their power to get more benefit from the relationship than their less market strength partner (Audretsch and Feldman, 2003). For this not to happen, it must be well contracted what each one should give and receive during the partnership (Lerner and Merges, 1998).

2.2. Collaborative Relations vs Competitive Bidding

The implementation of a collaborative relationship can be time-consuming, sometimes the needed resources are not right available, and both companies may take time to present themselves available to share information and knowledge (Dyer and Singh, 1998).

When the choice of the supplier is done through a competitive relationship does not take away too many benefits from suppliers past performance. On the other hand, a more collaborative relationship would imply the sharing of technical and financial information, the interaction between the management of both companies and a more flexible buyer-supplier relationship to changes in service needs, especially in time and quantity questions (Bhimani *et al.*, 2008).

According to Bhimani *et al.* (2008) in a competitive relationship, the terms in the contract are agreed in such a way that both parties depend, as little as possible, on each other. In contrast, partnership relations are based on trust and transactional dependence with partner companies, beyond simple business relationships.

In competitive relationships, the communication channels are quite formal and strictly between the purchasing department of the client company and the sales department of the supplier company. While in the collaborative relationships, the channels are broader passing the communication by several departments of the companies (Bhimani *et al.*, 2008).

For Bhimani *et al.* (2008) in competitive relations each company is the proprietary of their knowledge, contrasting with the collaborative ones where the operational knowledge is shared between each party. The price is not the most important characteristic of partnerships. However, in non-collaborative relationships, the company who present the lowest price in their proposal usually wins the contract.

In order to summarize the differences between both types of relationship, Table 1 is presented below.

Buyer-Supplier Characteristics	Competitive Bidding (CB)	Collaborative Relationship (CR)
Choice of supplier	The previous relationship matters little	It implies knowledge sharing, a more flexible relationship and interaction between top management of both companies
Contract Terms	Customer and supplier depend as little as possible on each other	Trust and transactional dependence with partner companies
Communication Channels	Narrow and formal	Multiple channels, information exchange is less formal and more frequent
Knowledge	Proprietary	Operational knowledge flows between each party
Price	Lowest bidder wins	Immediate price competitiveness is often secondary

Table 1: Competitive Bidding versus Collaborative Relationship.

(Source: Bhimani *et al.*, 2008)

2.3. Supplier Selection Criteria

The best way to have a good relationship between companies is to select the right partners. In 2001, De Boer *et al.* said that the supplier selection process involves four steps, the problem/needs identification, the formulation of all criteria, the selection of suppliers who meet the criteria and the final selection of the supplier(s) that best fits the needs and the evaluated criteria.

According to Sen *et al.*, (2008) and De Boer *et al.* (2001), firms should pay more attention to the process itself than to the decision. To make the best final decision all the previous steps should be done with quality. Contrasting these two articles that value the selection

process, Weber *et al.* (1991), Holt (1998) and Degraeve *et al.* (2000) give more importance to the selection phase.

Supplier selection criteria are commonly distinguished between qualitative and quantitative. However, as Wind and Robinson (1968) recognised, fulfilling a quantitative criterion can mean a non-compliance with another qualitative criterion. The best-known example of this is that the lowest price does not tend to the best quality.

Two years before that, Dickson (1966) identified a set of criteria (23), which are still considered nowadays by many authors as the most important ones. Wind and Robinson (1968) and Weber *et al.* (1991) concluded that most supplier selection involved more than one criterion.

For some authors like Ghodsypour and O'Brien (1998), Sarkis and Talluri (2002), as well as Talluri and Narasimhan (2003) the criteria used for the selection of suppliers should be chosen based on the strategies of the companies and the level of integration sought on this partnership with the suppliers.

2.4. Supplier Relationship Management

The study presented by Forkmann *et al.* (2016) proves that the best way to improve supplier relationships is to focus on supplier development programs and the integration of these suppliers in the supply chain. These results are in accordance with the studies of Rai *et al.* (2006), Wagner and Krause (2009) and Danese and Romano (2011).

That study is mainly focused on Supplier Relationship Management capabilities. In it, two types of strategies were highlighted: exploitation and exploration (March, 2011; Hoffmann, 2007). Exploitation strategies consist of improving existing relationships with suppliers. While exploration strategies are those in which relationships are made with new suppliers, with the aim of developing new resources and ending those relationships with suppliers whose performance is below customer companies' expectations. Regarding the current need for continuous improvement of the supply base of companies, the most appropriate strategy according to the study of Forkmann *et al.* (2016) is that of exploration, also called dynamic optimization.

In this way, a dynamic optimization strategy is more suited to the industries of constant transformation or those that depend on the preferences of the consumers. However, the changes that have taken place in the markets mean that the tendency is for all industries

to become more “fast-changing” (Christopher and Holweg, 2011). Therefore, this type of strategy will be implemented by more and more companies (Forkmann *et al.*, 2016).

According to Noshad and Awasthi (2015), supplier relationships are essential for the supplier quality development. They advise on information sharing, supplier involvement in quality systems, long-term relationships, greater communication and discussion between both parties, preferably face-to-face, and multi-functional contract management teams. This will enable companies to achieve higher quality with lower costs, better planning and less pressure on the customer-supplier relationship resulting in a win-win relationship.

Investment in the development of suppliers in big companies is increasingly common. This investment consists in a set of techniques that allow suppliers to improve their performance in the client company (Krause *et al.*, 1998). This makes the commitment between both parties stronger and consequently increases the quality of the service provided. This investment is beneficial in most cases, however some care must be taken. This shared knowledge may be used against the investing company itself as these suppliers may share it with rival companies and strengthen them (Blonska *et al.*, 2013).

According to a study by Martins *et al.* (2017), the quality of the service provided increases when there is a constant sharing of information by both parties. It was also mentioned that the most lasting strategic relationships between partners are those in which the supplier invests most in the relationship during the contract. The use of measures to assess the performance of suppliers when used strategically benefit the relationship between supplier and client companies.

2.5. Advantages of Long-Term Relationships

Recently, firms have been seeking to establish long-term partnerships with their suppliers to improve their operational, social and environmental performance. According to Seçkin and Sen (2018), these partnerships need to be done with the right suppliers, so a selection process is needed to detect the supplier companies that fit the needs of client firms.

A long-term relationship between customer firms and their suppliers benefits both parties when it is well applied (Seçkin and Sen, 2018).

In operational terms, these benefits for the buyers are increasing service quality level, increasing flexibility and increasing quality of customer service. For suppliers, the

advantages are risk reduction due to long-term plans and costs reduction through better inventory control (Perona and Saccani, 2004).

In terms of management and strategy, this type of relationship will reduce the need to search for new suppliers and establish new contracts, increase supplier loyalty and allow companies to focus on their core activities. This allows suppliers to have support in their development and growth, reducing the risk of short duration customers and less administrative costs due to the bigger focus on the main customers (Perona and Saccani, 2004).

Interface Process	Advantages for Customers	Advantages for Suppliers
New Product Development	Increased innovation	Joint investments in R&D
	Reduced time-to-market	
	Reduced cost of projects	
	Improved quality of projects	
	Reduced risk of projects	
	Joint investments in R&D	
Operations	Increased level of customer service	Reduced risk through long-term planning of production capacity, more reliable orders and forecasting
	Reduced financial cost of stocks	
	Increased overall quality	Reduced costs through better inventory control, scale and learning economies
	Increased flexibility	
Management and Strategic Planning	Reduced costs through reduced complexity	Reduced administrative costs through the focus on few key customers
	Increased supplier loyalty through mutual dependence	Reduced risks thanks to the certainty of consolidated customers
	Reduced time spent looking for new suppliers of stipulating contracts	Help in developing capabilities and support to growth
	Focus on core competencies	

Table 2: Potential advantages of long-term relationships between Customers and Suppliers.

(Source: Perona and Saccani, 2004)

Perona and Sacani (2004) presented a table summarizing some of the advantages for clients and suppliers in long-term relationships (Table 2).

For some authors (Ireland *et al.*, 2002; Nooteboom *et al.*, 1997), a long term relationship helps firms to increase the speed of entry into the market, minimise the dependence on uncontrolled resources, reduce transaction costs, share fixed costs, acquire access to complementary expertise, survive in an uncertain market, improve the core business of companies and move the company successfully in a dynamic market.

The first step to long-term relationships is to pass this idea to the supplier. When suppliers expect a long-term relationship they work for short, medium and long-term results. On the other hand, when these partners have the perception of a short-term relationship, they will only work for short-term results (Ganesan, 1994). The relationships that last longer provide higher levels of confidence for suppliers, coupled with greater satisfaction from buying companies that are investing more regularly (Martins *et al.*, 2017).

In 2008, a European Union report mentioned that companies that have long-term relationships with their suppliers and with their customers tend to use more technologies that promote business-to-business relationships.

2.6. Disadvantages of Long-Term Relationships

Long-term relationships between companies do not always bring benefits. When two firms start to depend very much on each other, there is some tendency for one of them to start having opportunistic approaches (Drake and Schlachter, 2007). The buying company may also lose some flexibility with long-term commitments to the supplier firm and could not respond to changes in demand and supply markets (Sacani and Perona, 2007).

2.7. Sustainability

In recent times, concepts such as environmental awareness and social responsibility have been considered by companies. In today's competitive market, it is not enough to have an only operational and financial advantage. Thus, it is necessary to have environmental and social responsibilities to survive in these markets. For this to be possible, firms must cooperate among them, so the supplier selection process is increasingly important (Seçkin and Sen, 2018).

Supplier companies have a great responsibility in the success of their customers. It is important for firms to instil a spirit of environmental sustainability and social

responsibility in the members of their supply chain to avoid being penalized (Gimenez and Tachizawa, 2012; Carter and Jennings, 2002; Seuring and Muller, 2008; Hsu and Hu, 2009).

Nowadays, with the power of the media, there are many cases of multinational companies that have been affected by the penalties applied to their suppliers. According to Seçkin and Sen (2018), firms currently tend to act in accordance with the principles of sustainability with their suppliers, and these criteria are already being inserted in the new suppliers' selection processes.

Most of the research done in the supply chain management area focuses too much on the environmental aspects, and has ignored the social aspects (Kleindorfer *et al.*, 2005; Seuring and Muller 2008). However, it is important to give value to the impacts of the company's actions on its stakeholders (Dreyer *et al.*, 2006; Hutchins and Sutherland, 2008).

2.8. Integrations Strategies

This thesis will focus mainly on the partnership relations between the customer company and the supplier. However, it is important to analyse the various types of relationships that exist.

Seçkin and Sen (2018) define the relationship between a buyer and a supplier as a process in which the customer performs purchase and production activities in an integrated way with its supplier to reach the same goals.

According to Hines (2004), there are three types of relationship between buyer and supplier (Figure 1): a competitive relationship that focuses on price, a partnership which objective is the relationship between both parties being possible in cooperation, coordination and collaboration, and integration that is divided into a joint venture and vertical integration. The joint venture consists of risk sharing, while vertical integration is the control of all supply chain by a single organization.

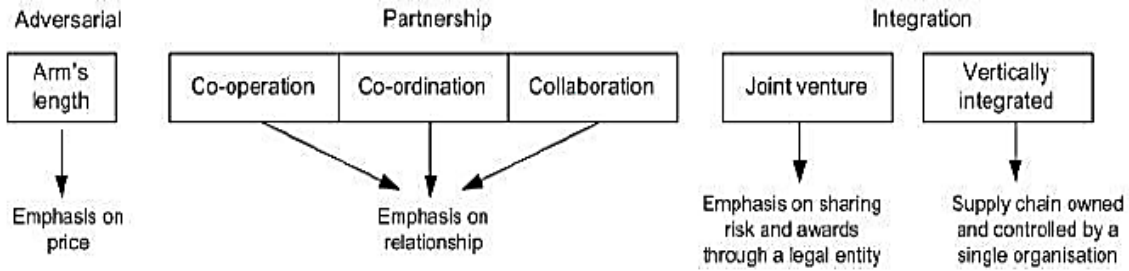


Figure 1: Types of relationship between Buyers and Suppliers.

(Source: Seçkin and Sen, 2018)

According to Ghodsypour and O'Brien (1998), the main criterion for selecting a supplier in a partnership process is to define the level of integration between the firm and the supplier. However, there is no set of criteria that is the solution for all buyer-supplier partnerships, because each company has its own characteristics and needs (Seçkin and Sen, 2018).

The timing of an engagement relationship with suppliers is different for each firm. Their capacities and needs must be assessed very well before any such decision is made. Saunders *et al.* (2015) carried out a study to analyse the effect of integrating suppliers as early as possible in the supply chains of companies.

The decision to enter into partnerships with suppliers, early is seen as a good strategy in terms of social sustainability. However, companies should not forget that their main objective is to have a sustainable economic and financial activity. Therefore, it is important to assess the potential impacts of this type of strategy, such as if the firm has the necessary internal knowledge or needs a relationship with suppliers based on knowledge sharing (Saunders *et al.*, 2015).

2.9. Facility Management

Most of the big organizations require services from other companies in a set of areas, such as security and cleaning services. The operational management of this type of contract is denominated by Facility Management. According to Lehtonen (2006), in the beginning, most of these services are purchased for the lowest price rather than the best quality. The customer, after revealing some dissatisfaction by the lack of quality of services, experienced that are valued other criteria in the following search for a new service provider.

In Facility Management services, the level of partnership is low and Jylhä and Junnila (2014) has pointed out six factors that lead to this: only the sub-processes are optimized instead of the entire process being optimized, reduction of prices instead of costs, the process does not go according to the client's interests, employees are constantly overworked, it is not often possible to make improvements and the information is not correctly managed.

Trust-based partnerships in facility management services could only be created if customer needs are understood and customers are satisfied with the services provided (Sillanpää *et al.*, 2016).

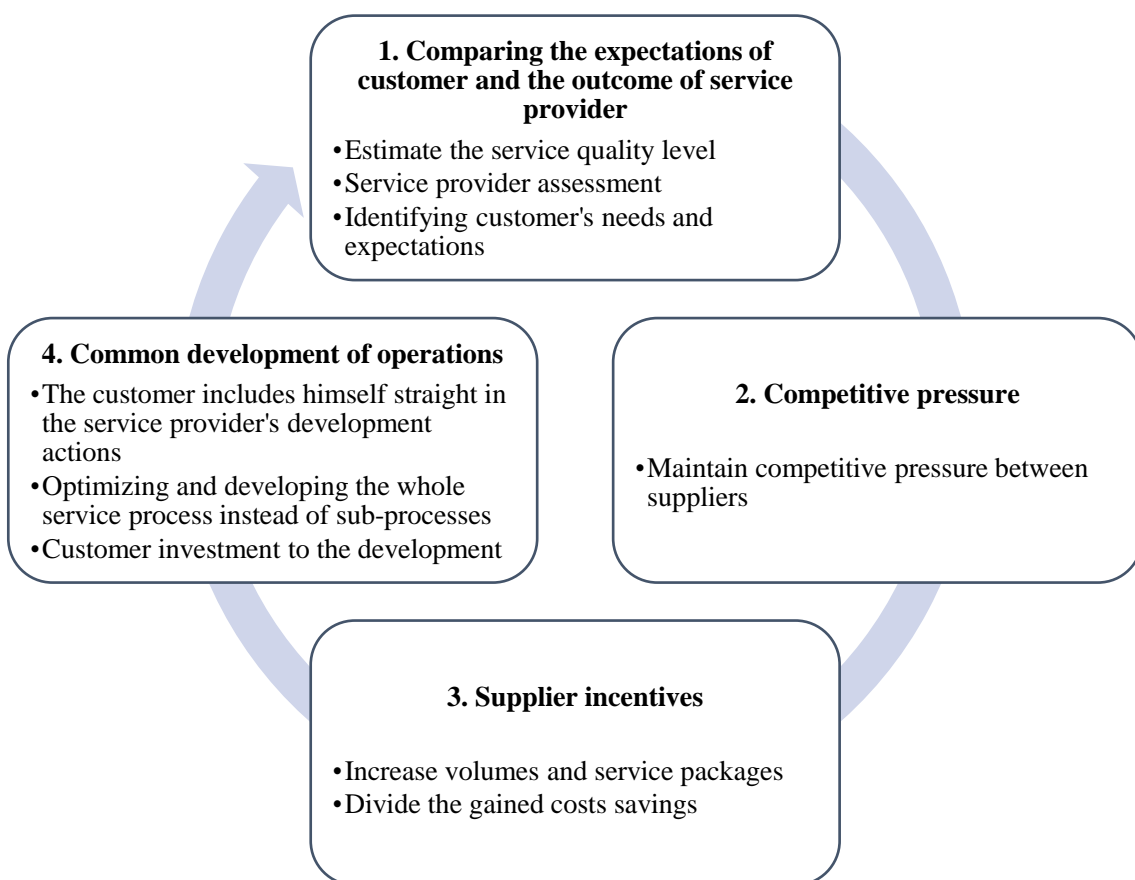


Figure 2: Relationship development framework in service sector.

(Source: Sillanpää *et al.*, 2016)

According to the Sillanpää *et al.* (2016) study, if a company wants to develop the relationship with their suppliers for their facility management services, they should maximize the value that a service provider brings to the customer and the productivity of both. Also, the service must be estimated according to the perspective of the service provider and customer, and their relationship must be developed constantly and together.

For achieve these key elements, the customer company should create competitive pressure, make a comparison between what the service provider can offer and what the customer needs, develop operations in conjunction with the service provider and create incentives for the service provider (Sillanpää *et al.*, 2016). A more detailed analysis of these aspects is presented in the flow of Figure 2.

In addition, Sillanpää *et al.* (2016) also said that is necessary to monitor the relationship between companies and their service providers as well as develop tools to measure the progress in their relations.

2.10. Contract Management

Dubey *et al.* (2018) said that the basis of communication between a company and its suppliers was through contracts. The contracts help managers to make good investments in the supply chain, but only when there are established sustainable conditions of partnership on them.

Forkmann *et al.* (2016) study defined the supply base as “the suppliers that are managed through contracts and the purchase of parts, materials and services” (definition from Choi and Krause, 2006).

Up till now, very few companies make sustainable and comprehensive management of their contracts, however, recent approaches already show some progress in this regard (Ho *et al.*, 2010; Setak *et al.*, 2012).

According to Dubey *et al.* (2018) the sustainable contracts are defined by:

- The long-term economic success of suppliers;
- Suppliers should not cause economic, environmental, and social harm to customer stakeholders;
- Both entities are interconnected through contracts written by both parties (buyer and supplier) and where the principles of sustainability are established.

It is crucial to have a careful and demanding selection process to get the most benefits out of the contracts. In a supplier selection process, it is important to audit the candidate companies as well as evaluate the costs, risks, and benefits that this relationship can bring. Dubey *et al.* (2018) suggest that relational contracts might be established with a strategic relationship between the two parties if the potential benefits are high.

It is important to have a complete and reliable database of all suppliers and their elements, so that you can build a better contract and partner with the suppliers that best meet your clients' needs. Contracts should also be flexible in order to increase the operational effectiveness of suppliers (Dubey *et al.*, 2018).

During the contract, several evaluations should be carried out to verify that the contract is fulfilled. Supplier failures should also be identified to improve and redefine objectives (Dubey *et al.*, 2018).

3. Methodology

This chapter explains the whole process of how the study was carried out. Starting from the problem itself and the statement of the three research questions. How the interviews were made to the companies, explaining the meaning of each question and the techniques used to analyse the answers obtained.

3.1. Research Problem

The research problem of this thesis is that there is currently a lack of collaboration between customers and suppliers, with relations being more like a simple service provider-client, and less a partnership between companies. For this contributes greatly to the fact that big companies often look only at the price of services, by over-exploiting the capacity of the firms that providing services to them. This means that some smaller companies can go to bankruptcy.

3.2. Research Questions

The purpose of this thesis is to answer a set of questions that will help to better understand the research problem and, consequently, to solve it. In this way, the research questions that will be answered during this thesis are:

- Do big companies in Portugal only care about the price factor or also about the satisfaction of their suppliers?
- How can client-supplier partnerships become more lasting?
- What can client companies add to the assessment of the services provided by their suppliers?

3.3. Interview Questionnaire

In order to be able to build a model that helps to meet the objectives set for this thesis, it is necessary to listen to what service providers companies have to say about their clients. For this purpose, a survey was formulated with a set of open and closed answer questions. This has a set of 10 questions, some of which are divided into two and three parts. All interviewed firms provide services to big companies in the areas of surveillance and security, cleaning, canteen, gardening, pest control, water supply, vending, global hygiene and fire protection.

The interviews took place as explained in Table 3, and all information collected during the interview is attached at the end of this dissertation. It was explained to all companies

that this interview was intended to gather information about their big clients, i.e., with over 1000 employees.

Companies	Date	Type of Interview
Cleaning A	27 th May 2019	Face-to-face
Cleaning B	28 th May 2019	Face-to-face
Canteen A	28 th May 2019	Face-to-face
Security and Surveillance A	03 rd June 2019	By phone
Security and Surveillance B	03 rd June 2019	By phone
Water Supply A	03 rd June 2019	By phone
Gardening A	05 th June 2019	By phone
Gardening B	06 th June 2019	By phone
Vending A	11 th June 2019	By phone
Global Hygiene Service A	12 th June 2019	By phone
Pest Control A	14 th June 2019	By phone
Canteen B	26 th June 2019	By phone
Canteen C	26 th June 2019	By phone
Fire Protection A	28 th June 2019	Face-to-face
Pest Control B	08 th July 2019	Face-to-face

Table 3: Service Providers Interviews.

The first question is "What is your service provider category?" and it is intended with it to collect information about the service area in which the provider is. This would also facilitate the identification of common responses in the same service category.

A second question, considered useful for this interview, is "On average, how many years have you maintained the partnership with your current clients?". The goal here is to know if they could keep their clients for long periods of time. To facilitate the service providers answer, time intervals will be created since it will be difficult for them to find an exact average.

In a next question it is important to understand the satisfaction of service providers with clients. Client-to-supplier evaluations are customary, but few are concerned about the assessment that providers and suppliers make of the client because customers are not always chosen. However, this paradigm is changing and especially providers with some

size and reputation refuse to provide services to companies that may harm them in the long run. Thus, the question is "What level of satisfaction do you have with your clients on a scale of 1 to 10?" with 10 being the most positive and 1 being the most negative. Apart from this rating, it will also be important to know what justifications each company had for each assessment.

In a fourth question, it asks "How do you usually start your relationship with your clients?". To this end, six response options will be given, and more than one answer will be accepted. With this, it is wanted to know what the most common ways to start provider-client relationships in Portugal are.

In a following question, companies should be asked to suggest improvements to the various stages of their relationship with their clients, i.e., in the tendering phase, in the contract itself and in the contract management, also known as operational model. This is an open-ended question and is intended to gain as much information as can be useful in building a model.

In the sixth question, the objective is to understand which services imply having workers from the service providers to the client companies, and how many on average. This is important because there are often more complaints and problems with the companies that clients deal with more frequently, so the answer of this question may be helpful in better understanding the answers to others.

To find out which clients the interviewed companies prefer to work with, the question "What are the most attractive type and company profile to partner with?" will be asked. As it is another open-ended question, it is expected to find more diverse answers in this one.

In the eighth question, companies are asked whether they consider relationships with their client to be win-win and are also asked to justify that answer. The objective here is to see if the current relationships are already a real partnership, or if these interviewed companies consider that there is a weaker element in the relationship.

The ninth question is divided into two parts both with a closed answer. In the first part it is pretended to know if their relationship with clients helps them to improve. Then the question is complemented by other, where it is asked if these companies can implement

those learnings across the entire organizational structure or only in the operational teams that deal with clients.

Finally, one last question will look at how these companies are willing to give in to a long-term partnership with their clients. In the first part, it is asked "Would you agree to share the same values / codes of conduct of your client companies?" and in a second sub-question "Were you willing to adapt your business management models to those of your clients?". Both questions will be with an open answer, since here more than a yes or no response, the important thing is to understand why.

3.4. Quantitative Analysis and Content Analysis

Since the questions used in the interview are open-ended and closed-ended, the analysis of the results will also have to be done by two methods. For those whose expected answer is yes or no, there are given several hypotheses of response to the interviewed companies or is expected a numerical answer it will be used the quantitative analysis method. To analyse the answers to the questions that require suggestions or justifications from the interviewed companies, the content analysis method will be used.

The quantitative analysis "can be used to complement visual analysis, to better characterize discrete changes" (Nganga, 2019). For this purpose, mathematical and statistical analyses are used. To make a better analysis of the interviews, the statistics of mean, mode and standard deviation will be applied whenever possible.

A content analysis is "a systematic, renewable technique that certain words of the text are summarized with smaller content categories through coding based on certain rules" (Güngör, 2018). By conducting these interviews, there is a possibility that the answers may be too long. Thus, there is a need to select the information from each open-ended question and categorize it. Consequently, it will be easier to organize the collected data and draw better conclusions from them. (Bengtsson, 2016).

In accordance with the interview form in the Appendices, the questions 1., 2., 3., 4., 6., 6.a., 8., 9. and 9.a. will be analysed according to the quantitative analysis method. As for questions 3.a., 5., 7., 8.a., 10.a. and 10.b the content analysis method will be applied.

4. Results Analysis

In this chapter, there will be analysed the results of the interviews with 15 different companies, which provide services to big firms (more than 1000 employees). In this way, it is possible to better understand the needs that service providers have in the course of contracts with big dimension firms. In all the interviews it was mentioned that all these companies have an interest in working more as partners and less as simple service providers.

4.1. Service Categories

This first question served to distinguish the type of service of each company, in order to be categorised by service provider, so that some patterns can be observed in following questions.

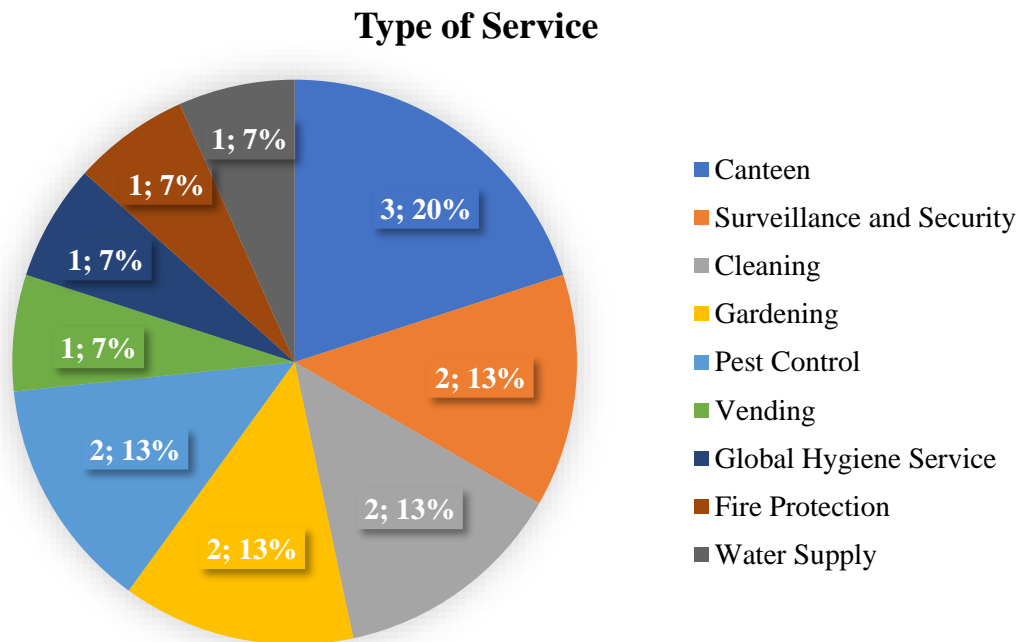


Figure 3: Service provider category by interviewed company.

The graph above (Figure 3) shows that the canteen is the service provided by the most of companies interviewed, with 20% of the total interviews (3 out of 15). There was even more than one company responding to surveillance and security, cleaning, gardening and pest control services (two companies for each service). With 7% strength each in this interview come the services of vending, global hygiene, fire protection and water supply, with only one company representing these categories. Here, it is possible to verify that the average that each category of service appears in this questionnaire is 1.67.

4.2. Years of Partnership

In this question, it is important to understand if the service provider - client relationships are long lasting or if they cannot maintain them over a long period of time.

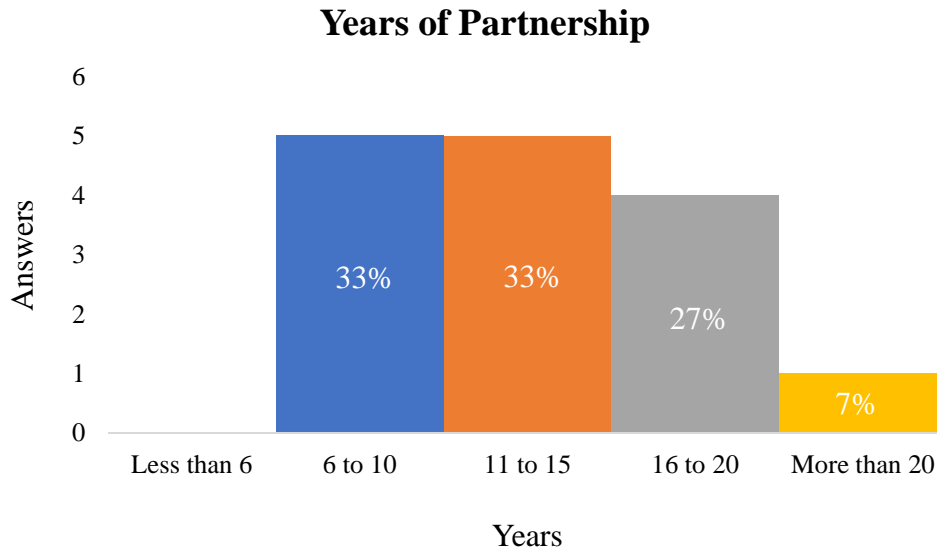


Figure 4: Years of partnership, on average, between service provider and clients.

As can be seen, the time intervals of 6 to 10 years and 11 to 15 years obtained five answers each (33%), so there was no response at intervals below 6 years. Four firms replied that on average the partnerships with their customers lasted for 16 to 20 years and only one said they exceeded 20 years of average time. As the hypotheses of response to the companies were given in time intervals, the average value of each interval was used to calculate the average of this question. Therefore, the average is 13.47 years, since the company that replied in the time interval of more than 20 years stated that it was 25 years. The standard deviation of this question was 4.94. Thus, it is possible to say that the great majority of companies can maintain a medium-long-term relationship with their clients.

4.3. Satisfaction Level

This question aims to understand the satisfaction of the interviewed companies with their customers. Therefore, in addition to the classification, the justifications given by the companies will be analysed.

Level of Satisfaction with Customers (1 to 10)

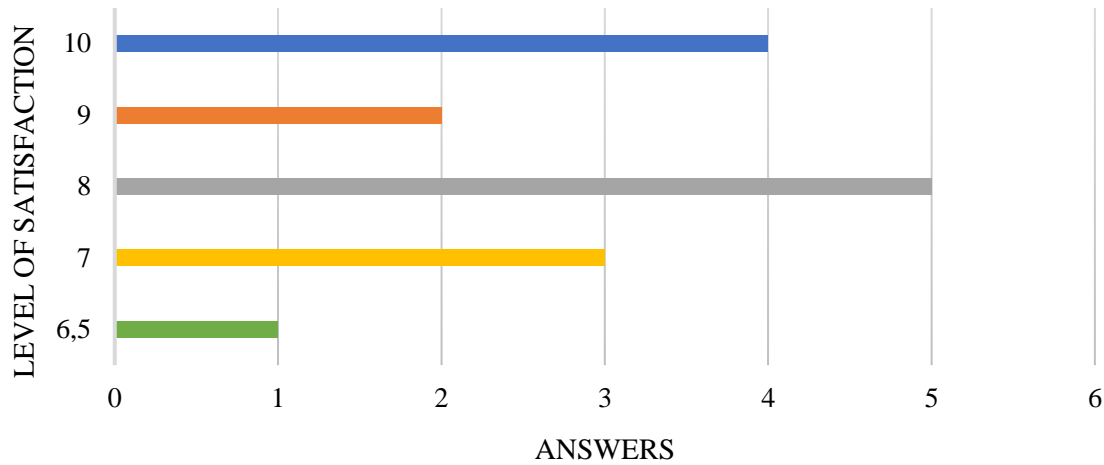


Figure 5: Level of satisfaction with clients, on a scale of 1 to 10.

By the analysis of the Figure 5, it is easy to understand that the satisfaction level by the service providers with their clients it is positive. The average satisfaction level was 8.37 on a scale of 1 to 10, being 8 the ranking that most companies gave with five answers. Four firms gave maximum satisfaction to their clients. Two considered their satisfaction level to be 9 on this scale while for three companies their satisfaction was 7. The worst ranking a company gave to its customers was a 6.5. The standard deviation of this question was 1.19.

Justifications for the Level of Satisfaction with Clients

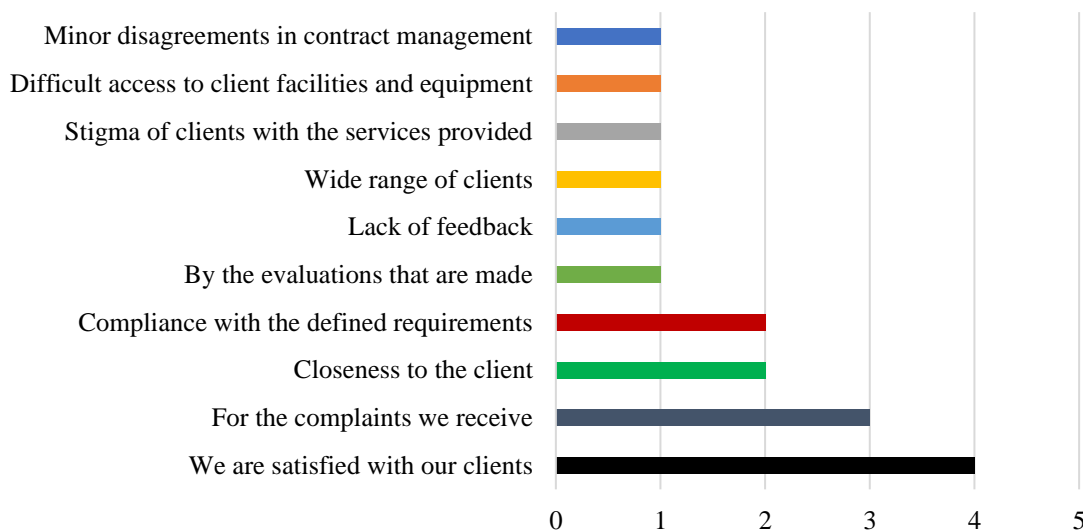


Figure 6: Justifications for the satisfaction levels with clients.

Throughout the analysis of the Figure 6, the most given justification by the companies is “We are satisfied with our clients” with four answers (27% of the interviewed firms) followed by the three answers (20%) of “for the complaints we receive”. This last justification was given by two of security and surveillance services and one of the canteen services, which explain a less positive rating because the customer service raises more complaints from the clients and thus less satisfaction from the provider to the client. Two suggestions that with two replies each from the companies were “closeness to the client” and “compliance with the defined requirements”. With only one answer were given as justifications “by the evaluation that are made”, “lack of feedback”, “wide range of clients”, “stigma of clients with the services provided”, “difficult access to client facilities and equipment” and “minor disagreements in contract management”.

By analysing these two graphs, it can be said that the interviewed companies generally have a good relationship with their clients, but that there are always aspects to improve in the operational model of the contract.

4.4. Beginning of the Relationship

As the name implies, this question aims to understand how the interviewed companies usually start the relationship with their clients.

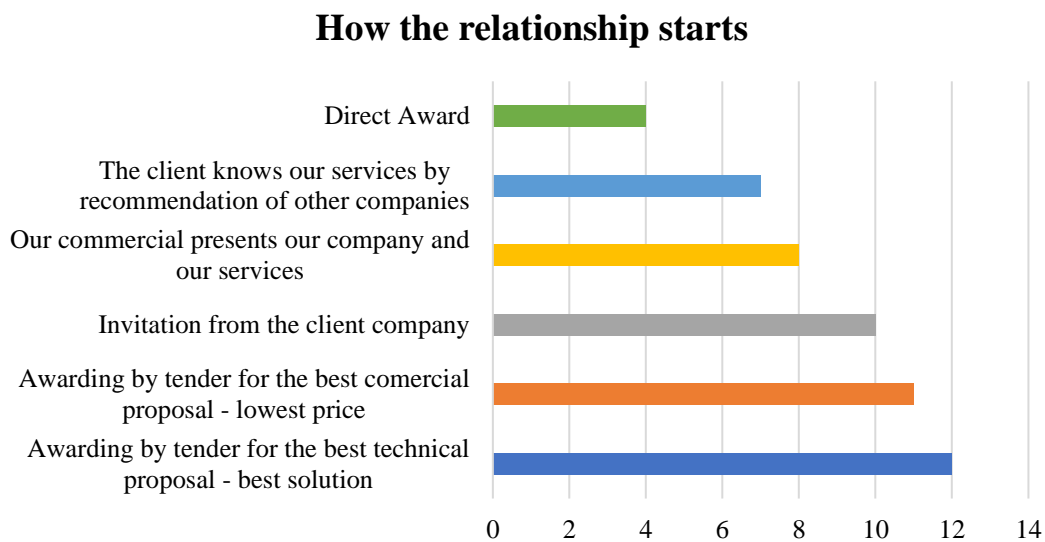


Figure 7: How service providers starts the relationships with their clients.

The Figure 7 shows that 80% of the interviewed companies (12 of 15) usually start their relationship with their clients through "Awarding by tender for the best technical proposal - best solution". The awarding by tender is the most usual way to start the relationship

since the second most commonly answer by the interviewed firms was "Awarding by tender for the best commercial purpose - lowest price" with 11 replies. It is also quite usual for the client company to invite these service providers (10 out of 15) because they already know about their work. The response hypotheses "our commercial presents our company and our services" and "the client knows our services by recommendation of other companies" got eight and seven answers respectively. On the other hand, the least usual way to start the relationship is direct award, as it only got four answers from the 15 respondents (27%).

4.5. Improvement Suggestions

In the interviews, firms were asked to suggest a set of improvements for the tender phase, for the contract itself and for the operational model (contract management).

4.5.1. Improvements in the Tender Process

In this question, the goal is to understand what suggestions companies have to offer that might improve the tendering process by their clients.

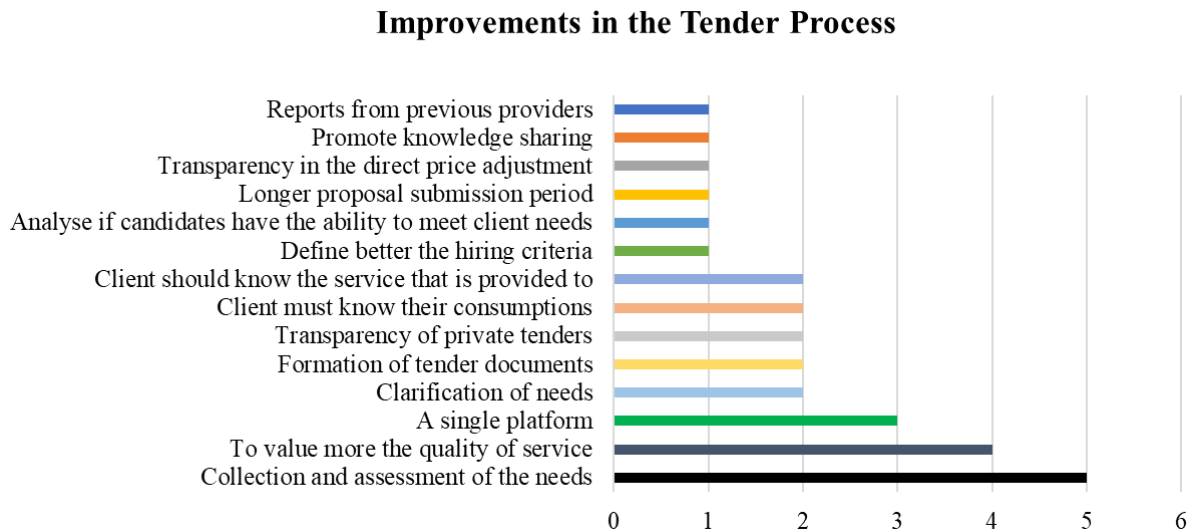


Figure 8: Improvements suggestions for the tender process.

By analysing the Figure 8, the ideas of improvements in the tender process were many and too diversified. For 33% of the firms that answered to this interview (5 of 15), there is currently no adequate "collection and assessment of the needs" of each installation before the tender phase. This was the flaw that most companies have identified at this stage. The creation of "a single platform" that was more efficient and functional (by three companies) was also suggested as well as to "value more the quality of the service" and

other technical components of the proposal instead of the usual criteria of lower prices (by four companies). With two answers each comes the improvement suggestions better “clarification of needs”, improve the “formation of tender documents”, greater “transparency of private tenders”, “client must know their consumptions” and equipment and “client should know the service that is provided to”. The ideas that were only given by one company each were "define better the hiring criteria", “analyse if candidates have the ability to meet client needs”, “longer proposal submission period”, there is a lack of “transparency in the direct price adjustment” in public tenders, “promote knowledge sharing” among companies and provide “reports from previous providers”.

4.5.2. Improvements in the Contract

Unlike the other two questions for improvement suggestions, not all companies contributed with ideas for improve the contracts. There were five companies (33%) that did not think their contracts could be improved as shown in the above chart (Figure 9).

Do you have any suggestions for improving contracts?

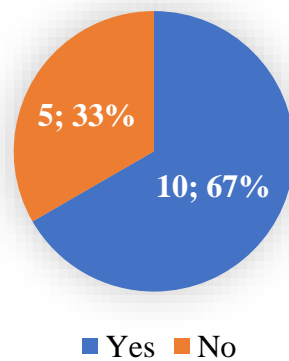


Figure 9: Companies that gave suggestions for contract improvements.

As can be seen from Figure 10, of the 10 companies that gave suggestions, the most commonly answer was "contract according to current needs" with three replies. Other improvement ideas were given as "more realistic SLA's and KPI's", “contracts accompanied by both parties”, acceptance of “price update during the contract”, “better division of lots” for the gardening service, “less extensive and more objective contracts”, client must assume “responsibility for damages in suppliers equipment” and “definitions of criticality levels”.

Improvements in the Contract

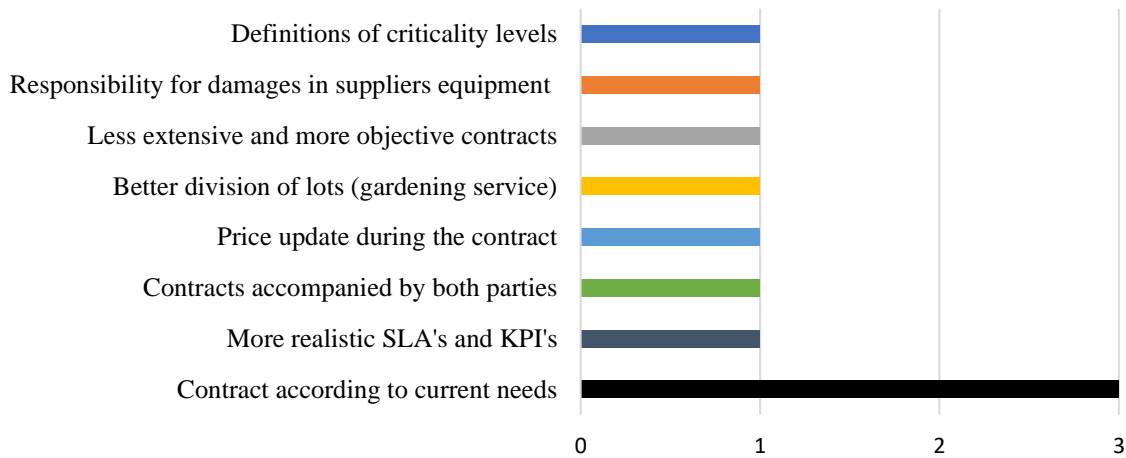


Figure 10: Improvements suggestions for the contracts.

4.5.3. Improvements in the Operational Model

Operational relationships are those that depend heavily on people and less on the bureaucratic structure of companies, so it may be easier to implement the improvements that are suggested.

Improvements in the Operational Model

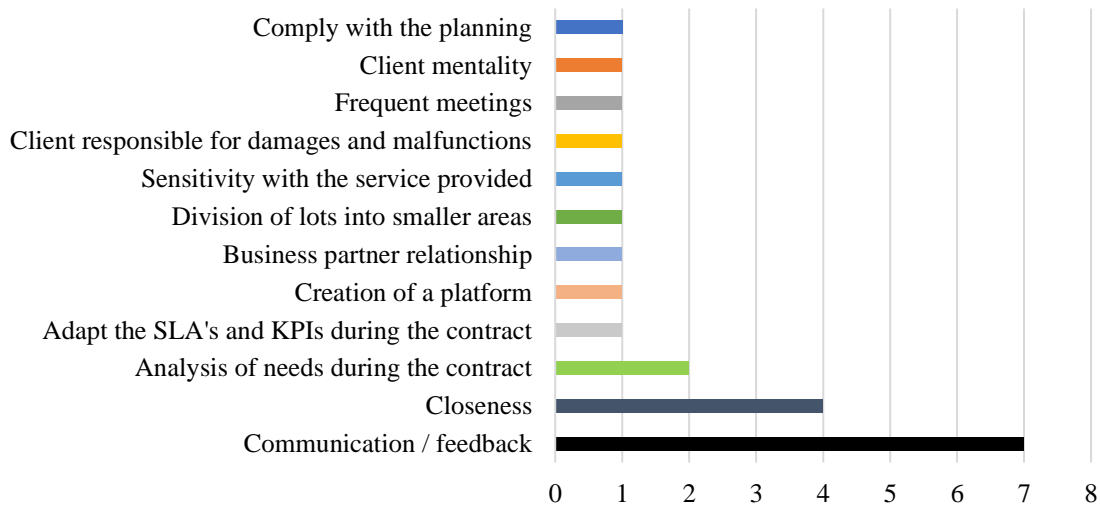


Figure 11: Improvements Suggestions for the Operational Model.

Through the analysis of the suggested “Improvements in the Operational Model”, 47% of companies (7 out of 15) considered that there should be more “communication and feedback” from the contract management of client companies. With four answers, there were given the idea of greater “closeness” between partner firms. Two companies

considered that there should be a better “analysis of the needs during the contract”. With just one answer, there are suggestions for “adapt the SLA's and KPIs during the contract”, “creation of a platform” which facilitates the operational part of both companies, “business partner relationship” instead of a simple service provider-client one, “division of lots into smaller areas” would facilitate operational work for both, increased “sensitivity with the service provided”, “client responsible for damages and malfunctions” of equipment and waste management, “frequent meetings”, “client mentality” and “comply with the planning”.

4.6. Resident Workers

In this question, the objective is to understand which companies have workers resident in the client firms.

Do you have resident workers in client companies?

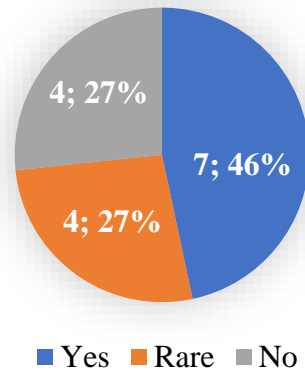


Figure 12: Service Providers that have resident workers in client companies.

Of the 15 interviews, only seven service providers (46%) replied that it is usual to have employees constantly at client companies. For four firms it is rare to happen, only in extraordinary cases while for the other four this does not happen at all.

As can be observed in Figure 13, only surveillance and security, cleaning and canteen services require workers who reside daily at the facilities of the client companies. Being that, on average, the security and surveillance service has an average of between 100 to 150 workers per client, the cleaning service has 50 to 100 employees per client and the cafeteria service has less than 50 workers per client.

How many resident workers?

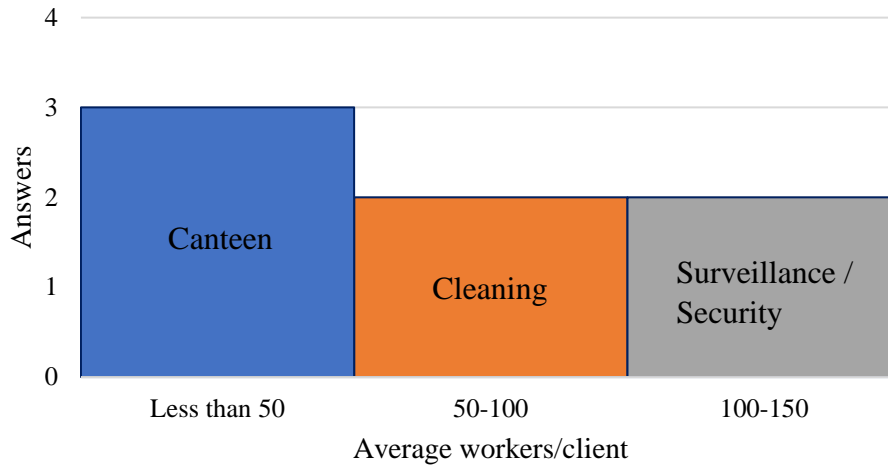


Figure 13: Average of resident workers in client companies.

4.7. Favourite Company Type and Profile

There are numerous companies on the market, all different from each other. So, there are always some services that either by the values of the firm itself or for financial reasons fit more with a particular type of company. Thus, this question will try to understand which company profiles these 15 respondents prefer.

Type and company profile to partner with

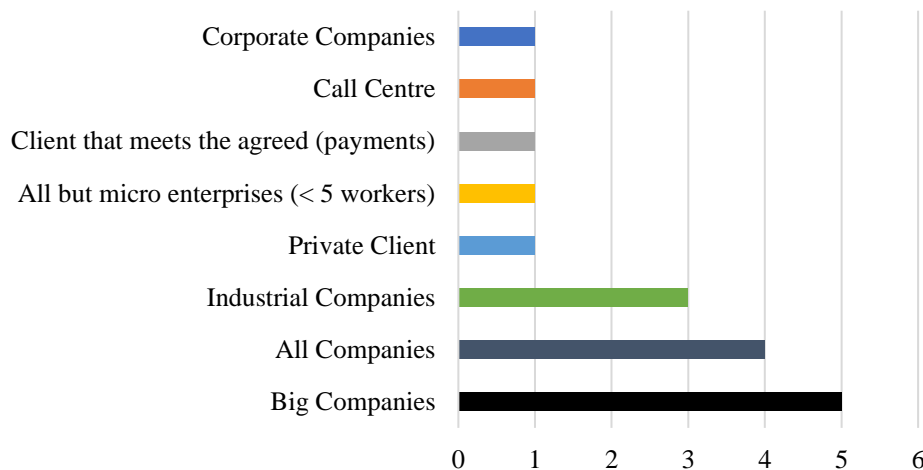


Figure 14: The most attractive company type and profile to partner with.

The graph above (Figure 14) shows that for five of the 15 interviewed companies “big companies” are more desirable. For four firms “all companies” are good to partner with them and for three of them the “industrial companies” are the best to partner with. Other

types and profiles of companies that got one answer were the “private client”, “all but micro enterprises” with less than five workers, the “client that meets the agreed” especially in the payments questions, “call centre” and “corporate companies”.

4.8. Win-Win Relationships

In this question, the goal is to know if the companies interviewed consider that they are losing in the current relationship with their customers, or if it is a good relationship for both partners. For this, it is also important to analyse the given justifications.

Are relationships with your clients win-win?

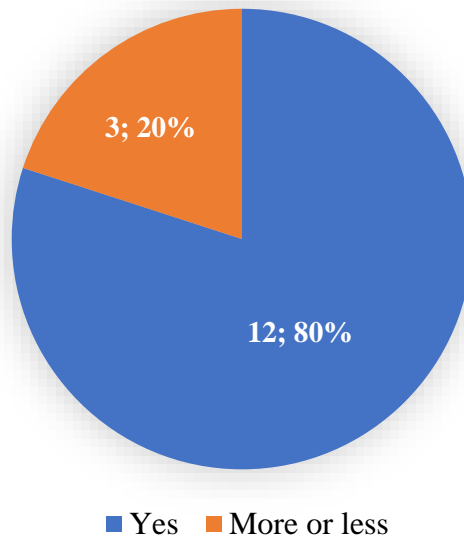


Figure 15: Current relations with clients that are win-win.

By analysing the Figure 15 graph, it is possible to say that 80% (12 out of 15) of the firms interviewed believe that the current relationships with their clients are win-win. The other three companies do not think that the relationships with their clients are negative but that could be improved.

Justifications for Win-Win Relationships

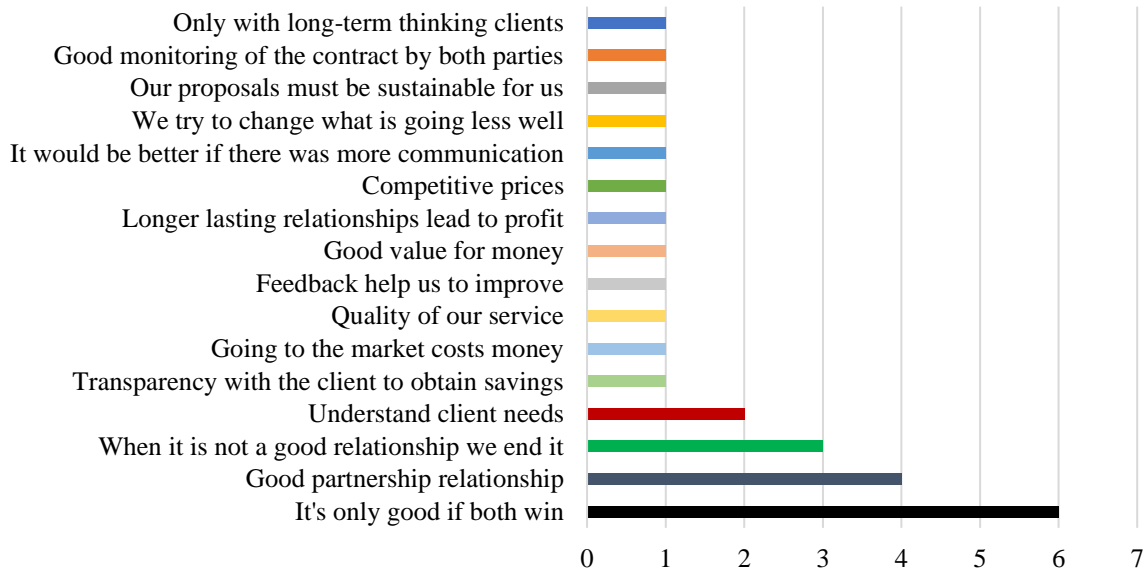


Figure 16: Justifications for win-win relationships.

The Figure 16 graph shows that six firms considered that a relationship it is only good if both companies win with it. Four companies said that they have win-win relationships with their clients because they have a good partnership relationship with them. Three companies justified their answer with “when it is not a good relationship we end it” and for two interviewed firms they have a win-win relationship because they “understand the client needs”. Many justifications were given but with just one company each giving it. The justifications with just one answer were “transparency with the client to obtain savings”, “going to the market costs money”, “quality of our service”, “feedback help us to improve”, “good value for money”, “longer lasting relationships lead to profit”, “competitive prices”, “it would be better if there was more communication”, “we try to change what is going less well” in the contract, the relationships are win-win because “our proposals must be sustainable for us”, “good monitoring of the contract by both parties” and “only with long-term thinking clients” that it is possible to have win-win relationships.

4.9. Client Learnings

Nowadays, it is not possible to growth without learning from the other companies. Thus, it was asked to the interviewed firms if they consider that the relationships with their clients help them to improve and if they can implement those learnings in their companies.

Does relationships with your clients help you to improve?

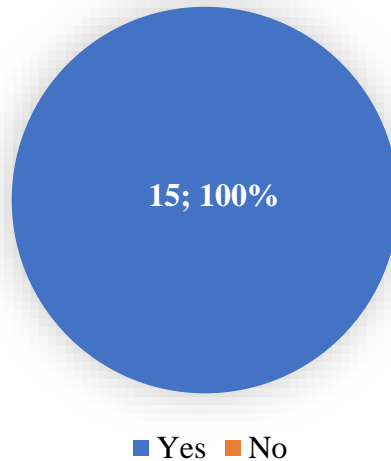


Figure 17: Companies that consider current customer relationships help them to improve.

Is this reflected in your organization as a whole?

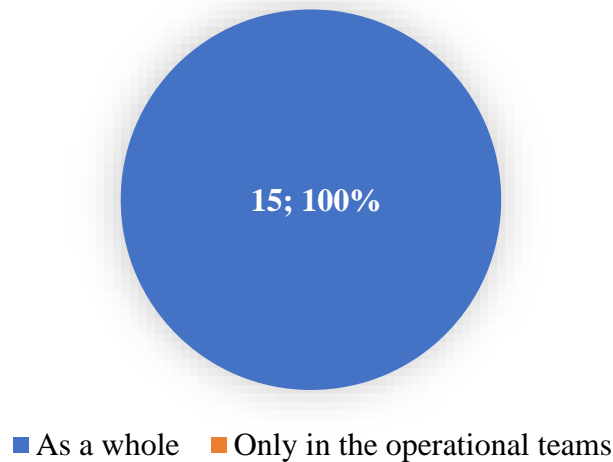


Figure 18: Companies where this can be reflected throughout the organization.

Throughout the analysis to the graphs from the Figures 17 and 18, it can be seen that all the interviewed firms (100%) consider that the relationship with their clients helps them to improve, not only in the teams that deal daily with the clients, but in the organization

as a whole. This is because there is a sharing of learning among the whole structure so that it can grow; what the service provider learns in one client tries to apply to others as well and internal knowledge sharing meetings are held. However, the more technical learnings turn out to be more beneficial for the teams than for the rest of the structure.

4.10. Compromises in Long-Term Partnerships

In the last question, it was tried to understand to how far companies would be willing to go in the relationship with their clients so that the partnership between them would be more lasting.

4.10.1. Share Client Values and Codes of Conduct

Something that is very important for client companies is if their partners share the same values and codes of conduct. So, these 15 companies were asked whether they would be willing to share them.

Share the same values and/or codes of conduct?

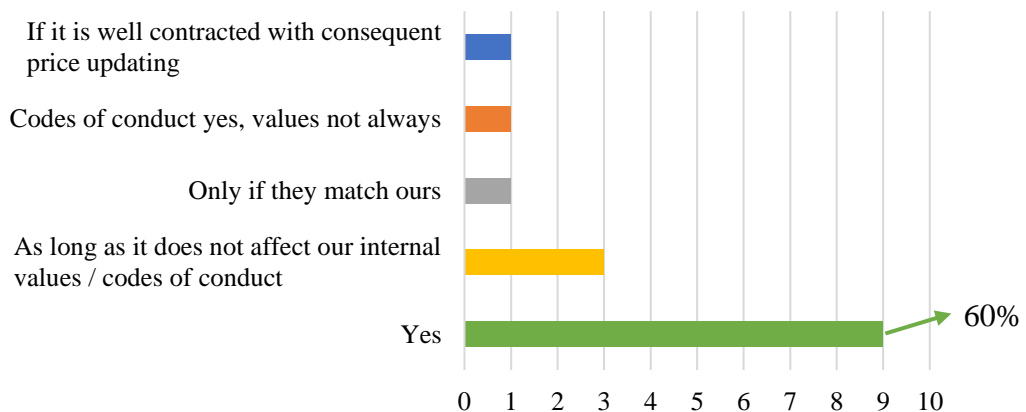


Figure 19: Companies willing to share the same codes of conduct and client values.

By the Figure 19 graph, only 60% of companies would agree to share the same values and codes of conduct of their client companies, in a perspective of long-term partnership, without any restrictions. Three firms said that they would accept “as long as it does not affect with our internal values / codes of conduct”. The remaining three companies all justified differently. One saying that they would accept “only if they match ours” values and codes of conduct. The other firm said that they accept “codes of conduct, but values not always”. And the last one only accepts “if it is well contracted with consequent price updating”. Many of these companies report that they already share the same values and codes of conduct as their current clients.

4.10.2. Share Client Business Management Models

In some companies, such as IKEA, supplier companies are inserted in their supply network in such a way that they eventually share some business management models of client companies. Therefore, this question serves to assess if these companies would be available for this sharing.

Share the same business management models?

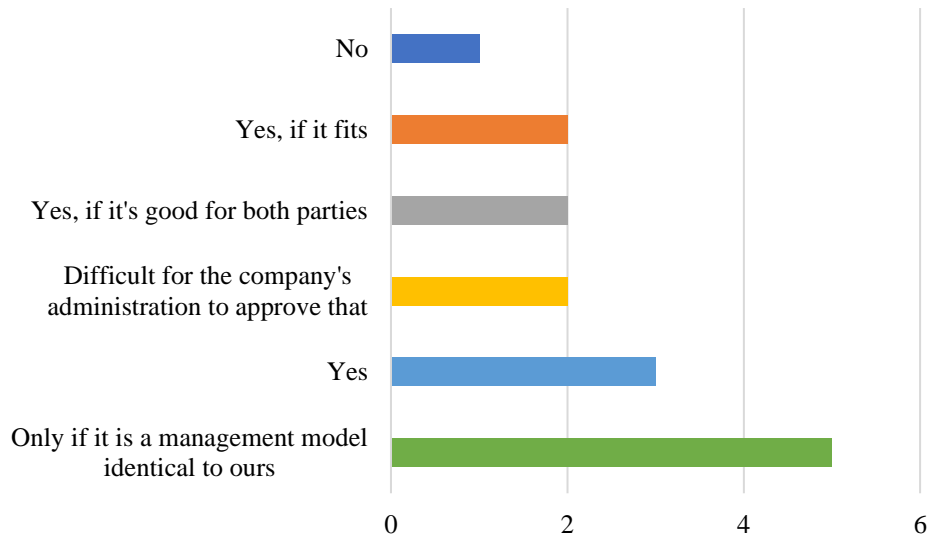


Figure 20: Companies willing to share the same client business management models.

According to Figure 20, five companies (33%) would only be available to share the same business management models as their customers if they were identical to theirs. For three companies they would accept without any restrictions. Then come a set of answers given by two companies each. For two companies it would be difficult for their administration to approve these structural changes, for two other companies only if it was good for both parties and finally, with two replies, they said they would only accept if it was appropriate at that time. Only one company replied that under no circumstances would this share be accepted, as this would not be appropriate for different business sectors.

5. Results Discussion

In this chapter will be discussed the analysis made in the previous chapter. Through the construction of diagrams as well as their justifications will be identified the key points of this study to help big companies and their service providers to improve their relationships as it was the purpose of this thesis.

By the previous chapter, some lessons have been learned from the companies' answers to this interview.

100% of the firms are willing to have longer-term partner relationships as long as they come to terms with client companies. However, there must be compromises on both sides for this to happen.

While 60% of the interviewed service providers would be willing to adapt their values and codes of conduct to those of client companies, the same cannot be said of business management models (only 20% accept without any restrictions). Some companies put some obstacles in this regard. Some belong to groups of firms with their own management models and little flexibility to change (33%). Others, whose own company management would hardly approve changes with so much impact on their own business (13%). And there are still who simply feel that this would not be feasible for firms operating in such different business areas (7%). The higher value for the acceptance of the client's codes of conduct and values also have an explanation. Many of these companies provide services at the premises of client companies and in this case must comply with at least the client codes of conduct.

Big companies are those that most service providers are interested in partnering with (33% of the interviewed companies), but many are willing to partner with smaller companies as well (27%). There are also firms that prefer to partner with those in the industrial sector (20 %).

Firms in general (93% of the interviewed companies have between six and 20 years of average relationship time with their customers), already operate at an intermediate level of partnership. However, they still think they could go further and all of them point to some improvement suggestions that could lead to a more cohesive, sustainable and long-lasting relationship in the future. For example, 47% of interviewed companies felt that there should be greater communication and feedback between companies and 27% that there should be greater proximity. These two characteristics are common in partnership

relations between customer and supplier. One company also added that relations with their clients should always be partnerships.

There is a feeling among companies that the current relationships with their customers are positive since they consider that their relationships are win-win (80%), and that they can implement the learnings gained from their clients in their own organizations (100%). To further support this idea, the average obtained in the satisfaction of the providing companies with their clients was superior to eight (on a scale of 1 to 10) and only is not higher for small details that can be improved in relations of greater partnership. For 93% of interviewed service provider companies the level of satisfaction is equal or higher than seven.

5.1. Flows

Based on the suggestions given by the interviewed companies, two models/flows were constructed. The first one to help big firms to choose the best provider in a way that meets the interests of both companies. The second flow contains tips that both partners must follow in order to achieve lasting and sustainable relationships.

5.1.1. The Choice of Service Providers Flow

Based on the interviews conducted and the answers given by the companies, it was possible to create a process that could be useful in selecting the ideal service provider for the needs of the client companies (Figure 21). This model was made according to the five standard steps that most big companies in Portugal follow to hire suppliers. These five steps are the requirements gathering, the elaboration of the tender/contract documents, procurement process, proposal evaluation and clarification of doubts and, finally, select the supplier, or in this case, the service provider. According to the feedback collected from suppliers, for this process to work well, each of these steps should have improvements.

In the first step, companies should improve the collection and evaluation of needs to be included in the contract as well as the facilities in which such services will be provided, as suggested in the graph of the Figure 8. The suggestions of supplier companies also include a bigger knowledge from the client about the services that are provided to them (Figure 8).

After the requirements have been collected, companies will begin to build the tender documents and contract preparation. In the interviews it can be observed that at this stage

of the process there are still failures of transparency in the tender documents (Figure 8), as well as lack of definition of the criticality levels in the contract to define what importance each service has or its absence (Figure 10).

Then, procurement launch the contest inviting firms that fit the needs of the service. The work of this area of companies also includes clarifying doubts and needs of the candidate companies. However, as can be seen in Figure 8, these candidate companies complain that there are still flaws in this area in many companies in Portugal, so they should improve it. It should be explained to candidates what is intended in the contract that they are proposing to fulfil, so that no one has any doubts.

In a fourth step will be evaluated the proposals sent by the candidates. These proposals should be received within a reasonable timeframe for service providers have time to make the best possible proposal (Figure 8). Another important feature, identified by the companies in Figure 8, should be included in this process. This is a proper analysis that must be done to verify that all applicants have the financial capacity and technical skills that will lead them to meet the needs of the contract. When deciding to choose any type of provider, companies should always count more on quality of service than price and this is where is the differentiation point in the contribution of this thesis. This was also one of the suggestions that companies made as necessary improvements to the tender process (Figure 8).

Quality in services must be implemented throughout the supply chain. As with products, when a better-quality service is provided it is normal for it to cost more. However, for the loss-averse consumers, they do not always think about the quality of the service if it comes at a much higher cost. (Yang and Xiao, 2017).

According to Noshad and Awasthi (2015), quality to be measurable requires a set of steps. First the various types of suppliers should be placed by categories such as location, business volume and types of products / services. In a next step each supplier is evaluated through some tools such as scorecards, certifications and audits. Finally, suggestions for improvement and corrective actions should be indicated according to the assessment made to the companies in the previous step.

There are also those who evaluate suppliers for their performance as well as customer satisfaction with them, and the number of complaints by customers is a technique of evaluation (Osani, 2010; Shokri, Nabhani, and Hodgson, 2010).

Companies sometimes implement supplier quality performance measurement (SQPM) programs with their suppliers. These programs help companies work more closely with their customers, reducing errors and providing better service. The supplier's system should be analysed and evaluated for effectiveness, checking the problem, recommending corrective actions and suggestions on how to eliminate problems. These issues should be eliminated “through a program of remediation that might include training or process changes” (Noshad and Awasthi, 2015).

In that Noshad and Awasthi study (2015), it can be seen that “information sharing, clear communication of expectations, training on quality techniques, awards and recognition, and supplier involvement in planning” are some of the most commonly used practices by companies to the development of quality in the relationship with suppliers.

This quality can be assessed by defining quality metrics using service level agreements (SLAs) and key performance indicators (KPIs) (Figure 10). In addition to the definition of these parameters they must be adapted according to the needs and difficulties arising during the contract (Figure 11).

An SLA serves to establish the necessary requirements for service quality indicators and it also serves as a rule, i.e., as a financial responsibility for the service provider to comply with the agreed (Netes, 2018). Both parties must comply with the SLAs because otherwise they may incur in penalties, the payment of fines and, in the latter case, termination of the contract.

By complying with each SLA defined at the beginning of the contract, the service provider is making sure that in the next tender, client companies know that this service provider can guarantee the quality of the service. It can therefore be said that compliance with the defined SLAs is a competitive advantage for service providers (Netes, 2018).

Prior to the definition of each SLA, both the provider and the client should analyse their capabilities and capabilities (Netes, 2018). This means that unrealistic SLAs are not agreed upon and to be well established what the clients wants from the provider and whether they can meet those needs.

For Nguyen *et al.* (2018) the SLAs should have metrics with reliability, consequences and expectations, responsiveness and exception clauses or constraints.

According to Liebetruth (2017), firms with a forward-looking vision achieve better results when using KPI metrics in both company strategical and operational level. To this, Webber *et al.* (2012) added that the companies with the best results prefer fewer but more significant KPIs that are easily adaptable to the different time frames of the firms. For Hassini *et al.* (2012), KPI metrics that should be used must be in accordance with the partners' strategy and with the “three dimensions economy, environmental and society”. In this study, some examples of metrics are also indicated, such as: “Percentage of suppliers with an up-to-date sustainable development policy” and “Level of stakeholder trust by category”.

The quality to which the companies referred in these interviews can also be seen in terms of environmental sustainability, not only in the services that are practiced but also in the products used to perform them. As discussed in the literature review, environmental issues are increasingly important to companies (Seçkin and Sen, 2018). These can be sanctioned for failing to comply with some environmental standards as well as being disgruntled with their customers, damaging their image and brand as a company.

Only after all these issues have been analysed and all steps in this process have been passed should the price factor enter in the decision of the service provider. However, and considering the interests of interviewed providers as well as the evolution that has been made in recent years this factor should have less and less weight in this decision.

As can be seen in the Figure 21, the improvement points of the proposal evaluation phase must already be present in the tender documents so that candidate companies know what to expect in proposal evaluation as well as in the contract itself if they win the tender.

Finally, after following all these steps a better selection of the supplier can be made. Therefore, the provider with the best value for money should be chosen as long as it ensures that the relationship is win-win. That is, if the service provider company has the best service and meets all the requirements, it should be preferred to one with lower prices but also with lower quality and unable to fully meet client needs.

As already mentioned, the supplier selection tender process is done according to these five standard steps. However, all of this would be easier if at the end of the process the clients themselves held a lesson learned meeting. This meeting is intended to review everything that went less well throughout the process. An example of situation that sometimes happen is the emergence of many questions from suppliers in the proposed

evaluation phase. To prevent this from happening in a future process, companies should give a better explanation of them in the tender documents. These requirements gathering and tender documents must be done according to lessons learned from previous processes and also from previous contracts lessons learned.

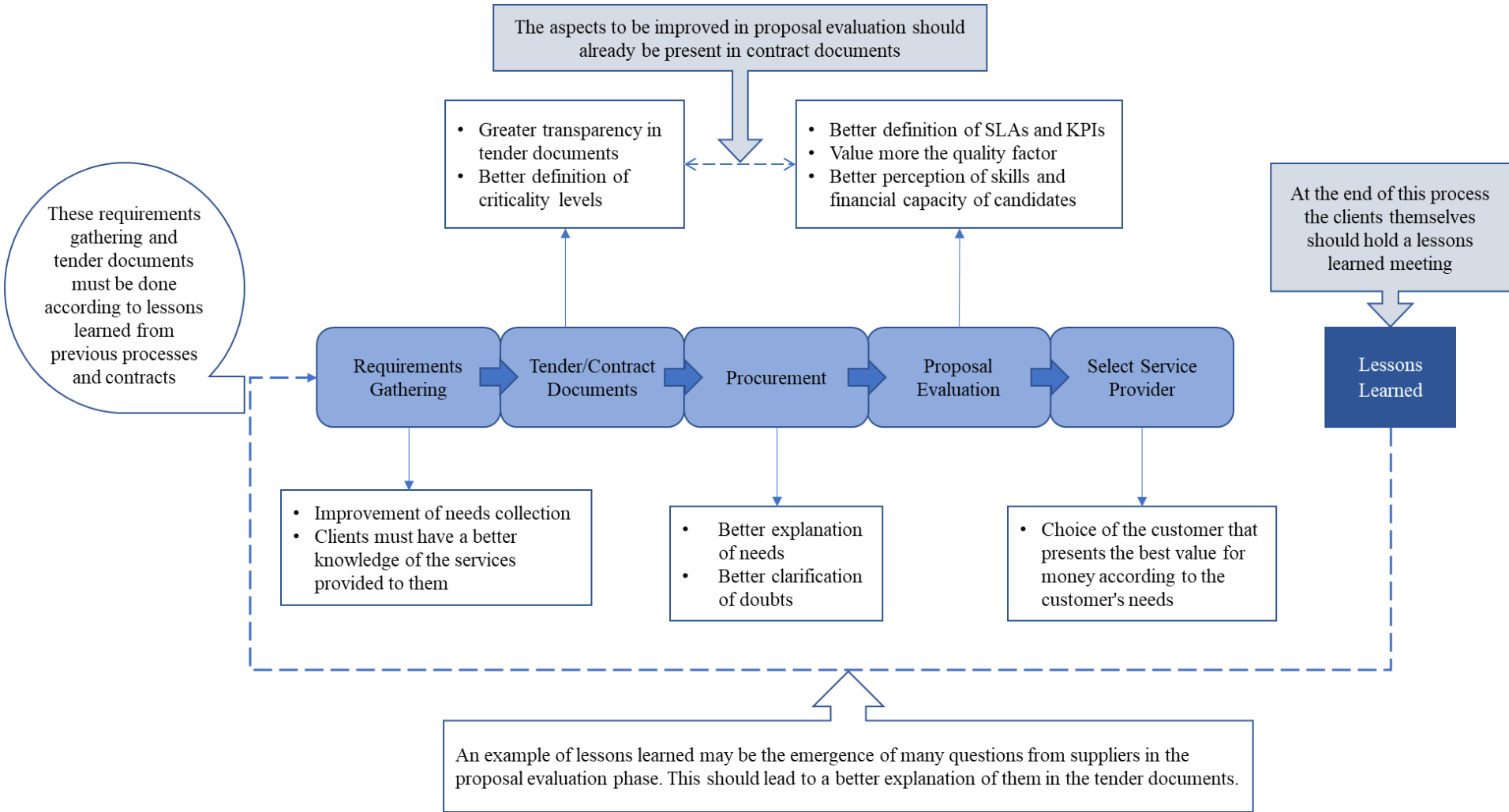


Figure 21: Choice of Service Provider Flow.

(Source: The Author)

5.1.2. Long-Term Partnerships Flow

For a relationship to be long lasting, a set of requirements must be met by both companies and they must always contribute to this during the contract (Figure 22).

The first point identified is communication and feedback. This was an aspect strongly suggested by the companies (Figures 6 and 11), so there was still one company which mentioned that the relationship among it and its clients would be even better if there was more communication (Figure 16). This is in line with what was discussed in the literature review, where it is mentioned that the basis of partner relationships is communication between them during the contract (Dubey *et al.*, 2018).

Another essential point for collaborative relationships is the sharing of knowledge that must exist between the client company and the service provider company, as was seen in the literature review (Dyer and Singh, 1998) and in the Figure 8.

Once we talk about communication and feedback it is normal to appear in this flow the closeness. As shown in Figures 6 and 11, the closeness between partner companies is very important to the satisfaction of the service providers.

Two other aspects should be worked on jointly by clients and their service providers during the contract. The first it is to adapt the contract to the changes that are happening throughout it. This is because over time the needs of companies change (Figure 11) and what was established in the contract no longer makes sense. The second aspect identified is to allow prices to be updated during the contract that follow market changes (Figure 10), such as wage increases.

In the previous flow (Figure 21) was mentioned the creation of metrics adapted to each service and each provider in the tender phase. These to work must be constantly evaluated throughout the contract (Figure 10). However, as already mentioned in the previous aspect, needs change and these SLAs and KPIs metrics can also be adapted if agreed by both parties (Figure 11).

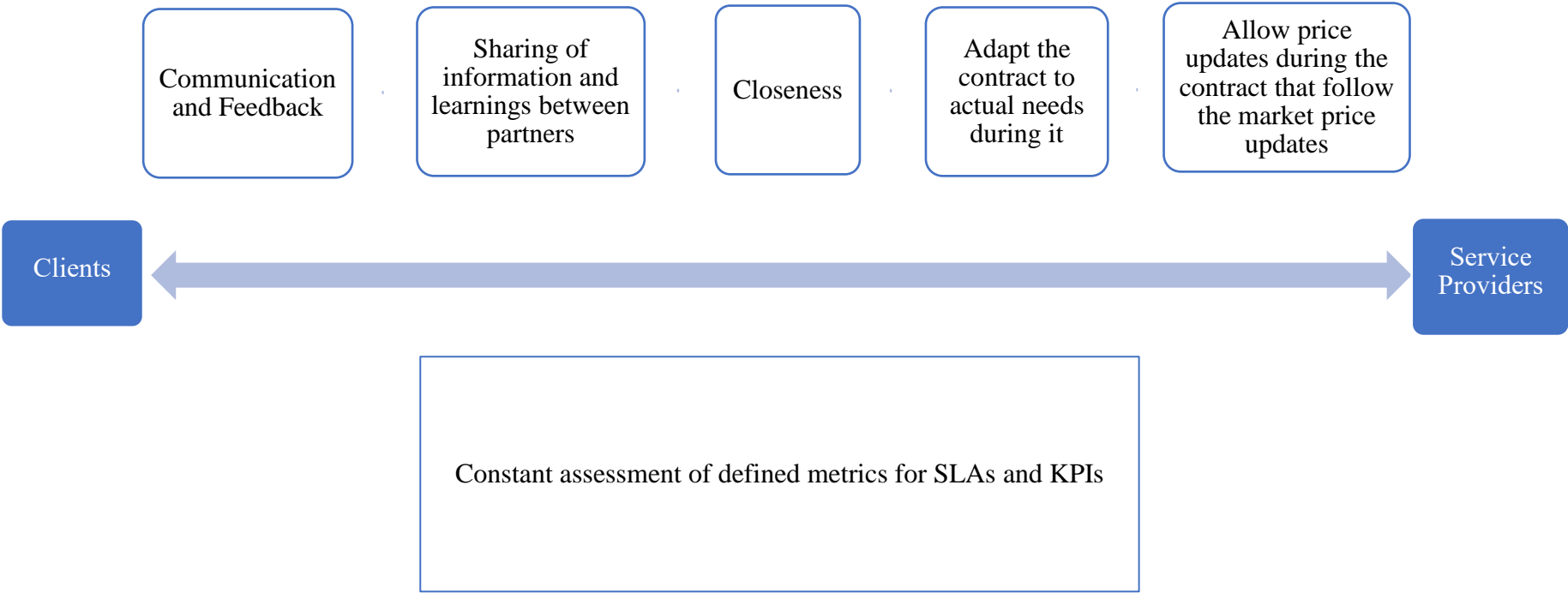


Figure 22: How to Maintain Long-Term Partnerships Flow.

(Source: The Author)

5.2. Problem Solving

Based on the analysis of the interviews conducted and with the debate throughout the study, it is possible to answer the research problem of this thesis (Figure 23).

The main problem here is the collaboration among service providers firms and their clients is not the best. Smaller companies are exploited for the price, and very few big companies are betting on long-term partnerships based on the quality of services. These relationships based on the quality of services are really the only way to have lasting partnerships since, with price-based relationships, small firms after a few years cannot stand and even some of them end up going bankrupt. Thus, many relationships are in short-term because there are no connections beneficial to both.

There are several causes for this problem. As identified by the Figures 7 and 8, the price factor is still very important for choosing a service provider. For these interviewed firms, others technical components should have a greater weight in the evaluation of proposals. In the Figures 10 and 11 are mentioned the problem in assessing the service provided, for lack or poor definition of quality metrics. Another cause of this problem that is easily identified in the analysis of these charts (Figures 8, 10 and 11) is that there is a failure in the client's perception of service needs and sometimes the proper explanation to the provider of what they want (Figure 8). Another factor can be also identified in the Figures 6 and 11, that is the poor communication and feedback from customers.

Based on the study of these companies, it was possible to find a solution to this problem. Companies should focus more on defining performance and quality assessment factors for their suppliers and service providers. With the increased interest from big firms for the companies they work with to meet demanding but adequate SLAs and KPIs, the service providers will be required to meet high quality standards and at the same time will be more closely supported by client companies.

With this solution it is believed that it will be possible for client companies to reach long-term partnerships with service providers. As quality increases, so does the requirements on both sides, thus will both learn and evolve together as companies. As quality increases, big firms will see this having a major impact domestically. Firstly, because higher quality will increase the satisfaction levels of its employees. Secondly, because the value of investing in these services as well as the need to provide these services to big companies will be more easily justified the higher quality of them.

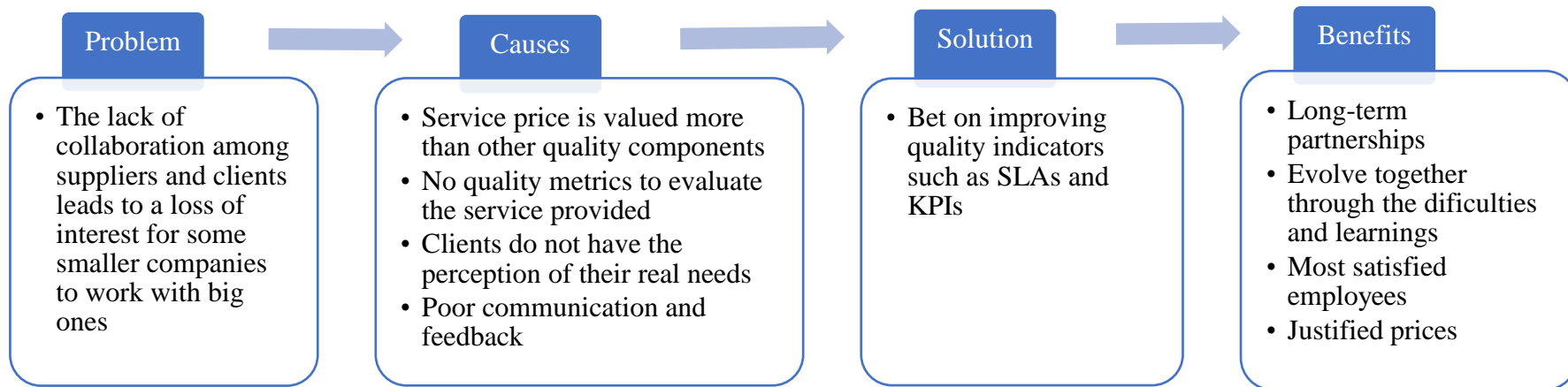


Figure 23: Problem Solving Diagram.

5.3. Research Questions Discussion

After analysing the interviews and their results, it is necessary to understand if they answer the initially defined research questions.

Regarding the first question “Do big companies in Portugal only care about the price factor or also about the satisfaction of their suppliers?” the answer is a bit complex. According to the empirical analysis, 80% of the interviewed companies start relationships with their customers often by presenting the proposal with the best solution (Figure 5). This is above the number of companies that said they also often won the tenders for presenting the lowest proposal (73%).

However, many of these companies in other questions also state that the price factor still conditions the decision more than the quality factor. The Figures 6, 8 and 9 reveal a set of improvements that shows the way big companies care about their suppliers' satisfaction and this could still be greatly developed by those firms. For example, in the Figure 6, it can be observed that 27% of companies said that the quality of services should be more valued in the tender process.

It can be seen from Figure 15 that for 80% of the companies the relationships with their clients are win-win being this is a condition of a healthy and sustainable partnership. However, for 20% of interviewed companies those relationships are not all win-win and although most of these relationships are not negative, they still have much to improve.

As analysed in the literature review, For Sillanpää *et al.* (2016), firms are feeling that having quality suppliers and those they can trust on, is a competitive advantage. This has led to a greater focus on supplier development, performance improvement, and customer enhancement in recent years. According to Lee *et al.*, 2009, until a few years ago companies preferred a relationship in which the budget spent with suppliers was reduced as much as possible to achieve higher profits and be more competitive. However, recently the powerful companies have been realizing the need to establish partnerships with their suppliers, in opposition to the traditional approach.

Therefore, it can be said that empirically this statement is not completely correct, and the tendency is that the bet on the satisfaction of suppliers is increasingly something to be considered by big firms. This tendency is based on what has been said in the literature by authors with a more global knowledge of what companies around the world have been applying.

For the second question “How can client-supplier partnerships become more lasting?” it is possible to formulate an answer with the suggestions given by the companies in the interviews, and with what the authors analysed in the literature review said. According to Martins *et al.* (2017) when the supplier invests more in the relationship during the contract, this relationship is more likely to be long lasting. Ganesan (1994) added that the first step for long-term relationships must come from the client. Providing the idea that the relationship with his partner is going to be long lasting, it will make the same partner work for short, medium and long-term results.

As presented in Figure 22, a model was elaborated with the aspects that the interviewed companies considered relevant for long-term partnerships. This model helps to answer the research question initially defined. The most suggested improvement by the interviewed companies (Figure 11) was a greater communication and feedback (47%) in the relationship between provider and client. 27% of respondents also added that are a lack of closeness in the relationship with their partners. Another aspect mentioned by companies that can lead to long-term partnerships was the promotion of knowledge sharing (Figure 6).

These characteristics stated in the previous paragraph are in agreement with what some authors revealed in the literature. Dubey *et al.* (2018) referred that there must be communication during the contracts. For Sen *et al.* (2008), only with several exchanges of knowledge and resources it is possible to have a collaborative relation among partners.

In the empirical phase, the supplier companies were asked if they were willing to make some compromises, in order to transform the relationships with their clients with longer duration. 60% were willing to share the client's values and codes of conduct without the client having to give in to anything (Figure 19). While for sharing the same models in business management of their clients, only 20% of companies were willing to accept that.

To sum up, the answer to this question is given by combining the contribution of literature and empirical analysis. For partnerships to be lasting, there must be a strong investment by the customer in the relationship with their supplier. More closeness, recurring feedback and meeting partner needs are required. However, the interest of most companies is to have their own management models, some of them also their own values, only accepting to comply with the codes of conduct of client firms.

Concerning to the third research question “What can client companies add to the assessment of the services provided by their suppliers?”, it can be answered with a greater contribution from the empirical analysis than with what has been given by the authors in the literature. As Krause *et al.* (1998) said, the investment in the development of suppliers in big companies consists in a set of techniques that allow suppliers to improve their performance in the client company.

As can be seen in Figures 21 and 22, two models were designed according to the feedback given by the interviewed companies. Throughout the contract, the evaluation to the provider must be constant so that the service provided is of quality. However, quality indicators must be defined before the contract is signed. Building good indicators requires a good assessment and collection of customer needs. After those collection, the criticality levels of each service should be defined, and an assessment given for the fulfilment or non-fulfilment of these services.

According to Figure 8, 33% of companies feel that their clients do not make a good assessment of their current needs. Regarding the criticality levels, it was suggested by one company that these were not well defined in the contracts with their partners (Figure 10). This is relevant because when they do not exist it can cause problems over the years.

From the empirical analysis it was possible to identify that there is a failure in the choice of quality indicators by the suppliers. Two companies suggested a better definition of SLAs and KPIs. One of them in the contract (Figure 10), and the other in the operational model (Figure 11). Briefly, SLA can be defined by an agreement that companies make with each other to evaluate the quality of a service. Failure to comply with these SLAs is subject to penalties such as fines or, in extreme cases, termination of the contract. While KPIs are indicators that evaluate and monitor the performance of the service provided. Of the various articles analysed, no recourse to penalties was identified for low levels in these indicators.

SLAs and KPIs should be defined at the beginning of the tender phase, so that competing companies are aware of how they will be evaluated. After awarding the contract to the service provider that best meets the requirements of the purchasing company, all these quality evaluators should be put into practice. Through feedback from partners to each other, there will be possible a better understanding of what can be improved over the

course of the contract. If needs change, the evaluation indicators may be adapted. However, supplier and customer must agree with that.

At the end of the contract, a meeting of lessons learned between the partners should be held. This is so that both in a future contract can improve the service provided in the case of the service provider and the way that service is evaluated for the client company.

In essence, the answer to this third research question focuses on improving the definition of SLAs, KPIs and criticality levels. However, this will only be possible when big firms make a good collection of their needs, give their clients enough feedback and use the lessons learned from previous contracts to improve current and future ones.

In the final analysis, it can be seen that the empirical analysis made a great contribution to their answer of these three research questions. The first two questions are also somewhat in agreement with the literature reviewed. However, the third receives a greater contribution from the feedback given by the interviewed service providers.

6. Final Remarks

For a better understanding of this whole study, it is necessary to present the conclusions that can be drawn from each of the themes analysed. Therefore, there will be compared the initial objectives defined for this dissertation and if they were achieved in the study that was performed. Furthermore, the limitations of this study are also presented followed by suggestions for future research that may complement this study.

6.1. Conclusions

The flows presented are based on what suppliers said in the interviews and are in line with what was discussed in the theoretical analysis.

The great point of empirical discovery is that, through this sample collected in Portugal, providers say that for commodity services most of the big companies must greatly improve their quality indicators. These service providers must comply with the contracts that meet the needs of big firms. After having these services secured, the most powerful companies crush the weakest firms in the market through low prices.

However, this study shows that this kind of relationship is not sustainable in the long-term. Either for smaller companies that go bankrupt because they have few big clients, or for big ones that over the time loss quality in services. The only way to achieve long-term win-win partnerships for both client and service providers is to focus on quality. It should be preferable to pay more for a better service and not to have a worse service because they want to pay less. This is part of the natural evolution of markets and companies. Exploration times by price must be a thing of the past and companies' interests must increasingly be about quality. Who does not realize that it is here the path is likely to have many problems in adapting to the business market in a medium/long-term.

Thus, the three research questions were answered, and the empirical analysis made a major contribution to answering them.

Regarding the question “Do big companies in Portugal only care about the price factor or also about the satisfaction of their suppliers?”, empirically this statement is not completely correct. And according to the literature, the tendency is that the satisfaction of suppliers is increasingly something to be considered by big firms.

The question “How can client-supplier partnerships become more lasting?” was answered by combining the contribution of literature and empirical analysis. There must be a great

investment by the client in the relationship with their supplier. And both should participate in a more closeness partnership, with recurring feedback and meeting partner needs.

Concerning to the question “What can client companies add to the assessment of the services provided by their suppliers?” what this research suggests is that companies must rely heavily on indicators that allow the assessment of the quality of services provided. These should appear in contracts through the form of SLAs and KPIs, without forgetting the establishment of criticality levels so that service providers can prioritize their activities. However, this will only be possible when big firms make a good collection of their needs, give their clients enough feedback and use the lessons learned from previous contracts to improve current and future ones (Figure 21).

In addition to these indicators being defined at the time the contract is made, there must be constant monitoring of them. Assessing needs throughout the contract is as important as assessing the service provider itself (Figure 22).

The predefined objectives for this thesis were fulfilled as solutions were presented that may prove useful to big companies in the relationships with their service providers (Figure 23).

With the suggestions that are given in this research, it is believed that the probability of suppliers comply with their contracts and be true partners will increase, they will live and thrive more time in the market and will always want to run for big company contests. However, it still necessary to develop some aspects such as the quality indicators that should be used in each case and consequently tested and implemented in companies. This thesis adds a great contribution to the existing literature since the interests of suppliers were heard and analysed as opposed to the usual studies to the clients’ interests.

6.2. Research Limitations

Since only service provider companies were interviewed, one of the limitations of this research is that it was not so explored the client's perspective, i.e., from big companies perspective. The created flows present few points of differentiation to those that have already been presented by other authors in the scientific community.

Although the interviews were done for academic purposes, it is possible that some of the answers given have been somewhat optimistic, such as the level of customer satisfaction and the implementation of learning from the partner company.

6.3. Suggestions for Further Research

In a next study it is necessary to develop a model according to the SLAs and KPIs that was identified in these flows, in order to ensure that the next contracts follow the suggestions of this thesis. The suggestions that big companies must make these relationships with their service providers more collaborative and lasting should also be considered.

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Appendices

Appendix 1: Interview Form

1. What is your service provider category?
2. On average, how many years have you maintained the partnership with your current clients?

Less than 3 years	3 to 5 years	6 to 10 years
11 to 15 years	16 to 20 years	More than 20 years
3. What level of satisfaction do you have with your clients (companies with more than 1000 employees) on a scale of 1 to 10?
 - a. Justify.
4. How do you usually start your relationship with your clients? (more than one answer accepted)
 - Your commercial presents your company and your services;
 - Invitation from the company;
 - The client knows your services on the recommendation of other companies;
 - Direct award;
 - Award by tender for the best technical proposal - best solution;
 - Award by tender for the best commercial proposal - lowest price;
5. What improvements do you identify as necessary:
 - In the tender process
 - In the contract
 - In the operational model / contract management
6. Does the service provide imply having resident workers in the client company?
 - a. How many?
7. What are the most attractive type and company profile to partner with?

8. Do you consider the relationships with your clients are win-win? (i.e., both companies are earning in the current relationship)
 - a. Why?

9. Does the relationship with other companies (clients) help you to improve?
 - a. If so, is this reflected in your organization as a whole or only in teams that deal with clients?

10. In the possibility of a long-term partnership:
 - a. Would you agree to share the same values/codes of conduct of your client companies?
 - b. Were you willing to adapt your business management models to those of your clients?