

INNOVATIVE PUBLIC PROCUREMENT PRACTICES –
LESSONS LEARNED FROM HOME NURSING PROCUREMENT

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ABSTRACT

Public procurement triggers and promotes innovation, but this requires rethinking of the public procurement process and making it responsive for innovation. The purpose of this study is to understand how innovative public procurement practices are implemented by exploring the activities of innovative public purchasing and how these activities influence the interface between public and private organizations. The activities of innovative public purchasing are explored qualitatively in a home nursing procurement setting. The findings of this study increase the understanding of innovative public procurement practices by identifying the key activities, including defining and justifying procurement goals, activating and challenging private organizations, assisting private organizations, designing and managing collaboration, and shaping markets, to reinforce innovative public purchasing. Furthermore, the findings contribute to the literature on interorganizational relationships by illustrating how innovative public procurement practices engender collaboration and partnering between public and private actors. The study gives initial insights for managers of public and private organizations desiring to experiment innovative public procurement practices.

Keywords: innovative public procurement practice; innovative public procurement process; partnership; home nursing

INTRODUCTION

Public procurement influences the demand of goods and services by significant proportions as public organizations spend roughly 10 to 15 % of GDP on the purchase of services, works and supplies. This illustrates the purchasing power of public organizations and therefore, if properly managed, public procurement triggers and promotes innovation (Rolfstam *et al.*, 2011). Public authorities stimulate innovation, particularly by influencing the existing market structures and the emergence of new markets (Aschhoff and Sofka, 2009). For example, public organizations may perform the role of forerunner by purchasing new products and services and thus prompt their demand (Edler and Georghiou, 2007). Furthermore, public procurement has a potential to diminish information asymmetries and improve supplier–user interaction, which can support reading the signals and translating them into innovations (Edler and Georghiou, 2007; Smits, 2002).

The legal framework and organizational culture surrounding public procurement are suggested to generate institutional and strategic restrictions on innovation, for example, by increasing the rigidity and intricacy of procurement process (Knutsson and Thomasson, 2014). Furthermore, innovation requires organizations to interact with others to gain, built and exchange knowledge, information and other resources (Edquist and Zabala-Iturriagoitia, 2012); thus, the traditional public procurement system that rests on transactional exchange and arm’s length relationships (Lian and Laing, 2004) is reproached as ineffective for innovation. Public organizations are therefore heartened to rethink their procurement process (Knutsson and Thomasson, 2014) and search for new ways to respond to the modern budgetary restrictions and deliver reliable and effective services for the public (Guzmán and Sierra, 2012; Rees and Gardner, 2003) by increasing the power of public procurement, by means of the public procurement practices, to enlarge the markets for particular types of products or services to facilitate the emergence of new standard technologies or to change the market structure by making it attractive for new entries (Uyarra and Flanagan, 2010). Regardless of these change requirements, although there is research on the potential of public procurement to trigger and promote innovation and impact private markets (e.g., Aschhoff and Sofka, 2009; Edler and Georghiou, 2007; Knutsson and Thomasson, 2014; Manninen *et al.*, 2015; Rolfstam *et al.*, 2011; Uyarra and Flanagan, 2010), innovative public procurement practices, referring to the new ways of implementing the public procurement process (Knutsson and Thomasson, 2014), remain under-researched. Thus, to address this research gap and to contribute to the literature on innovative public procurement and interorganizational relationships, the purpose of this study is to understand *how innovative public procurement practices are implemented*, particularly from the perspective of public organization, by exploring *what types of activities reinforce innovative public purchasing* and *how these activities influence the interface between public and private organizations*.

This paper is structured as presented. First, the theoretical background for innovative public procurement is introduced and integrated with the interorganizational relationship literature to understand innovative public procurement practices. Thereafter, the research method of this paper is presented and the empirical example of home nursing procurement introduced. In the last chapter, initial theoretical and managerial implications are discussed and the limitations and suggestions for future research proposed.

INNOVATIVE PUBLIC PROCUREMENT PRACTICES

Public procurement is increasingly regarded as an instrument for innovation (e.g., Aschhoff and Sofka, 2009; Edler and Georghiou, 2007) because the acquisitions of public organizations

(Weiss, 1993) tend to shape and drive innovation by engendering and spreading technological innovations (Geroski, 1990). In public technology procurement, particularly, public authorities purchase, products and services that do not exist and thus their design requires development work (Edler and Georghiou, 2007; Uyarra and Flanagan, 2010) that intends to improve the delivery of public services (Aschhoff and Sofka, 2009). Furthermore, by acquiring emerging private market innovations (Rolfstam *et al.*, 2011), public organizations may influence the existing market structures and the emergence of new markets (Aschhoff and Sofka, 2009).

The regulatory framework of public procurement brings restrictions on innovation (Knutsson and Thomasson 2014; Manninen *et al.*, 2015) by increasing the rigidity and the degree of formalization of public procurement (Erridge and Greer, 2002; Rainey and Bozeman, 2000) and by reducing the freedom of public organizations to implement their procurements (Wang and Bunn, 2004). Public procurement is governed by specific procurement procedures and guidelines that intend to increase the transparency of procurement practices (Rainey *et al.*, 1976) and bear in mind the public interest. Thus, instead of merely emphasizing innovation, public organizations must pursue to gratify the needs of the public by integrating different ethical, democratic, professional and person-related goals into their procurement practices (Kernaghan, 2003; Uyarra and Flanagan, 2010). Furthermore, procurement regulations are problematic to interpret by public purchasers (Nielsen and Hansen, 2001), which has led public authorities to emphasize rules and increased their hesitation for diverting from traditional procurement practices (Erridge and Greer, 2002); that is, renewal and challenging private firms to improve their products and services (Knutsson and Thomasson, 2014). Thus, to promote innovation, the public procurement process requires the development and implementation of innovative public procurement practices (Knutsson and Thomasson, 2014) that refer to the new ways through which the public procurement process is implemented, particularly innovative management and working processes (Walker *et al.*, 2011). This is suggested to increase the power of public procurement to enlarge the markets for particular types of products or services to facilitate the emergence of new standard technologies or to change the market structure by making it attractive for new entries (Uyarra and Flanagan, 2010).

Innovative public procurement practices challenge private organizations by changing the way through which they are being inquired to supply pre-existing, but improved products and services (Knutsson and Thomasson, 2014). Thus, innovative procurement practices should pursue to encourage private firms to develop their offerings (Knutsson and Thomasson, 2014). Furthermore, innovative procurement practices are proposed to require interaction between public and private actors for gaining, building and exchanging knowledge, information and other resources and performing activities that determine the development and diffusion of innovations (Edquist, 2011; Edquist and Zabala-Iturriagoitia, 2012). Implementing public innovative procurement practices is thus presumed to rest more on partnering (Zheng *et al.*, 2008) than traditional procurement system that is characterized by transactional exchange and arm's length relationships (Liang and Laing, 2004). These partnerships are initiated, built and terminated through interaction processes that exist between three levels (organizations, relationships and networks), with the organizations' actors, activities and resources and their analogues at the relationship level (actor bonds, activity links and resource ties) and network level (actor web, activity pattern and resource constellation) (Håkansson and Snehota, 1995; Medlin, 2004). Furthermore, they differ from their interface, ranging from the standardized and specified interfaces to translation and interactive interfaces through which the resources of the supplier are acquired and utilized (Araujo *et al.*, 1999). In standardized interface, context knowledge is not important for the exchange of standardized goods whereas specified interface includes tailoring, which requires precise directions from the purchaser. In translation interface,

the purchaser determines merely the required functionality of products or services, which permits the supplier to resolve how to reach this. The interactive interface emphasizes the knowledge of both parties and how it is utilized for joint development. (Araujo *et al.*, 1999.) This perspective on partnering provides an understanding of the emergent interorganizational processes that shape markets (Medlin, 2004); thus, it is important for understanding innovative public procurement practices.

Nevertheless, public organizations are recognized to lack expertise to manage their interface with private firms, which tend to emerge from their tradition to merely react to the changes of markets rather than seeking with an initiative to initiate and built partnerships that engender collaboration and trust (Smyth and Edkins, 2007). Furthermore, the public procurement culture is reproached to influence the efforts of public authorities to coordinate collaboration (Erridge and Greer, 2000) and knowledge exchange with private actors (Bovaird, 2006), which reflects the challenges of implementing innovative public procurement practices. Therefore, instead of merely re-thinking of the public procurement process, it is important for public and private organizations to learn how to implement innovative procurement practices (Knutsson and Thomasson, 2014) by understanding the activities of innovative public purchasing.

RESEARCH METHOD

The method for this study is a qualitative single case study. The goal of this research method is to increase understanding from the modern research phenomena (Easton, 1995) and thus it is suggested suitable for exploring thoroughly innovative public procurement practices and the activities individuals perform to implement them (Halinen and Törnroos, 2005).

In this paper, Finnish home nursing procurement, implemented by adhering to the procurement legislation of EU (Directive 2004 / 18 / EC¹), is investigated to exemplify innovative public procurement practices and increase learning from the activities of innovative public purchasing and their influence on the interface between public and private organizations (Stake, 1995, p. 4). In this procurement, public purchaser applied new practices to implement the procurement process as Finnish home nursing markets are emerging and home nursing is new for public procurement.

In the home nursing procurement, a public procurement unit outsourced 10 % of town X's home nursing services for a private home nursing provider. These home nursing services included health services that intend to increase and retain the inhabitants' ability to function at home. The home nursing procurement began by the public procurement unit performing contracting tasks that included organizing a technical dialog² to improve the rigourness of tendering reports and develop a new kind of incentive system that rested on the promises of private home nursing provider of its performance. Thereafter, the procurement unit utilized an open procurement procedure (Lindskog *et al.*, 2010) to form a procurement agreement with a suitable private home nursing provider for delivering home nursing services to town X and to initiate a home nursing-related partnership with them, the private service provider and the public home nursing unit managing procurement implementation (Figure 1). The new incentive system promoted

¹ Directive 2004 / 18 / EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts.

² Before launching a procedure for the award of a contract, contracting authorities may, using a technical dialogue, seek or accept advice which may be used in the preparation of the specifications provided, however, that such advice does not have the effect of precluding competition (Directive 2004 / 18 / EC).

partnering between the two public units and the private home nursing provider by urging for tighter collaboration and requiring actors to develop intensive monitoring and knowledge sharing routines.

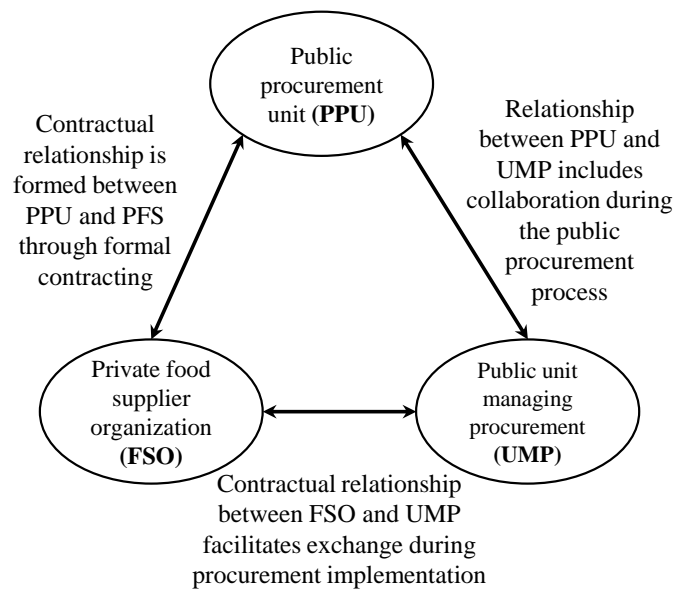


Figure 1. Actors of home nursing procurement and their relationships.

The primary data rests on 12 thematic interviews (Arksey and Knight, 1999), which were held for the individuals of the two public units and the private home nursing provider organization (Table 1). Furthermore, individuals from two organizations assisting the public procurement unit to prepare their tendering reports and town's higher management were interviewed to gain additional information from the public procurement organization, culture and procurement process. The primary data was triangulated (Denzin, 1978) by data that was gathered from web pages, written reports, including the request for quotation (RFQ) and the permission for partial outsourcing, multiple regional newspaper articles and by participating in public procurement-related seminars. This data was primarily utilized to support the interviews and to gain insights from the researched context.

Table 1. The primary data of the study.

Organization	Interviewed informant(s)	Time & length of the interview
Public Procurement Unit	Manager of Public Procurement Unit	October 2014, 1 hour 45 minutes*
Public Home Nursing Unit	Manager of Home Nursing Unit Service Manager I Service Manager II	October 2014, 1 hour 45 minutes* November 2014, 50 minutes December 2014, 1 hour 15 minutes
Private Home Nursing Provider	Regional Manager & Team Leader Sales Analytic CEO	November 2011, 1 hour 50 minutes November 2014, 1 hour December 2014, 50 minutes & January 2015, 20 minutes
Expert Organization on procurement regulations	Procurement Manager	October 2014, 50 minutes
Innovative Public Procurement Expert Organization	Development Manager	November 2014, 1 hour 5 minutes
Town X	Development Manager Town Manager	October 2014, 35 minutes November 2014, 50 minutes

* Pair interview held for the managers of Public Procurement Unit and Public Home Nursing Unit

In this study, the interplay between empirical findings and theory is emphasized to match theory and reality and to expand understanding from both of them (Dubois and Gadde, 2002). The empirical data guided the development of theoretical part and thereafter the understanding of the theoretical dimensions assisted to amplify the findings of home nursing procurement. This reflects the abductiveness of the research process (Dubois and Gadde, 2002, 2014) that relies more on induction than deduction (Järvensivu and Törnroos, 2011). In the empirical analysis, the individual interviews were analyzed by identifying the activities performed during the home nursing procurement process and then categorizing them into larger groups with regard to their similarities (Maxwell and Miller, 2008). Thereafter, the findings were contrasted to identify the way how these different activities relate to other activities and thus to understand how these activities reinforce and influence the implementation of innovative procurement practices (Maxwell and Miller, 2008). The findings of this analysis is introduced next.

EMPIRICAL CASE STUDY

Defining and justifying procurement goals

In Finland, home nursing is traditionally delivered by public organizations instead of private markets; thus, outsourcing home nursing is new for public and private organizations and public procurement has established emerging markets for home nursing. Regardless of this, the public procurement unit, responsible for purchasing the public services of the elderly, wished to outsource 10 % of town X's home nursing for a private home nursing provider and implement this procurement process differently by purchasing results instead of input. This outsourcing of public home nursing services by emphasizing results emerged from dissatisfaction towards existing home nursing practices and traditional procurement system.

We had this dissatisfaction towards public home nursing and we wanted to benchmark. We wanted to put a private service provider into the field, so that they would tell us about our development areas. -- We were dissatisfied to this traditional procurement system -- where we put lot of effort to determining the input. The number of staff, what kind of staff was required and what kind of tasks this staff should do. In this procurement, we made this shift from this type of purchasing to purchasing results. (Manager of Public Procurement Unit, Public Procurement Unit)

To implement their procurement differently, the public procurement took part of innovative procurement project. In this project, the procurement unit collaborated with an innovative public procurement expert organization to develop their contracting practices. In particular, the procurement unit performed developmental activities with the private organization to prepare their results-centred tendering reports. That is, the procurement unit wanted to get away from giving specific instructions on how private home nursing providers should implement home nursing. Instead, the procurement unit created an incentive system that required private home nursing providers to give promises of their performance, but which gave liberty for them to resolve how these promises are kept, thus illustrating the translation type of interface. The public procurement unit utilized these promises to assess private home nursing providers' tenders and thus to better gratify the needs of the public. This shows the importance of defining procurement goals from users' perspective when implementing innovative public procurement practices.

From my perspective, the most important thing was to get away from this incessant determining of input. If we think about home nursing, the most important thing is that individuals' ability to function remains as long as possible or gets even better through this intervention. That is the reason why it is important for us not to emphasize too much the input, money or knowhow or the number or frequency of visits -- The central things is what happens to that person and its ability to function. (Manager of Public Procurement Unit, Public Procurement Unit)

In implementing innovative public procurement practices, justifying procurement goals for politics and other interest groups is important. In town X, political influence on procurements is strong. The public procurement unit gave thus information from the outsourcing and justified its goals for the members of designated political committee that administers the public services of the elderly and the ways through which these procurements are implemented.

This partial outsourcing was politically hot topic and that is why we had to justify, motivate and advise politics. (Manager of Public Procurement Unit, Public Procurement Unit)

The managers of public procurement units must bring their plans to their committees and then the committee agrees those explicit procedures. (Town Manager, Town X)

Furthermore, the public procurement unit informed potential private home nursing providers and other interest groups from the procurement and its implementation plan. Informing the public was particularly important because the inhabitants had reservations related to changing the service provider.

These interest groups and potential service providers, the procurement was started by informing them. -- Then when we made this procurement decision, we organized these briefings for home nursing customers. (Manager of Public Procurement Unit, Public Procurement Unit)

Home nursing in these two districts has received different internal quality rewards and thus it was tough for the users when this change happened. (Manager of Public Home Nursing Unit, Public Home Nursing Unit)

The staff members of town's home nursing hampered the private service provider's efforts to perform their home nursing services by resisting sharing their tacit knowledge on patients and their individual habits. The resistance towards the outsourcing emerged from the adjustments to public home nursing and it reflects the importance of justifying the procurement for internal interest groups as well.

Activating and challenging private organizations

To implement innovative public procurement practices requires public organizations to activate and challenge private firms throughout the public procurement process. In the contracting stage, the public procurement unit thus organized a technical dialog to engage private home nursing providers in the procurement process and exploit their expertise in the development of rigorous tendering reports and particularly the promises of new incentive system.

Technical dialog is smart, as required knowledge is not entirely living with us. In fact, private home nursing providers refined our tendering reports significantly. -- We received feedback and information from their experiences related to this type of procurement, and resting on that, the new incentive system was built. (Manager of Public Procurement Unit, Public Procurement Unit)

Round-the-clock nursing of the elderly, that is purely routine, and its RFQ is straightforward to determine without asking anything from service providers or without having any kinds of technical dialog with anybody. -- But this home nursing, which is not routine-like, it is thoughtless to not have a dialog. (CEO, Private Home Nursing Provider)

Furthermore, giving promises of their performance challenged a private home nursing provider to take more responsibility from delivering high-quality home nursing services. Thus, instead of merely emphasizing the delivery of services with the lowest possible price, the procurement unit aspired to increase the interest of service provider for the quality of those services and how they affect their user.

Public procurement units want the cheapest price and customer satisfaction, they want -- that services affect positively their target groups. -- Then they go to the bidding, they do these biddings by emphasizing price and they think that those other goals are reached too, and sometimes they are, but it is not then in the hands of procurement unit. Instead, it is up to the service provider... -- In this it was like what you promise during the bidding, you must take responsibility from that. (Development Manager, Innovative Public Procurement Expert Organization)

In particular, the public procurement unit stressed "shared interests and goals between them and the home nursing provider" (Manager of Public Procurement Unit, Public Procurement Unit) through the incentive system, which challenged the private home nursing provider to take a more active role in reaching the procurement goals. The procurement unit implemented this by rewarding the private partner from keeping their service promises and giving penalties from breaking them.

The goal was to -- reward from good results and make them reimburse from bad results, poor productivity. (Manager of Public Procurement Unit, Public Procurement Unit)

Assisting private organizations

The emerging nature of home nursing markets and the new way of contracting home nursing services were problematic for private firms. The promises that private home nursing providers had to give from their performance “required lot from them – procurement expertise” (Manager of Public Procurement Unit, Public Procurement Unit). Therefore, the public procurement unit assisted private home nursing providers to prepare new kind of tenders through their technical dialog, which pursued to “increase service providers’ readiness to receive and answer to this type of RFQ -- so that it is not misunderstood” (Development Manager, Public Procurement Expertise Organization). This addresses the need for reciprocal knowledge exchange between public and private actors related to the requirements and problems of innovative contracting and importance of public organizations to assist private firms to take their responsibility with regard to implementing new public procurement practices.

Designing and managing collaboration throughout the public procurement process

The implementation of home nursing procurement rested on the incentive system that helped the two public units manage the procurement implementation by providing tools for monitoring whether the private partner has fulfilled its promises and performed high-quality home nursing services. The implementation of these new procurement practices insisted though for tighter collaboration between the public units and the private home nursing provider, which required different monitoring and knowledge sharing routines between the parties and which was thus different from “traditional” procurement practices.

To perform this professionally and with high goals, it is not possible to purchase and then close your eyes and start doing something else. You really need to monitor and manage this process. -- The new incentive system, the interaction and knowledge sharing it requires, is thus different from traditional procurement practices. (Manager of Public Procurement Unit, Public Procurement Unit)

Home nursing includes rapid and unexpected changes in user needs and thus ongoing adapting and intensive information sharing routines were important, particularly between the public home nursing unit and the private home nursing provider. The actors organized thus monthly meetings to sustain their knowledge-sharing that helped them initiate, monitor and respond to the changes in individual service plans and reach the goal of delivering high-quality home nursing services. These monthly meetings were systematically managed and coordinated by the public home nursing unit, but to enrich discussions with the public home nursing unit, the private service provider nominated a nurse to coordinate their service delivery within the two outsourced home nursing districts. Furthermore, the collaboration between the public units and the private home nursing provider required problem solving mechanisms to identify and resolve problems, for which the private home nursing provider responded by bringing promptly the problems forward. Designing and managing collaboration effectively permitted parties to give honest feedback and build the trust and good working atmosphere, which facilitated the implementation of innovative public procurement practices.

It feels that with this home nursing provider, it is possible to develop trust... Through their monitoring, they bring forward these unpleasant things and they do not try to hide them. Those things are talked freely. -- It affects as then it is not necessary to doubt. (Manager of Public Home Nursing Unit, Public Home Nursing Unit)

Communication between us is open and I do not feel that if something emerges that I cannot say it or I cannot tell that something happened. -- They have given us constructive criticism, but I have never felt that they think that we cannot do this. (Regional Manager, Private Home Nursing Provider)

The technical dialog between the public procurement unit and potential private home nursing providers established a good platform for this type of collaboration by influencing partners' expectations from the procurement and preventing redundant disputes to rise during the public procurement process.

The purpose with this procurement was to reinforce – collaboration, characterized by shared interests between them and us. -- I think the technical dialog increased the threshold of disputing. Then, we were not faceless. Instead, we were persons who want to purchase home nursing. (Manager of Public Procurement Unit, Public Procurement Unit)

It gives realism back and forth. It makes sure that these profanities... Requests that are unfeasible. If something like that is put into RFQ, it creates potential disputes. (CEO, Private Home Nursing Provider)

Shaping markets

To shape emerging home nursing markets, the private home nursing provider collaborated strategically with the public procurement unit. In particular, the public procurement unit and the private home nursing provider had regular, but rather informal meetings to share their inside information from home nursing markets, which assisted the public units to benchmark the performance of private home nursing provider and spread the good practices into the public home nursing. In return, the information the public procurement unit gave supported the private home nursing provider's effort to improve the quality and cost-effectiveness of home nursing and influence the development of home nursing markets and how home nursing services are priced within these markets. This type of reciprocal knowledge exchange engendered mutual satisfaction and established a fruitful platform for interorganizational collaboration and joint learning between the procurement unit and the private home nursing provider, thus reflecting the interactive interface between them.

Together we have tried to improve home nursing business. They have interest towards it and we have interest towards it. -- We have shared information, for example, from the processes of public home nursing, financial figures. They have done that as well, they talk freely about these things. --We have discussed with their management on those home nursing provisions, how we could develop home nursing and its procurement, pricing and perhaps that service note system. -- We have tried to create a win-win situation that with the same information, they can improve their business and we can improve public home nursing. (Manager of Public Procurement Unit, Public Procurement Unit)

Implementing innovative public procurement practices required thus both procurement-level and strategic level goals, and balancing between them enabled actors to deliver high-quality home nursing services and at the same time shape home nursing markets.

CONCLUSIONS

This study sought to increase the understanding of innovative public procurement practices and how they are implemented. In terms of the contribution to the innovative public procurement literature, the study identifies the activities of innovative public purchasing. Furthermore, innovative public procurement practices are understood to rest on collaboration and partnering (Edquist and Zabala-Iturriagoitia, 2012) and thus the study contributes to the literature on interorganizational relationships by showing how innovative public purchasing influences the interface between public and private organizations.

The study shows that implementing innovative public procurement practices is reinforced by five interrelated activities (Figure 2). These activities are important for understanding the innovative public procurement process and how public authorities influence market structures through their procurement practices (Knutsson and Thomasson, 2014). Defining procurement goals from users' perspective and justifying them to external and internal interest groups is critical for implementing innovative public procurement practices and thus it is the starting point for the innovative public procurement process. Innovative public procurement practices require public organizations to activate, challenge and assist private firms to participate in the procurement process and to take responsibility from reaching procurement goals. Designing and managing collaboration throughout the public procurement process facilitates further the establishment of reciprocal knowledge sharing routines, mechanisms to resolve problems and joint learning, which empowers relationship partners together to shape market structures, but it requires balancing between strategic and procurement level goals. The findings of this study thus reassert and emphasize that the role of public procurement (Edler and Georghiou, 2007; Ulkuniemi *et al.*, 2015) and collaboration (Håkansson, 1982) during the procurement process are important with regard to shaping markets.

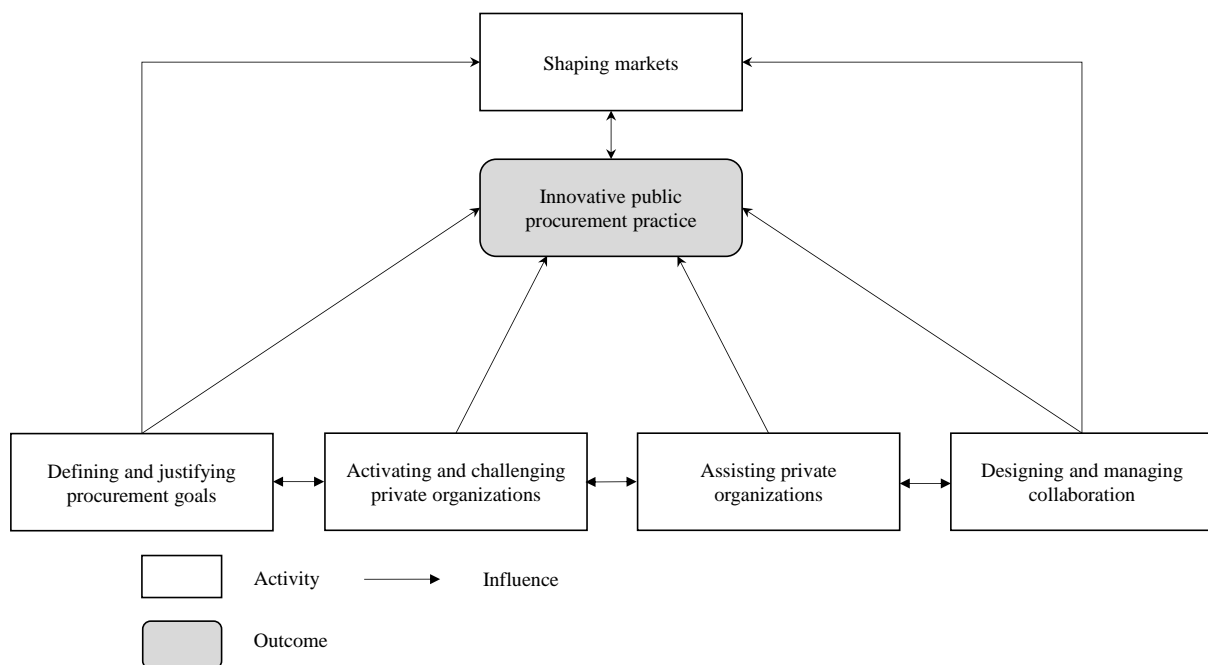


Figure 2. Activities of implementing innovative public procurement practices.

The study presents that implementing innovative public procurement practices changes the interface of public and private organizations by fostering their collaboration throughout the

public procurement process; thus, the activities of innovative public purchasing are suggested to reinforce partnering between public and private actors. Partnering tends to facilitate public procurement implementation (Kumaraswamy *et al.*, 2007) by establishing trust and knowledge exchange (Erridge and Greer, 2002), but it is recognized challenging (Smyth and Edkins, 2007). The findings of this study illustrate that the interaction of public and private actors during the innovative public procurement process is more frequent and it resembles the interfaces that Araujo *et al.* (1999) characterize as translation and interactive interfaces. In innovative public procurement process, private firms take a greater role in implementing public procurements and although public organizations give instructions for procurements, there is an important degree of freedom for the private partner to resolve how to meet these expectations of public customer. Furthermore, innovative procurement practices are recognized to rest on reciprocal knowledge exchange during the procurement process, through which parties determine and refine procurement goals and promote collaboration and joint learning, which is important for high productivity and innovation gains (Araujo *et al.*, 1999).

The study aims to give initial insights for the managers of public and private organizations for implementing innovative public procurement practices. The study identifies the activities of innovative public purchasing, which draws attention particularly to the active role of private actor when implementing innovative public procurement practices. Thus, public organizations are encouraged to engage private parties in the public procurement process and challenge them to take more responsibility from reaching procurement goals. Furthermore, collaboration and knowledge exchange facilitates innovative public purchasing and thus establishing routines and processes to support this is critical. In particular, public organizations should organize technical dialogs to negotiate procurement goals and to identify the problems of innovative practices, instead of merely exploring the details of procurement agreement. Furthermore, aligned with Uyarra and Flanagan (2010), procurement structure and incentives should promote joint coordination and collaboration within and throughout public and private organizations, thus permitting joint learning and market shaping.

The primary limitation of this study relates to its empirical setting that examines merely the innovative practices of home nursing procurement. Thus, future research is required from other innovative procurement contexts to increase understanding from implementing and managing diversity of innovative procurement practices. Furthermore, the study examined innovative public purchasing particularly from the perspective of public organization and thus research that takes suppliers' point of view is recommended.

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