

## **PARTNERSHIP CONCEPTS IN DANISH PUBLIC PROCUREMENT – DIFFERENT CONCEPTS FOR DIFFERENT CUSTOMERS**

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**ABSTRACT.** This research examines collaborative relationships from the selling firm's perspective and will on a conceptual basis, investigate how partnerships concepts are developed. In today's competitive environment, business relationships are increasingly complex and dynamic, and therefore partnerships should also be viewed as rapidly changing, complex and dynamic entities. Based on action research at SKI (National Procurement Ltd. – Denmark) concerning the types of partnerships that SKI engages in with its customers, this paper highlights the different natures of partnerships and that a partnership cannot be viewed as a single, homogeneous concept, as is often the case in the literature. Though the concept of partnership has received much attention in the literature, the approach of most studies has primarily been one dimensional. This paper will try to fill this gap.

### **INTRODUCTION**

This research is a part of an action-research project at SKI - (National Procurement Ltd. – Denmark) with the objective to increase our understanding of the gaps that occur in buyer-supplier relationships, specifically focusing on the partnership approach. The reason for initiating this research was that SKI – as a central element in its aim to develop public procurement in Denmark, SKI (National Procurement Ltd. – Denmark) has entered into regular partnerships with ten major public organizations. The ten organizations represent different parts of the Danish public sector: ministries, universities, municipalities and semi-public organizations. For SKI, in its role of central purchasing agency in Denmark, the primary purpose of the partnerships is to bring SKI closer to the public organizations and

their daily work practices in order to be able to offer even more efficient public procurement solutions. Through the partnerships, SKI wishes to inspire and support the public organizations and their procurement officials in achieving procurement savings and promoting efficient public management, thereby securing additional resources for public welfare and service.

Each partnership has its own purposes and goals as well as organizational focus in order to achieve the greatest possible insight and knowledge creation for continuously developing public procurement. In fact, each of the partnerships of SKI are unique and demand a different setup to supplement the traditional sales efforts where SKI conducts tender processes and framework agreements which the customers can bid for. The aim of the research is therefore to develop more understanding and knowledge about the different requirements that each partnership has towards SKI in order to create win-win situations. Even though each partnership is unique, the partnership strategy of SKI builds on the following basic rules and principles:

- Establishing equal, long-term and value-adding cooperation on a strategic level with innovative public organizations and networks
- The public customers commits itself to use SKI agreements (greater compliance towards existing framework agreements)
- Creating win-win situations where the public organizations obtain optimal procurement savings and SKI increases its turnover and gets inspiration for the continued development of and reinvestment in public procurement
- Obtaining valuable knowledge regarding the public organizations' procurement challenges that can be used by SKI to establish even more attractive framework agreements and services
- Securing competence building, innovation and efficient use of resources through improved knowledge sharing and division of labor between the partnership organizations and SKI.

## **RELATIONSHIP MARKETING – AN INTRODUCTION**

In the past two decades, significant academic and managerial attention has focused on relationships between buyers and suppliers where the introduction of relationship marketing is considered to be a new stage in the development of marketing theory ((Whipple et al., 2010). The idea is that a firm cannot compete effectively in isolation

– it needs resources from external sources and therefore needs to collaborate with other firms in the supply chain – which is a core premise, driving collaborative relationships (Min et al., 2005). In this respect, Berry (1995) views relationship marketing as a relatively instrumental and strategic discipline that is able to “attract, maintain and enhance customer relationships”. Sheth and Parvatiyar (1994:12) define relationship marketing as “the understanding, explanation and management of the ongoing collaborative business relationship between supplier and customer” whereas Gummesson also provides a dynamic picture of relationship marketing: “It is based on relationships, interactions and networks” (cited in Grönroos, 1989, p. 69).

Hence, the origins of the relationship marketing approach lie in the business-to-business sector and in services industries. In recent years, the concept of relationship has come to occupy a central position in the marketing discipline (Dwyer et al., 1987; Grönroos, 1994). Although there has been a great deal of interest in the concept of relationship marketing, there is wide agreement that it is different from traditional approaches to managing exchanges, but there is no general theory on the subject. Additionally, other terms have frequently been used as either a synonym for relationship marketing or to describe similar concepts; these include customer relationship management, database management, loyalty based marketing, integrated marketing, direct marketing, frequency marketing and dialogue marketing amongst others. Despite the fact that there is no single theoretical framework for addressing relationship marketing, we will here view the subject through two lenses. The first approach is to look at relationship marketing as a relation on a continuum with the two extremes: adversarial and collaborative partnerships. The second is to examine relationship marketing through the network or interaction approach of the so-called Nordic School.

#### **BUYER-SUPPLIER RELATIONSHIPS – ADVERSARIAL VS. COLLABORATIVE PARTNERSHIPS**

Several researchers argues that relationships between buyers and suppliers can vary across a classification continuum which borders between transactional and collaborative relationships options (see, for example, Lambert et al., 1996, Kalwani & Narayandas, 1995; Ganesan, 1994). Fontenot and Wilson (1997) argue that the types of inter-firm exchanges span a continuum from discrete transactions to relational exchanges. Within the purchasing research area, the two extremes are defined as arm’s-length and partnership relations. Therefore, Dyer et al. (1998) suggest that suppliers should be analyzed strategically and split into two groups: one that provides

non-strategic inputs, and another group that provides strategic inputs. Thereby, companies can achieve the advantages of both arm's-length and partnership models, according to Dyer et al. (1998).

Shapiro (1986) argues that the primary goal of the traditional adversarial approach is to minimize the price of purchased goods and services whereas it is now often argued that collaborative partnerships are the superior form as they create long-term collaboration based on trust between the buyer and supplier (Lamming, 1993; Saunders, 1994; Macbeth and Ferguson, 1994). Even though the advocates for the adversarial approach are in the majority, there has recently been an internationally documented trend towards the collaborative partnership approach. Fundamentally, this is a shift from transactional marketing (product market thinking) to relationship marketing (customer relationship thinking), based on the idea that it is possible and desirable to establish relationships with customers that go beyond the individual transaction. According to relationship marketing, customer wishes and requirements are not related to a specific product or service but towards the solution of a task or an activity. Marketing is therefore not a matter of balancing product portfolios but of developing the content of relationships with the customers; in SKI's terminology they would be called partnership customers. Specifically, this means that cooperation and long-term mutual benefits are in focus rather than each individual transaction.

So firms are increasingly establishing collaborative relationships with their partners in order to achieve efficiency, flexibility and competitive advantages (Nyaga et al., 2010). The shift from an operation and transaction oriented view to a more strategic perspective (relationship oriented view) in relationship theory is widespread (Spekman et al., 1994). Watts et al. (1992) refer to it as a shift in paradigm from product/commodity based competition towards capability based cooperation. This trend is heavily inspired by extensive studies of Japanese subcontracting, notably in relation to the Japanese automobile industry (Womack et al., 1990; Lamming, 1993).

The distinction between transaction and relationship marketing must here be understood as a continuum. Jackson's (1985) study is analyzed in the context of two different strategies: "always a share" and "lost for good". Helper (1991) investigates two generic buyer-supplier relationships through an analysis of relationships in the automotive industry in the U.S. and Japan. He claims that in the U.S. they use a so-called "exit" model characterized by a low level of information exchange and commitment and a focus on price. The Japanese "voice" model takes the opposite approach, with close

relationships, lengthy development processes and a focus on solutions and quality.

**TABLE 1**  
**THE MARKETING STRATEGY CONTINUUM**

	<b>Transaction marketing</b>	<b>Relationship marketing</b>
Time perspective	Short-term focus	Long-term focus
Switching costs	Low	High
Dominant marketing function	Marketing mix	Interactive marketing (supported by marketing mix activities)
Price elastic	Customers tend to be more sensitive to price	Customers tend to be less sensitive to price
Dominant quality dimension	Quality of output (technical quality dimension is dominant)	Quality of interactions (functional quality dimension grows in importance and may become dominant)
Measurement of customer satisfaction	Monitoring of market share (indirect approach)	Managing the customer base (direct approach)
The role of internal marketing	Internal marketing of no or limited importance to success	Internal marketing of substantial strategic importance to success
Strategy according to Jackson (1985)	“Always a share”	“Lost for good”
Strategy according to Helper (1991) or Hirschman (1970)	Exit	Voice

Source: Inspired by Grönroos (1990b) – some additional implications have been added

The management and development of relationships have attracted a number of significant contributions (Turnbull and Valla, 1986; Berry, 1985; Gummesson, 1987 – just to name a few) and an implicit assumption of this work is that having a strong customer or supplier relationship is always intrinsically good. As Rajogopal and Sanchez (2005) point out, this is obviously not necessarily so. Some customers are simply not worth having: they are difficult to satisfy, too demanding and/or will not pay a fair economic price. For these types of customers, a transactional approach is the right one.

Similarly, Boe and Munksgaard (1997) stress that product based (transactional based) cooperation can undoubtedly be of equal value as partnership based (relationship based) cooperation. This depends

on the situation as there needs to be symmetry between the seller's approach and the wishes of the buyer – a relationship oriented seller must sell to a relationship oriented buyer, and a transaction oriented seller must sell to a transaction oriented buyer. So if there are no advantages to establishing long-lasting and close relationship with a client, it will be advantageous to pursue a transaction approach. Relationship marketing is the tool to be used when the goal is to create long-lasting and profitable relationships between vendor and customer. The basic foundation of a long-lasting and partnership based relationship is its economic value over time. Loyalty marketing, for example, builds on the assumption that retaining and improving business with current customers cost less than acquiring new ones.

### **BUYER-SUPPLIER RELATIONSHIPS – THE NETWORK APPROACH**

The network approach to buyer-supplier relationships holds that organizations are linked via exchange relationships characterized by cooperative interaction processes. The theory has primarily evolved from Swedish research on industrial marketing and purchasing, especially conducted at Uppsala University. The research object is the relationship between buyers and suppliers, i.e. a dyadic approach emphasizing the following characteristics: (a) both the purchaser and the seller are active in the relationship, (b) the relationship is generally a long-term association evolving over time (Ford, 1990) so that both parties develop expectations regarding e.g. their role in the network. From an interaction perspective, time plays a key role in explaining and understanding the exchanges in a relationship. Buyers and sellers actively use the past to forecast likely outcomes of future exchanges (McLoughlin and Horan, 2002). Successful relationships tend to exhibit processes characterized by high levels of joint planning and participation, cooperation and effective communication to enhance conflict resolution (Anderson and Narus, 1990; Heide and John, 1990)

The network approach is also referred to as Interaction Theory, just as the framework model is also called the Interaction Model because an exchange is seen as an interaction process between a buyer and a seller. Interactions are at the heart of the Industrial Marketing and Purchasing (IMP) approach to analyzing industrial marketing. It states that “the marketing and purchasing of goods is seen as an interaction process between two parties within a certain environment” (Håkansson, 1982). The interaction process consists of

the transactions between the companies, involving the following four related areas of exchange:

- The product or service being exchanged
- Information exchange
- Financial exchange
- Social exchange

In his buyer-seller interaction model, Campbell (1985) furthermore identifies interaction mechanisms and product characteristics, but Johanson and Mattson (1987) state that different researchers emphasize different elements or aspects of the network approach. Because interaction is a core concept for IMP researchers as well as for scholars anchored in other research traditions, different approaches to studying interactions have been used. Thus, the fact that researchers adopting the IMP approach use different concepts or put emphasis on different parts of the concept should not cause confusion as the theoretical framework of the interaction model is based on two major theoretical models, namely organizational theory and new institutional economic theory. Neither of these theories is from the marketing research area. Also, it has been pointed out that interaction is a complex construct (Ford and Håkansson, 2005). Particularly problematic is the fact that episodes of interaction are inherently interdependent, yet for planning and analysis purposes, companies have a strong need for isolating individual episodes in a series of interactions.

The main conclusion from the network theory is that buying and selling in industrial markets should not be understood as a series of disembodied and serially independent transactions. Instead, transactions should only be examined as episodes in often long-standing and complex relationships between buyers and sellers. These relationships seem to be fairly stable when studied over long periods of time, but turn out to be very dynamic when examined at closer quarters. If relationships in industrial markets are characterized as strong and stable, then this has direct implications for the structure of business markets. If markets were traditionally conceived as atomistic and frictionless, the findings of the early IMP studies resulted in a fundamental rethinking of the nature of markets. The markets-as-networks approach came to view business markets as networks of interfirm relationships. A network is thus a web of relationships where one actor is connected directly and indirectly to other actors through exchange relationships. These relationships may vary from weak to strong, depending on the connections between resources, the complementarity of activity structures and the bonds established between individual actors. Complex and strong

relationships imply a degree of connectedness of relationships – a change in one of these relationships may have widespread repercussions on other relationships.

### **SKI'S APPROACH TO CUSTOMER RELATIONSHIPS**

In the last decade, a number of important drivers of change in public sector procurement have emerged reflecting new strategic directions, new policies and new practices in public service provision (Bovaird, 2006). One of the new key drivers is the nature of the organizational relationships in the procurement process. In the traditional model, the relationship was adversarial, but in the new approaches to procurement, the emphasis has switched dramatically to collaborative behavior by which each party expects to reap benefits from helping to make joint working more successful (Lorange and Roos, 1992; Dror and Hamel, 1998).

Previously, SKI's business model was solely based on marketing, sales and guidance on the use of framework agreements. The business model reflected the notion that public procurement organizations had to commit themselves to use SKI's framework agreements. The marketing and sale of these agreements were entrusted to dedicated SKI employees with in-depth knowledge of the terms and conditions of the agreements. The introduction and development of SKI partnerships have led to changes in the business model as well as SKI's relationship to its customers: from a sales oriented role to a coaching role that to a higher degree stresses the competence areas of SKI.

**FIGURE 1:  
DEVELOPMENT IN SKI'S RELATIONSHIPS – FROM PUSH  
TO PULL**

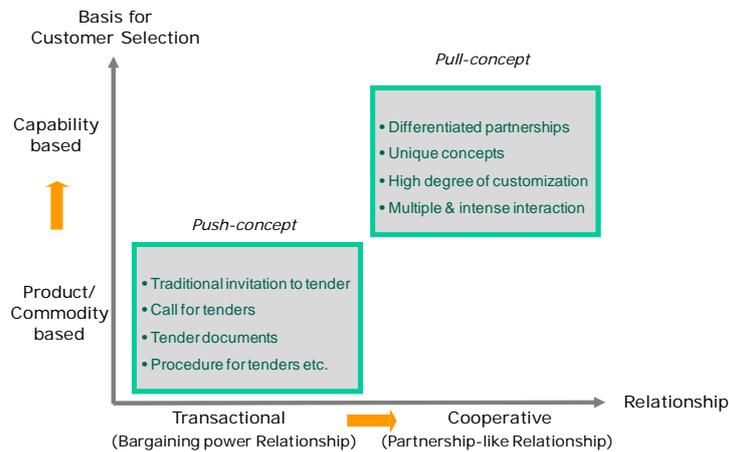


Figure 1 shows that through the introduction of differentiated partnerships with selected customers, SKI has created a new approach to the market that to a higher degree is based on a pull strategy instead of the traditionally more push oriented strategy of making framework agreements and then hoping that the customers will use these agreements. These changes in the organization's approach to the market reflect a shift in paradigm, making great demands on SKI's ability and willingness to adapt to major changes.

Additionally, figure 1 demonstrates that the two distinct approaches to the customers require different skills, services and processes. In SKI these different requirements have led to the sales organization being divided into two units with dedicated employees working with each type of relationship. This means that there are sales employees working solely with framework agreements and customer partner employees primarily serving SKI partner customers.

From a continuum perspective, the main task of the employees working with framework agreements is to generate turnover on these agreements whereas it is the primary task of the customer partner employees to secure information about the partner customers' specialized requirements in order to service them better. Both employee types work in sales, but have different types of competences and different means and goals. It is important to note that not all customers are interested in long-term, committing relationships. In these cases, it is a waste of time and money for SKI

to try to engage a customer using the partnership approach when in fact the customer is more suited for and interested in the transaction package of SKI. The differences in SKI's sales approaches towards the two customer groups are sketched in table 1.

**TABLE 2:  
DIFFERENCES IN SKI'S SALES APPROACHES**

	<b>Transaction Marketing</b>	<b>Relationship Marketing</b>
Resources	Chief consultants	Customer partners
Focus/Competences	Establish framework agreements	Development of the partners Purchasing function
Task	Capture market share	Capture customer share
Sales approach	Direct sales	Indirect sales
Primary goal	Turnover	Learning – mutual benefits
Model	Product based	Partnership based
Marketing concept	Framework agreements created through tender processes and made available to customers	Partnerships with customers – each setup is unique with different concepts for different customers – adaptation

SKI's use of different resources, both chief consultants and customer partners, is based on the assumption and experience that customers are different and need to be treated differently. Success with partnership customers is to a high degree determined by the competences of the SKI customer partner employees and their ability to analyze and bring forward solutions that meet the specific needs of the customers, as these are very diverse and specialized in nature. Therefore, SKI has set up a series of internal and external knowledge sharing mechanisms to support the development of new skills and competences, such as:

Internal knowledge sharing mechanisms:

- Establishment of core teams, with members working towards partnership agreements. These teams meet every 14 days and discuss the status of all internal and external challenges with regard to each partnership

- Thematic meetings every 14 days where current and cross-functional issues are discussed
- Ad hoc meetings in each partnership team

External knowledge sharing mechanisms:

- Establishment of groups focusing on lessons learned, with involvement of both SKI employees and employees from the relevant partnership customer
- Networking groups of SKI partner customers were established and meetings held in June and December 2009
- Establishment of networking groups in order to exchange experiences, results, best practices etc. with regard to implementing partnership agreements with different customer groups.

Strategically, it is the intention of the partnerships to strengthen the public procurement function by maximizing its efficiency through a more effective use of procurement resources, common procurement planning, sharing of savings and through an effective implementation of own and SKI agreements. The partnership strategy is based on the following concrete goals for the partnership organization and SKI:

- Goals for the organization: Realization of tangible procurement savings, influence on framework agreement portfolio, freeing up resources to better solve core tasks and improving general resources and competences.
- Common goals: Strengthened innovation, attractive prices, sharing of concepts, methods and knowledge, improved documentation of prices and savings and managerial involvement on a strategic level.
- Goals for SKI: Increased closeness to and understanding of the needs of the public organizations as well as the opportunity to maintain and further develop the position as the natural focus point and knowledge center for all actors involved in public procurement in Denmark.

The value contribution of both SKI and its customers when using the partnership model is summed up in table 3 below:

**TABLE 3:**

## VALUE CONTRIBUTION OF THE INVOLVED ACTORS

Partner customer	Common	SKI
<ul style="list-style-type: none"> <li>• Realization of significant procurement savings</li> <li>• Influence on broad agreement portfolio</li> <li>• Release of resources</li> <li>• Inflow of competences and resources</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthened innovation</li> <li>• Attractive prices</li> <li>• Sharing of concepts and knowledge</li> <li>• Enhanced documentation of prices and savings</li> <li>• Managerial recognition of purchasing as an important function</li> </ul>	<ul style="list-style-type: none"> <li>• Greater proximity to customers</li> <li>• Additional sales that can be used to invest further in efficient procurement</li> <li>• The natural focal point of everybody involved in public procurement</li> </ul>

## PERSPECTIVES, RESULTS AND EFFECTS – SO FAR

The partnership strategy has already led to many results. Amongst them are the following which SKI intends to share with national and international players within public procurement in order to further improve knowledge sharing:

- A concept and a toolbox for implementation of partnerships have been developed
- A knowledge sharing network for SKI's partnerships has been established
- As a result of a high level of commitment in the cooperation between SKI and the partnership organizations, SKI has generated an increased turnover on its framework agreements
- SKI has experienced a growing demand from other public organizations wishing to enter into a partnership with SKI

- A platform for experience and knowledge sharing and a framework for competence development have been established

Based on feedback received at seminars with partner customers, SKI has evaluated the results and effects so far of its strategy.

First of all, the introduction of partnership agreements has created greater focus on purchasing from top management on the customer side. In other words, purchasing as a business area receives a higher degree of attention from top management, which is in line with the trend of the last few decades where procurement is characterized by a significant development towards an increasing portion of the value creation taking places outside the company. As Freytag & Mikkelsen (2007, p. 187) point out: "Purchasing has at last become strategic". This means that purchasing is taking center stage and attracting more attention in public companies. In fact, it is being used as an opportunity to put purchasing on the agenda of top management and portraying it as an important contributor to increased efficiency in the public sector and as a business development opportunity for the customers.

Secondly, the impact of growing attention from top management has created more focus on achieving the results outlined in the partnership agreement. The attention in itself creates a high degree of motivation, both from the partner customers but also in SKI, making sure that the agreed targets on cost savings, efficiency improvements etc. are reached. The increased attention and focus also create a higher degree of commitment to the project plans and help ensure that deadlines are met and promises kept. That the promises are kept and that the savings are actually delivered are also results of realistic project plans.

Thirdly, the customers report positive experiences regarding the knowledge and competence level of SKI employees, which facilitates mutual learning and inspiration across the organizational boundaries. Several customers claim that the partnership setups have inspired them with new ways of thinking and doing things that they have then implemented in their own organizations. Through the partnership setup, the involved partners have recognized that they can learn from each other and that it is easier to create significant results by pooling together resources, knowledge and expertise. Leveraging of public procurement is accomplished by working together, by using each other's strengths and by establishing framework agreements to improve allocation of resources to other areas within purchasing, instead of each organization doing everything by itself. Developing

an awareness of the effectiveness and professionalism of procurement can actually be done – and perhaps to a greater extent than anyone had imagined.

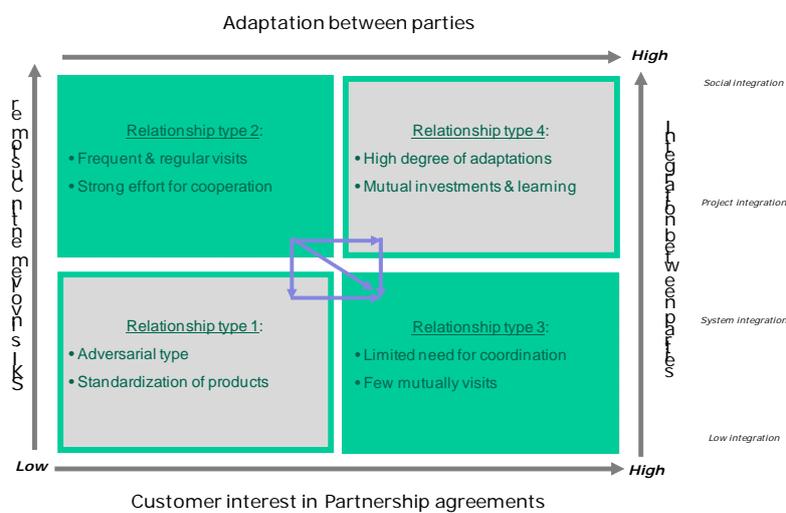
So far the efforts of SKI have generated a number of concrete partnerships, see the list below. Each partnership's focus and maturity level are significantly different from those of other relationships and reflect the individual challenges and different maturity levels of the various customers. A common feature of each partnership is that it involves both a development plan for the customer's purchasing function and a plan for the customer's use of SKI framework agreements and contracts. The business idea behind the partnership relationships is that SKI invests expertise and resources in the customer's purchasing function and the customer commits to a higher level of compliance with SKI's framework contract, and hence it is an exchange relationship with mutual benefits. Ten of the partnership customers referred to above are the following:

- Ministry of Education – procurement from the outset in a decentralized organization
- Municipality of Gentofte – realization and documentation of procurement savings
- City of Copenhagen – environment, climate and CSR as well as efficient procurement and use of consultant resources
- University of Roskilde – preparation of procurement and sourcing of procurement staff
- Municipality of Ballerup – recruitment for and organization of a purchasing function
- Energinet.dk – focus on large projects and construction related procurement in a semi-public company
- Municipality of Vesthimmerland – implementation of a procurement strategy in practice
- Municipality of Lejre – sustainability, e-commerce, contract optimization and turnover procedures
- A small housing company (DAB) – an “outpost” to ensure better awareness and use of SKI agreements in the non-for-profit housing sector
- Danish Universities – (partnership-like cooperation) with focus on continued development and streamlining of procurement, including achieving economies of scale and synergy across the sector

The above list of ten established partnerships highlights the fundamentally different nature of the partnerships. In fact, each partnership is unique and has virtually no traits in common with the

others as it is set up to reflect the specialized needs and requirements of the individual partnership customer. So instead of having one single partnership approach, SKI needs to develop a portfolio of partnership types. In figure 2 below, four different types of relationships with customer are illustrated:

**FIGURE 2:  
SKI'S PORTFOLIO OF PARTNERSHIPS**



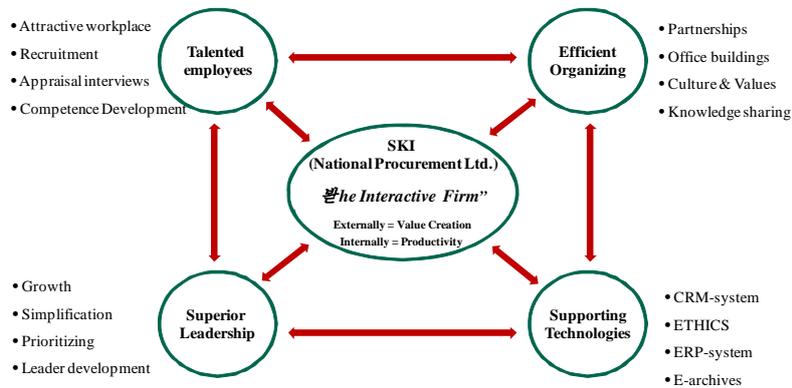
Even though the above relationships represent four generic types of partnerships, they have several features in common. For instance, the initial consideration of the choice of partner is important to all partnerships. If the wrong partner is chosen, much effort and time will be wasted and the outcome will be far from successful. Choosing the right partner, though, is not easy as the customer may not want to engage in a specific partnership for a variety of reasons, and many attempts at partnering have failed.

Lessons learned with partnerships shows that it is possible to create win-win situations as the partnership customer by committing to a partnership agreement with SKI creates an additional benefit by receiving a loyalty bonus from using the framework agreements. This creates commitment at both sides of the table and constitutes the business case behind the partnership concept. Lessons learned so far also shows that the more mature the customer are the more they use the framework agreements of SKI. The maturity level of the customer is measured through a tool that SKI has developed, named

The Development Model, which is based on the CMM (Capability Maturity model).

Another lessons learned is the possibility to create competitive advantage through the partnership agreements, where it can be argued that such competitiveness arises not from *firm*, but from *interfirm* sources of advantage. In fact it can be argued that competitive advantage is based on the knowledge and capability that is created in the cooperation between SKI and its customer partners. To paraphrase Håkansson & Snehota's (1989) expression of "No Business is an island" it can be transformed into 'No competence is an island, either' as different competencies are put in interaction with each other through the partnership concept. Based on the notion of interaction, SKI, has developed a model (see figure 3) for how this interaction approach could be understood in the way of working together with external partners.

**FIGURE 3:  
SKI – The Interactive Company**



The idea behind the concept of interaction is the notion that learning, knowledge and competence development and ultimately competitive advantage is not created in isolation but to a higher degree in interaction, both internally as well as externally with partners and other actors in the environment. Therefore SKI needs to develop ways as which to interact with its environment to maintain competitiveness and to develop competitive advantage.

## **CONCLUSION**

### **Theoretical contribution**

The development of current practices in business partnerships has partly been driven by changes in the conceptual frameworks used in the marketing and market management theory in recent years, especially the concepts of relationship marketing and strategic collaboration, but this development of practices in turn challenges current theoretical and conceptual frameworks. The main challenge to the current theories is the realization that the partnership concept is much more fragmented in nature than previously considered and hence more multi-dimensional than is recognized in the literature. Like a marriage which is depending on two different parties to constitute a partnership.

However, one main conclusion of this study is that the current perception of partnerships differs considerably from the traditional adversarial approach to buyer-seller relations. In a partnership, the supplier and customer commit to shared benefits and the continuous improvement of the relationship, by exchanging relevant information and by working together to resolve problems. Also, the focus of the relationship changes from considering only price to including more and deeper interactions, creating a large range of benefits for both sides of the relationship. The partnership acts as a very powerful force for change within each aspect of the relationship. For those charged with the responsibility of managing the changes, this represents a number of challenges, for instance establishing collaborative activities transcending organizational boundaries. Thus, the approach to managing the change processes must ensure that complementary activities are implemented and consistent behavior is exhibited within each of the partnering organizations. A new focus on quality and customer relationships necessitates changes in policies, cultural values, work procedures and processes, relations among departments and interactions between buyers and suppliers.

### **Practical contribution**

By using the partnership approach towards its customer base, SKI has reached the following objectives:

- SKI has managed to establish, maintain and develop close, long-term, mutually binding and value-creating strategic partnerships with selected high-profile customers within public procurement in Denmark.
- SKI has managed to achieve win-win situations where partner customers can use SKI resources and competencies and thereby maximize savings on procurement, and SKI can generate more business through its existing framework

agreements. Also, the partnership acts as a vehicle for inspiration and continued development of the products and services offered to the customers.

- Due to the differentiated demands on the organization from the partnership agreements, SKI has undertaken a competence development process and been forced to become more innovative in its offerings to the market. This has resulted in a number of new tools, methods and concepts to be used within public procurement in Denmark, developed and initiated through the partnership agreements; these include: (a) development model for public procurement, (b) tool to measure compliance on agreements, (c) second generation spend analysis tool, (d) sourcing map to be used within municipalities and, last but not least, (e) a new paradigm for preparing a procurement policy and strategy.

But most importantly, there is evidence to conclude that SKI with its partnership strategy and the related work has moved from a more traditional role as supplier to a customer, to a role as strategic cooperative partner and also to being the favored partner within public procurement in Denmark. Through the strategy of partnerships, SKI has increased its turnover considerably and is by far the largest actor within public procurement in Denmark today.

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