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# RELATIONAL RISK AND RELATIONSHIP MANAGEMENT IN FACILITIES MANAGEMENT PARTNERSHIPS

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## **RELATIONAL RISK AND RELATIONSHIP MANAGEMENT IN FACILITIES MANAGEMENT PARTNERSHIPS**

**Anssi Salonen**

Dissertation for the degree of Doctor of Science in Technology to be presented with due permission of the Department of Civil and Environmental Engineering for public examination and debate in R1 at Helsinki University of Technology (Espoo, Finland) on the 19<sup>th</sup> of May, 2006, at 12 o'clock noon.

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<p>Abstract</p> <p>This dissertation studies facilities management (FM) partnerships and related risks. The study consists of three research phases. The first phase was a qualitative pilot study to gain understanding and form preliminary research questions and propositions. This was conducted through four pilot cases. The second phase of the research process was a qualitative longitudinal case study. In this case work it was possible to investigate the proposed research questions more thoroughly as I worked with one case for over two years from its origin. In the third phase, it was conducted a descriptive survey to study the generalisability of the results as well as to validate the findings from earlier phases.</p> <p>The purpose of this dissertation was to develop a framework for facilitating understanding of relational risk and management in facilities management partnerships. The results of this research contribute to the facilities management and to some extent relationship management disciplines. The dissertation increases our knowledge of partnerships in the FM context. Dissertation adds to the stream of relationship management literature by delineating a study in new context. This dissertation widens the partnership studies into the field of business services. The relationship management discipline was improved by introducing the difference between risk and perceived risk and its consequences on relevant management methods in FM industry. Additionally, the much debated concept in partnership literature, trust, was examined and it was stated that trust affects only perceived risk.</p> <p>The dissertation delineates the characteristics of FM partnership and their consequences on FM partnership management and also provides information about the connection between trust and partnership management. The results of the research supported the original research propositions as follows: Companies are moving towards closer relationships in the FM industry. Companies face new kinds of uncertainties and risks as they move towards collaborative relationships. Uncertainty and risk cannot be managed with trust. Trust only affects perceived risks. As one of the main practical contributions of this dissertation, it was suggested that companies could use the presented conceptual model as a starting point for the management of their relationships and risks, particularly the management of relational risk.</p>			
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<p>Tutkimus kohdistuu kiinteistöliiketoimintaan ja erityisesti kiinteistöpalvelujen kumppanuuksiin (facilities management partnerships). Kumppanuusajattelu on 1990-luvulla levinnyt laajalle yritysmaailmassa ja yleistynyt 2000-luvulla myös kiinteistöliiketoiminnassa. Tutkimuksessa luodaan teoria kiinteistöpalvelukumppanuuksien riskeistä ja niiden johtamisesta.</p> <p>Tutkimus koostuu yhteenveto-osasta ja kuudesta erillisestä artikkelista. Tutkimuksen pääkysymys on miten kumppanuuksia voidaan luoda ja johtaa kiinteistöliiketoiminnassa. Pääkysymystä lähestytään osakysymysten avulla, kolmen erillisen tutkimusvaiheen kautta. Ensimmäisen vaiheen muodostaa laadullinen pilottitutkimus. Tämän vaiheen avulla pyrittiin lisäämään ymmärrystä kiinteistöpalveluverkostoista ja kumppanuuksista sekä muodostamaan alustavat tutkimuskysymykset ja työhypoteesit. Pilottitutkimuksessa tutkittiin verkostoja neljässä erillisessä tapauksessa. Väitöskirjatutkimuksen toinen vaihe käsittää laadullisen pitkittäisen tapaustutkimuksen. Toisessa tutkimusvaiheessa tarkasteltiin tutkimuskysymyksiä lähemmin työskenneltäessä yksittäisen kumppanuuden parissa yli kaksi vuotta sen muodostumisesta lähtien. Väitöskirjatutkimuksen kolmas vaihe on kuvaileva kyselytutkimus. Tämän vaiheen avulla vahvistettiin aikaisempien vaiheiden havaintoja samalla, kun tarkasteltiin tuloksien yleistettävyyttä Suomen kiinteistöpalvelumarkkinoille.</p> <p>Tutkimuksen tuloksena kehitettiin viitekehys lisäämään ymmärrystä kiinteistöpalvelujen kumppanuuksista, niihin liittyvistä suhderiskeistä sekä näiden johtamisesta. Tutkimuksen tulokset edistävät kiinteistöjohtamisen ja osittain myös suhteen johtamisen tieteenaloja. Tutkimuksen tuloksena on kuvattu kiinteistöpalvelukumppanuuksien ominaisuudet ja niiden vaikutus kumppanuussuhteen johtamiseen. Tutkimus tarjoaa myös informaatiota luottamuksen ja suhteen johtamisen välisestä linkistä. Tutkimuksen tulokset tukivat alkuperäistä hypoteesia: Yritykset siirtyvät kohti läheisempää yhteistyötä kiinteistöliiketoiminnassa kohdaten uudenlaista epävarmuutta ja riskejä. Epävarmuutta ei voida poistaa luottamuksella, sillä luottamus vaikuttaa vain koettuun riskiin. Tutkimuksessa ehdotetaan, että yritykset voisivat käytännössä hyödyntää tutkimuksen viitekehystä lähtökohtana omien kumppanuuksiensa luomisessa ja johtamisessa.</p>		
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In Helsinki, February 2006,  
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## LIST OF APPENDED PAPERS

This dissertation of Doctor of Science in Technology summarises the following publications, which in the text are referred to with roman numerals:

**I.** Revised and originally published as: Tuomela, A. & Salonen, A. (2003). Network Service Organization – a Multiple Pilot Study, Proceedings of the EuroFM International Research Symposium, Rotterdam, 14.-17.5.2003. pp. R3.4/ 1-14.

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**IV.** Salonen, A. (2004) Dynamic View to Relationship Management – A Case Study in Real Estate Industry, Proceedings of the 13th International IPSERA 2004 Conference, Sisilia, 4.-7.4.2004, pp. W-657-W-666.

**V.** Salonen, A., Lehtonen, T. and Ventovuori, T. (2005) A review and classification of empirical research in facilities management, Proceedings of the EuroFM International Research Symposium, Frankfurt, 19.-21.4.2005, pp. 477-485.

**VI.** Lehtonen, T. and Salonen, A. (2005) Procurement and relationship management trends in FM services, Proceedings of the 21st IMP Conference, in print (Accepted 9.7.2005).

**Contribution of the author to Papers from 1 to 6 is as follows:**

- I.** Tuomela, A. & Salonen, A. (2003) The author collected and analysed the data. Writing, reviewing and formulating the results and conclusions carried out together with co-author.
- II.** The author of this dissertation is fully responsible for writing this paper.
- III.** The author of this dissertation is fully responsible for writing this paper.
- IV.** The author of this dissertation is fully responsible for writing this paper.
- V.** Salonen, A., Lehtonen, T. and Ventovuori, T. (2005) The author initiated the study, formulated the research plan, coordinated the writing of the paper and was in charge of analysing the data. The reviewing of literature and writing carried out together with co-authors.
- VI.** Lehtonen, T. and Salonen, A. (2005) Planning the survey and analysing the data carried out together with co-author. Main responsibility in writing chapters on FM, relationship management, methodology, and results. Co-author had the main responsibility in writing the chapter on partnership sourcing.



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# 1 INTRODUCTION

## 1.1 Background to the research

With a global economy, rapid product cycles, capital constraints and advances in technology, no one firm has all the capability to maintain and grow market share (Stanek 2004). The highly competitive and volatile business environment motivates companies to engage in cooperation with other companies (Varis 2004). The majority of large and medium-sized companies are using external service providers and support from professional service firms, at least in some areas of the business (Leino 2004). Rapidly changing technology and increasing global competition have forced companies to become more flexibility and to adapt more quickly (Hallikas et al. 2002). This has resulted in shrinking supplier bases, forming closer relationships and adopting a partnership approach with remaining partners.

The practice of replacing in-house support functions with support bought from external service providers has expanded during the 1990s for facilities related services (Bröchner et al. 2002). Following general and global business trends the closer inter-organisational arrangements are also taking place in facilities management (later referred to as FM) (e.g. Lundgren 2003; Ancarani et al. 2004; Lehtonen and Salonen 2005). Building owners are increasingly using partnerships with external service providers to provide those services that operations and maintenance of buildings and systems, as well as end-users, require. It seems, however, that managing partnerships is not an easy task, and entering into them requires careful consideration (Varis 2004). For a company to survive, the management of business relations has become crucial. Consequently, a deeper understanding of business relations and their dynamics is needed, both in theory and in practice (Mittilä 2000).

The application of inter-firm relationship strategies has caused dramatic changes in the nature of the relationships between companies, moving from a traditionally broad range of suppliers towards fewer suppliers and therefore a greater degree of dependency and complex relationships (Cousins 1999b in Cousins 2002). Entering into inter-firm cooperation results in a partial loss of control over one's own resources and a partial gain of control over the partner's resources. Thus, in alliances there is the risk of the partner not cooperating in good faith (relational risk) in addition to the usual risk of unsatisfactory business performance (performance risk) (Das and Teng 2001b). The current business trends of increasing product/service complexity, outsourcing, globalisation and e-business, which have led to more complex, dynamic supply networks, have resulted in the risks shifting around supply networks (Harland et al. 2003). There are many benefits

associated with networking and partnering, but they are new phenomena that have brought with them a number of risks (Hallikas et al. 2002).

In spite of the fact that the role of risk has gained increased recognition in organisations, few studies have focused on risk problems in alliance relationships, except Nooteboom (1996), Nooteboom et al. (1997), Das and Teng (1996, 1998, 2001a,b) and Delerue (2004). The risk management of dynamic alliances has not received the attention it deserves until now (Li and Liao 2004). In the FM context risk is still mostly viewed from a narrow perspective and understood as a business recovery plan related to physical breakdowns.

## **1.2 Research problem, propositions and contributions**

We can observe that companies outsource the provision of even those support services which are essential for the continuity of the company, such as information technology and maintenance. A company outsourcing such critical activities may want to ensure that they function smoothly by tying a closer relationship with the service provider. Whilst companies are modifying their sourcing strategies for provision of support service functions from in-house or arm's-length solutions to partnerships, there is a need to readjust mechanisms to manage such transactions and related risks. The demand for closer inter-organisational relationships in FM for stronger core business support has been an acknowledged topic in strategic corporate real estate management (CRE) and in the more operational facilities management (FM) literature. However, there is a limited understanding of the FM partnerships and related risks.

The purpose of this study is to develop a framework for facilitating understanding of relational risk and management in facilities management partnerships. The study aims at delineating the characteristics of FM partnership and their consequences on FM partnership management and also to provide information about the connection between trust and partnership management.

The main objectives of the dissertation are pursued through the following research questions and through the more specific goals and research questions of the individual papers. My doctoral dissertation's general research question is:

***How can partnerships be created and managed in the FM industry?***

When approaching the general research question in this dissertation I have followed the train of thought described next. Companies in many different industries around the globe are moving towards more collaborative relationships. I think that this shift is also

going on in the FM industry. As companies move towards closer relationships they become exposed to potential opportunistic behaviour of a partner. Thus companies should be more focused on to the management of their partnerships. Essentially I argue that companies should identify the risk related to close relationships and that trust, even though it is essential to successful partnerships, does not remove relational risk. My specific research propositions or working hypothesis are as follows:

- *Firms are moving towards closer relationships in the FM industry.*
- *Firms face new kinds of uncertainties and risks as they move towards collaborative relationships.*
- *These new uncertainties and risks require new management methods.*
- *Uncertainty and risk cannot be managed with trust.*
- *Trust only affects perceived risks.*

Following from my working hypothesis I formed following four sub-questions to guide my research process:

1. *Are firms moving towards partnerships in the FM industry?*
2. *If companies are moving into the partnerships how this movement affects on relationship management?*
3. *How FM partnerships can be managed?*
4. *What role has the trust in FM partnerships?*

Answering the research questions made contributions that will be presented in Section 5. This dissertation research made several contributions. The results of this research contribute to the facilities management and to some extent relationship management disciplines. The dissertation increases our knowledge of partnerships in the FM context. Dissertation adds to the stream of relationship management literature by delineating a study in new context. This dissertation adds the relationship management literature by widening the partnership studies into the field of business services. The relationship management discipline is improved by introducing the difference between risk and perceived risk and its consequences on relevant management methods in FM industry. Additionally, the much debated concept in partnership literature, trust, is examined and it is stated that trust only affects perceived risk.

### **1.3 Justification for the research**

How has the scholarly community responded to the growing importance of partnerships in the FM industry? According to Nutt (1999), the field of FM is still at a very early stage of development in which it is not supported by an adequate knowledge base; its development to date has been unsupported by practical theory and it is grossly under-

researched. Chotipanich (2004) notes that the systematic framework, method and tools for positioning FM have yet to be developed. Then (2000) found three emerging themes, which indicate the need for further research:

- (1) the need to link real estate/facilities decisions to corporate strategy;
- (2) the need to proactively manage functional space as a business resource;
- (3) the need for the development of conceptual models and frameworks to integrate business resource management to the provision and management of corporate operational assets and associated facilities support services, in their business settings.

What is clear, according to Then (2000), is the lack of an integrating framework for considering the likely impact and implications of business management trends and strategic management decisions on the provision, and subsequent ongoing management, of corporate operational real estate assets.

Following their widespread establishment, research into inter-organisational relationships is proliferating (Dekker 2004). During the last two decades, partnerships have been studied widely and they have formed one of the focal research issues in management studies (Varis 2004). Contemporary partnership research is often divided between types of arrangements, durations, returns, failures and best practices (Stanek 2004). The organisational literature focuses mainly on three interrelated issues in partnerships (1) the motivations for partnership formation, (2) the choice of governance structure and (3) the effectiveness and performance of partnerships (Kale et al. 2000). Relationships and partnerships in particular have been studied to a great degree. Many previous studies have focused on partner selection or success factors (e.g. Ellram 1995; Hitt et al. 2000; Varis 2004; Lehtonen 2004; Whippel and Frankel 2000). However, only few researchers (e.g. Gietzmann 1996; Van der Meer-Kooistra and Vosselman 2000; Langfield-Smith and Smith 2003) have examined the actual management of those partnerships. So far, management of partnering relations has not been studied in the context of support services (except Langfield-Smith and Smith 2003).

Traditionally, relationships between facilities service providers and clients have been based on the adversarial approach (Atkin and Brooks 2000). Services have been purchased separately for single sites and price has been the determining factor in choosing a service provider. As companies continue to outsource non-critical activities and to reduce and trim their supplier bases, existing outsource contracts have been expanded and, on the other hand, strategically more important services have also been outsourced (Loosemore and Hsin 2001). As a consequence, the need to develop relationships based on a more collaborative approach has arisen (Incognito 2002), and nowadays only few would question the general trend towards using specialist service providers also in the FM context (Usher 2004).

In line with general business trends, also in the FM context everyone now appears to be “into partnering”. However, partnership research undertaken in the field of FM services has been scarce (save Houston and Youngs 1996), and in business the term partnering is used rather loosely to refer to a variety of different relationship types (Jones 1995; Miettinen et al. 2004). On the other hand, procurement and relationship management seem to be topics of increasing importance in academic FM publications (Salonen et al. 2005). However, in the FM discipline the amount of partnership and partnership management literature has remained small.

Whilst there has been substantial research attention to date on risk, there has only been limited empirical research on risk relating to partnerships. Recently there have been some studies noting the risk aspect of outsourcing and partnerships. Lonsdale (1999) studied what he considered the two main risks of outsourcing, though he notes that there are many other issues which are not studied. Van der Meer-Kooistra and Vosselman (2000) found that the risk factor plays an important role in the way outsourcing relationships are controlled. They pointed out that it would be interesting to study in other cases what the effect of the risk factor is on the control relationship type. Hallikas and associates (2002) guided future research to focus on alternative risk management processes and policies in network environments. According to Langfield-Smith and Smith (2003), carrying out a more thorough investigation of the control-trust-risk relationship associated with new organisational forms would bring considerable benefits.

Despite the growing interest in partnership risk, the area is still under-researched. Delerue (2004) states that only few studies focus on risk problems in alliance relationships, except Das and Teng’s works (1996, 1998, 2001a,b) and Nooteboom’s model (1996). More recently Das (2004) wrote that we should note that the particular type of risk associated with opportunism in alliances – namely, relational risk – has yet to be explored adequately in the literature. Not many studies can be found on partnership risks or management of those risks in the FM context. While studying healthcare services Okoroh and associates (2002), based on a synthesis of available literature and research projects investigating support service, stated that there is a significant dearth of studies addressing the subject of risk management (except Alexander 1992; Downey 1995; Finch 1997; Okoroh et al. 2002). So far, only Gombera and associates (2002) have discussed relational risk. However, instead of discussing this type of risk separately, they employed it only as a minor sub-construct of commercial risk.

One additional but very important argument for justification of the research is that the case study research was industry driven. The firms had decided to ask the help from research organisation. This demonstrates clearly that they had recognised that there are challenges in partnerships and there might be risks related to them.

Interestingly, partnerships, relational risks, as well as FM, have been under-studied areas when compared to their practical prevalence and likely economic importance. Therefore, given the lack of earlier studies in the aforementioned areas of specific and practical importance to FM partnerships, the questions outlined (in section 1.2) appear to point out fertile areas for research.

## **1.4 Methodology**

This dissertation deals with research on inter-organisational relationships in the FM context. The research approach of the empirical study of this dissertation is based on the constructivist paradigm aiming to interpret and decode the studied phenomenon of relational risk in FM partnerships.

The study is composed of three empirical phases and a literature survey running parallel through the whole research process. The first phase is a qualitative pilot study to gain understanding and form preliminary research questions. This is conducted through four pilot cases. The second phase of the research process is a qualitative longitudinal case study. In this case work I will be able to investigate the proposed research questions more thoroughly as I will work with one case for over two years from the beginning. In the third phase I will conduct a descriptive survey to study the generalisability of results as well as to validate the findings from earlier phases. The survey is carried out among buyers of facilities services in Finland. While my dissertation consists of three separate but partly overlapping phases, the appended publications in the second part of the thesis adopt different approaches to this phenomenon, and each paper has its own theoretical discussion and empirical viewpoint on related research problems.

In constructive researches, qualitative methods are typically used to a larger extent than quantitative methods because (a) they are more suited to dealing with multiple realities and (b) they are more adaptable to the various influences and value patterns encountered in the field (Tacconi 1998). Methodologically the weight is on qualitative studies in this dissertation research. However, as this may give only a partial picture of the phenomenon, also the survey study is conducted. The research employs the various research methodologies in order to select a suitable approach, and the nature of the “how” and “why” questions to be posed during the research, as well as the involvement of both qualitative and quantitative data, suggested the use of case study methodology. According to Yin (1994), this approach is ideally suited for areas where knowledge building is in its formative stages with few prior studies to build on. In this sense, case studies have an important function in generating hypotheses and assessing existing theory (Sarshar et al. 2002).



## 1.5 Outline of the report

Basically, this dissertation consists of two parts. The first part of the research report comprises this summary text and the second part includes the appended papers. The first part of the dissertation is constructed as follows. The introductory chapter is followed by Chapter 2, called Research Issues. Firstly in Chapter 2, the dissertation delineates a more cooperative perspective on the field of business support services. It will describe the shift from the traditional adversarial relationship to more collaborative types. Secondly, it introduces the discipline of FM and FM partnership. Thirdly, it discusses the risk concept related to the issue and delineates what risks the actors are exposed to when forming closer relationships. These will be called relational risks. Chapter 2 will close up with suggesting how "new" partnerships, with cooperative control mechanisms and trust, could be applied in the FM context. The adjective "new" was in inverted commas because there is actually nothing new in partnerships, as they have existed already since the 1980s. After Chapter 2, the dissertation discusses the empirical study in Chapter 3, including research strategy, approach and process. Chapter 3 also describes the phases of the dissertation research. In Chapter 4, the dissertation presents the results of the empirical study, while discussion and conclusions of these results are presented in Chapter 5.

## 1.6 Definitions

As my dissertation discusses partnerships in facilities management, there is need to clearly state what is meant by the terms "partnership" and "facilities management" in this dissertation.

The publications in the second part of this dissertation had different research aims and settings and, thus, they adopt different approaches to the phenomenon of FM partnerships. Each paper has its own theoretical discussion and empirical viewpoint on the related research problems.

All papers have been prepared to meet the requirements of the specific publications and conferences for which they were intended. This had effect on used terms and thus there are some differences on terms used in appended papers.

I will start by describing the context that gives an answer to the question "what is the scope and objectives of facilities management?" Giving a definition for facilities management has been a core element of the academic debate on facilities ever since the emergence of FM as a managerial activity and a profession, and it still shows a continu-

ous evolution attested by literature (Meneghetti and Chinese 2002). We nevertheless still lack a generally agreed definition of what FM is (Hinks 1998).

From more general business perspective facilities management can be seen as a part of business services and thus to be included into the service sector. Recently Tay and Ooi (2001) provided a comprehensive review of definitions of facilities management introduced throughout the last fifteen years. Becker (1990) gives following definition: FM is responsible for co-ordinating all efforts related to planning, designing and managing buildings and their systems, equipment and furniture to enhance the organisation ability to compete successfully in a rapidly changing world. The Centre for Facilities Management (1992a, b) defines FM as "the process by which an organisation delivers and sustains a quality working environment and delivers quality support services to meet the organisation's objectives at best cost". Alexander (1999) states that the scope of the discipline covers all aspects of property, space, environmental control, health and safety, and support services. The British Institute of Facilities Management (BIFM) (1999) defines FM as "the practice of coordinating the physical workplace with the people and work of an organisation". According to Then (1999) the practice of FM is concerned with the delivery of an enabling workplace environment – the optimum functional space that supports the business processes and human resources. Atkin and Brooks (2000) define FM as "an integrated approach to operating, maintaining, improving and adapting the buildings and infrastructure of an organisation in order to create an environment that strongly supports the primary objectives of that organisation". Tay and Ooi (2001) tried to give a succinct definition for FM: "The integrated management of the workplace to enhance the performance of the organisation". However, all of these definitions are somewhat ambitious and amorphous.

According to the above definitions, the aim of FM should be not just to optimise the running costs of buildings, but to raise the effectiveness of the management of space and related assets for people and processes in order that the mission and goals of the organisation may be achieved with the best combination of efficiency and cost (Amaratunga and Baldry 2002b). Facilities Management should be defined as the multi-dimensional enhancement of business competitiveness involving the strategic management of the built asset, rather than the cost-efficient management of the built asset for the benefit of business (Hinks 1998).

Facilities management is a term that encompasses a wide range of activities involved in the effective management of built assets. FM is an umbrella term under which a broad range of property and user related functions may be brought together for the benefit of the organisation and its employees as a whole (Amaratunga et al. 2000). In practice, FM can cover a great variety of services including real estate management, financial man-

agement, change management, human resources management, health and safety and contract management, in addition to building maintenance, domestic services (such as cleaning and security) and utilities supplies (Atkin and Brooks 2000).

These multiple multifaceted and non-specific definitions bring us to the concept of so-called service components. As it is hard to give an explicit definition of what is included in FM services and what is not, I use Axelsson and Wynstra's (2002, p.14) idea of a service component as a cluster of distinguishable activities within a total service package. This idea is in line with the concepts of "bundling" and "unbundling" that are used to illustrate how integrated a service is.

More recently we have seen other definitions of the objectives and scope of FM. Nutt (2004) defines FM as the management of infrastructure resources and services to support and sustain the operational strategy of an organisation over time. One of the latest definitions is Chotipanich's (2004) definition that FM is a key function in managing facility resources, support services and working environment to support the core business of the organisation in both the long and the short term.

The focus of facilities management has always been the working environment. Nevertheless, over the years some evolution paths can be identified (see. Kincaid, 1994; Then, 1999; Meneghetti and Chinese 2002): the diversification of serviced working environment, the broadening of the range of managed services, with a tendency towards a generalist and service orientated facilities management, and the consequent widening of the range of activities and of the spectrum of competencies belonging to FM. As a consequence of this development, FM can also be seen in a wider context, as a part of corporate real estate management (CREM) or workplace management.

The workplace management function at its lowest level has a number of disciplines closely aligned with professional skills, such as FM, project management and property management. On top of these are two layers of consolidation, firstly on an asset-by-asset basis, and on top of that at a portfolio level. It is primarily at this latter level that the property resource interfaces with the "business" of the organisation that is using it, particularly from the perspective of strategic planning and decision-making. This level also provides the natural interface for other corporate resources, such as IT, finance and people/HR, to provide a total Corporate Infrastructure Resource (CIR) perspective (Varcoe 2000).

CREM concerns the management of buildings and parcels of land at the disposal of private and public organisations that are not primarily in the real estate business. An organisation that occupies space is in the real estate business and needs to manage it prop-

erly. CREM covers the entire range of activities concerning portfolios of buildings and land holdings: investment planning and management, financial planning and management, construction planning and management, and facilities planning and management (Bon et al. 1998). Some authors even see corporate real estate (CRE) and facilities management (FM) as interchangeable and refer to them as "CRE/FM" (Miciunas 2002).

In this dissertation the scope and objectives of facilities management are seen as understood in organisations studied in the case study. *The scope and objective is providing world class workplace solutions and services that enhance employees' work lives and increase company's business performance, flexibility and cost-effectiveness.*

In appended papers there is some variety of facility terms used, such as "facility service industry" (II), "real estate industry" (IV), "facilities management" (V) and "FM services" (VI). In this dissertation research these terms are related as follows. With terms "facility service industry" and "real estate industry" I have meant same wide range of services including facility management, property management, real estate management, portfolio management, financial management, change management, human resources management, health and safety and contract management, in addition to building maintenance, domestic services (such as cleaning and security) and utilities supplies. Alike in this dissertation I have used the terms "facilities management" and "FM services" interchangeably meaning same group of activities.

This thesis examines FM from a specific point of view. It aims to examine FM from the perspective of buyer-supplier partnership. Much has been written in academic and business journals regarding partnerships in general. Perhaps one of the most confusing areas of inter-organisational studies is about establishing a definition/understanding that is acknowledged by the majority of academics and practitioners (Stanek 2004; Varis 2004). Partnership is a complex term, meaning different things to different people (Virolainen 1998). Many different terms are used to describe the concept, such as partnering, partnerships, alliances, strategic alliances, inter-organisational relationships and networks. These terms essentially describe a similar proposition or process (Frankel et al. 1996). In order to avoid the ambiguities in terminology, this dissertation utilises the following definition of a partnership: *A partnership is understood as a mutually beneficial relationship in which both parties are committed in the long term to developing and maintaining this two-way relationship* (cf. Ellram 1995). Finally, it should be noted that the partnership may be formed with a competitor or with a firm operating along the value chain. Contrasting to earlier relationship literature which has been focusing on partnerships between rivals or client – component suppliers I will focus on partnership between client and business service supplier. From this perspective, FM partnerships in

the context of this dissertation relates to the long-term, mutually beneficial relationships between the client and the FM service provider.

### **1.7 Delimitations of scope and key assumptions and their justification**

As seen in the previous section, the objectives and scope of FM are broad and heterogeneous. Thus, it was considered unrealistic to conduct the study across all the facilities services due to their diversity (Shaw and Haynes 2004), so the main focus of the study was on the FM maintenance service. It would be unsafe to make the generalisation that these findings are applicable across FM per se due to the limited scope of the research, and as a result, this research requires repeating across other FM services and also within other organisations. As FM by its nature is highly diverse, without this further investigation it is unclear whether a common set of FM service dimensions could be established or whether it would be more appropriate to generate dimensions to suit each discrete area of FM (Shaw and Haynes 2004).

The study focused on buyer-supplier FM partnerships in Finland. The buyer-supplier partnership was selected because in the real world partnerships are emerging between buyers and suppliers. There is not too much evidence (yet) of horizontal partnerships between suppliers. Care must therefore be taken when covering horizontal partnerships. Limiting the study to a single country was considered reasonable as the FM markets have some country-specific characteristics (e.g. laws). The results are therefore directly applicable only on Finnish FM markets.

### **1.8 Conclusions**

Over the last few decades, there has been a significant shift in the way organisations approach buyer-seller relationships. As market places have become more dynamic and competitive, earlier recommendations of arm's length-relationships with suppliers to avoid dependency and keep prices down have been replaced with an emphasis on the benefits that can be gained from close relationships. For a few years we have seen an ongoing transition to partnership sourcing in the procurement of FM services. At same time, the contracts and management methods for the partnerships have not responded fully to the changing world, as they have not been able to keep pace with the development. Still too many organisations say that they have partnerships with their service suppliers but in contrast they use short-term price bidding to provision of those services.

There are many special characteristics in FM services which cause uncertainty and related perceived risks in buyer-supplier relationships. When companies outsource their

maintenance, it usually results in a contrast between the client's long-term maintenance strategies and the supplier's motivation to provide quality service. Other common characteristics causing uncertainty in FM partnerships are the wide selection of services and geographical dispersion. The collaboration models adopted from other industries cannot be applied directly. One needs to pay attention to the characteristics of the transaction, parties and environment. A long time span and active interaction during the negotiation phase helps the parties to overcome their uncertainties. Companies should distinguish uncertainty and the perceived risk. While trust is important in reducing the perceived risk and smoothing out the relationship, the management control system should be set up based on uncertainty. This results in the need for the client to pay more attention to the management of the relationship instead of the traditional performance management of service operations. Trust seems especially important during the contracting phase. This is because there are no control mechanisms yet. In collaborative relationships mutual trust, active interaction, as well as joint decision-making and resolution of disputes are the most important management methods.

The results indicate that companies do not take full advantage of the relationship management methods available. However, care should be taken because management methods are environment, task and partnership specific. Additionally, companies face new types of risks (i.e. the relational risk) when they enter into closer FM relationships, such as partnerships. All too often companies are not fully aware of these new risks and do not have proper risk management schemes. The dissertation provides a framework for helping companies to assess and manage relational risks.

The dissertation argues on a general level that post-modernist organisations, such as network, boundaryless, temporary, hybrid and virtual organisations, which are fragmented and managed informally can benefit from formal control mechanisms and meetings. In previously published partnership literature, trust is mentioned as an important management mechanism for partnership. I argue that trust only affects perceived risk and companies should have other control mechanisms for dealing with relational risks.

The conclusions of this dissertation may be transferable to other situations. However, there should be great caution to do so as the degree to which transfer is possible depends on the similarity between the different contexts. This may be judged by comparing the conditions specific to the context of this dissertation with the conditions prevailing in the alternative context.

## **2 RESEARCH ISSUES**

In this chapter, I discuss issues relevant to the topic of my dissertation research, FM partnerships and related risks. First, I will discuss partnership in general. I will cover the partnership management and characteristics of partnerships.. Then I will describe the context of the dissertation, which is the facilities management discipline. After that I will turn into the FM partnerships more specifically. The last section of this chapter deals with risk. Risks will be discussed from the partnership point of view, focusing on a specific risk type called relational risk. I will close with discussing risk management and summing up the literature review by presenting a framework for management of FM partnerships.

### **2.1 Outsourcing and partnership**

When a client and a supplier start to work together, a business relationship is formed between them. When companies deepen this relationship and abandon the discrete market exchange, a tailor-made form of organisational relationship is built. Over the last few decades, there has been a significant shift in the way many organisations approach buyer-seller relationships. Rather than manage the relationship with a supplier exclusively via short-term price bidding, the client may find it desirable to use alternative governance structures to manage and coordinate a relationship (cf. Gietzmann 1996). This is true especially when firms are seeking ways to make relationships with their business suppliers and customers more productive and enduring (Cannon and Perreault 1999). In response to the needs of the industry in the real world, we have seen the emergence of two significant trends in business and academic literature, namely on outsourcing and partnerships. As most of the business fads, also these terms are widely used and usually given vague definitions (e.g. Kakabadse and Kakabadse 2003). Sometimes one can find that the two terms are even used interchangeably.

Outsourcing involves the use of specialists to provide competence, technologies and resources for producing parts of the whole (Ford et al. 1998; Lonsdale 1999; Harland et al. 2003). The term "outsourcing" can cover many areas, including outsourcing of goods and services, the latter becoming increasingly common (Brandes et al. 1997). Outsourcing as a term and concept has been heavily over-utilised as a catch-all for tasks simply not performed by the client (Usher 2004). By definition, outsourcing means contracting out some of the in-house activities and personnel to an external service provider. The most frequently quoted activities chosen for outsourcing have been those associated with FM (Kakabadse and Kakabadse 2003). According to Usher (2004), outsourcing has existed within the FM industry longer than the entire concept of FM, albeit in its earlier incarnations in a very different form from the relatively sophisticated delivery of

the early 21<sup>st</sup> century. In this dissertation I use the term outsourcing as found in the case study, to contract out some of services which were earlier done by company's own employees.

In this dissertation, my focus is on the relationships that are based on a more collaborative approach or on partnerships, which may, but not necessarily, be formed through outsourcing. Many different terms are used to describe the concept, such as partnership, alliance, strategic alliance, inter-organisational relationship and network.

A partnership is understood as a mutually beneficial relationship in which both parties are committed in the long term to developing and maintaining this two-way relationship (cf. Ellram 1995). An alliance is a formal agreement between two or more business organisations to pursue a set of private and common goals through the sharing of resources in contexts involving contested markets and uncertainty over outcomes. They may involve either two firms, a consortium of firms or networks of organisations (Árino et al. 2001). Strategic alliances are voluntary cooperative arrangements between firms, often characterised by an inherent instability arising from uncertainty regarding a partner's future behaviour and the absence of a higher authority to ensure compliance (Parkhe 1993). Some researchers see strategic alliances as widely varying relationships, which may encompass joint ventures, franchises, joint research and development, joint marketing ventures, long-term supply arrangements and outsourcing relationships (e.g. Langfield-Smith and Smith 2003). Inter-organisational relationships are defined as voluntary cooperative agreements between at least two organisations which involve exchange and sharing; which can include partners' contributions in the form of capital, technology or firm-specific assets; and which aim at achieving competitive advantage for the partner (e.g. Ring and Van de Ven 1994; Gulati 1995, 1999; Das and Teng 2000; Peng and Kellogg 2003). Networks and network organisations are, in some cases, a set of external relationships, while in other cases networks mean informal ties between managers (Charan 1991). Essentially all these terms describe a similar proposition or process (Frankel et al. 1996). It should be noted that all described terms are some kind of ideal models and in real world we typically don't find such pure models but some kind of modifications. In order to avoid the ambiguity in the terminology, this dissertation utilises the term partnership. Finally, it should be noted that the partnership may be formed with a competitor or with a firm operating along the value chain.

It has been claimed that partnerships have value creation potential. Generally, partnerships contribute to value creation through several means, including scale economies, the effective management of risk, cost efficient market entries and learning from partners. In addition, partnerships help companies to minimise transaction costs, cope with uncertain environments, reduce their dependence on resources outside their control, and suc-



cessfully reposition themselves in dynamic markets, as well as to share fixed costs, to enhance their own core competencies, to gain access to complementary competencies and to increase the speed of market entry. (e.g. Ireland et al. 2002; Nooteboom et al. 1997). Thus, cost advantages are gained, which service providers can convert into corresponding lower prices or higher service levels, new technologies or innovative structures and procedures (Meneghetti and Chinese 2002). The partnership drivers fall into four categories – asset and cost efficiencies, customer service enhancements, marketing advantages and profit growth or stability (Lambert and Knemeyer 2004).

Many companies have achieved good results with partnerships (Arnold 2000). However, partnerships are not the panacea for every situation. Additionally they are hard to manage. Most researches indicate failure rates between 50 and 80 per cent (Das and Teng 1999; Kale et al. 2002; Park and Ungson 2001; Parkhe 1993). Partnerships are costly to set up – they require extra communication, coordination and risk sharing. They are justified only if they stand to yield substantially better results than what the firms could achieve without partnering (Lambert and Knemeyer 2004). As these benefits derived from partnership cannot be taken for granted, the challenge is to construct governance structures that safeguard the exchange while simultaneously maximising benefits for the participants (cf. Cannon et al. 2000; Ireland et al. 2002). Since the formation and maintenance of partnerships are costly and time-consuming processes (Virolainen 1998; Lambert and Knemeyer 2004), there is a need for a more thorough understanding of when it is worthwhile to choose a collaborative approach, how these relations should be managed and what kind of relationships they are by nature. In next chapter I will discuss of general characteristics influencing in partnerships and partnership management. The partnership management will be covered with more detail in chapter 2.1.2.

### 2.1.1 Characteristics influencing in partnerships and partnership management

Being able to understand more thoroughly the partnerships one should identify what are the characteristics affecting into partnerships and how those influence. Particularly one should think how these characteristics mediate with partnership management. Van der Meer-Kooistra and Vosselman (2000) claim that the characteristics of transaction, transaction parties and the transaction environment are all relevant factors to be considered when choosing the most suitable management control pattern for a partnership. They also claim that being able to indicate which characteristics of these three elements have an influence, particularly on the design and function of the inter-firm relationship, improves our understanding of the changes in the co-operative process. Langfield-Smith and Smith (2003) used these same three elements in their study of outsourcing relationships. Bensaou and Venkatraman (1995) term the affecting elements as task uncertainty, partnership uncertainty and environment uncertainty. Cannon and Perreault (1999) de-

fine conditions such as market and situational antecedents as factors affecting relationships. They list such conditions as availability of alternatives, supply market dynamism, importance of supply and complexity of supply. It seems that we can break up all above mentioned characteristics into the three levels. Claro and associates (2003) suggest that the determinants affecting business relationships fall into three analytical groups: the transaction level, dyadic level and business environment level. These three levels seem to cover the characteristics comprehensively. In this dissertation, I will use these same three levels, but name them the environment level, partnership level and task level. I will discuss each of these three levels more closely later in chapter 2.2.4 The characteristics of FM partnerships and look them from the specific viewpoint of this dissertation, that is in the context of facilities management in Finland.

### 2.1.2 The management of partnerships

Moving into partnerships also results in a need to change the management focus from contracts to the existing relationships. Management of partnership over time is usually more important than creating the initial formal design (Doz and Hamel 1998). Understanding how partnerships are formed and successfully managed requires the study of processes, including those designed and used to effectively manage alliances (Doz 1996; Gulati 1998; Barringer and Harrison 2000; Ireland et al. 2002).

Despite the extensive attention paid to partnership governance in literature, research into the actual structuring, management and control of those relationships has received less attention (Gulati and Singh 1998; Sobrero and Schrader 1998). To understand the management and control of partnerships, and its consequences, it is suggested that researchers study and describe the coordination mechanisms and processes used for partnership management (Grandori 1997; Ireland et al. 2002; Dekker 2004).

Management control has been defined in numerous different ways. In any case, most appear to describe management control as a purposive process or set of devices and mechanisms which, through its influence on the behaviour of actors within an organisation, is intended to contribute to the achievement of certain pervasive objectives of that organisation (Speklé 2001). One of the fundamental problems of management control as a field of scholarly inquiry is to explain control structure variety within and between organisations.

Different governance forms rely on different control mechanisms to enable successful contracting. Different control mechanisms serve as the building blocks of complex structures of governance that combine elements of markets, hierarchies and relational exchange in complementary, supplementary or alternative ways (Cannon et al. 2000).

In literature, a common framework for viewing the choice of governance structures in inter-firm relationships is transaction cost economics (TCE) (Dekker 2004; Langfield-Smith and Smith 2003). TCE is based on the idea that three aspects of transaction determine the appropriate mode of governance: the frequency of the transaction, the uncertainty encompassed by those transactions and the asset specificity of the transactions. Most of TCE studies have focused on the asset specificity and frequency issues. This may be because those are quite easy to measure. Later we have seen partnership management studies with extended view by adding theories and elements into TCE. Van der Meer-Kooistra and Vosselman (2000) developed a model of control in inter-firm relationships that integrates the TCE concepts and trust. Their model takes into account not only the transaction characteristics, but also the transaction environment, the characteristics of the transaction's parties and the role of trust in achieving control. Speklé (2001) developed the TCE theory of management control to explain nine archetypes of control. The model focuses on the characteristics of the transaction as determinate of the control systems archetype. Ireland and associates (2002) examine alliances and their management by drawing primarily from three theories – TCE, social network and resource-based view. Dekker (2004) develops his framework for explaining control in inter-organisational relationships by building on TCE, organisation theory and notions of formal and social control. But still so far the uncertainty issues have received much less attention in partnership management studies.

Uncertainty, when combined with some form of dependence, is a major factor affecting the organisation and governance of exchange (Cannon et al. 2000). Tomkins (2001) described two similar management problems in relationships, alliances and networks, which he labels “the generation of trust” (i.e. the management of appropriation concerns) and “the mastery of events” (i.e. the coordination of activities). Summarising, appropriation concerns and coordination requirements are powerful concepts in explaining partnership management and control, by jointly describing collaborating firms' need to manage the creation and safeguard the appropriation of value (Dekker 2004).

## **2.2 Facilities management**

In this section I will delineate the specific context of this dissertation, namely the facilities management. The scope and objective of facilities management is providing world class workplace solutions and services that enhance employees' work lives and increase company's business performance, flexibility and cost-effectiveness. To map the previous academic literature from the field of this dissertation I first discuss the history of FM. The history of Facilities Management services research is not long. A research seminar held in association with the Second International Symposium on Facilities

Management organised by the Association of Facilities Managers (AFM) was a first step towards a consolidated approach to facilities management research (Crawshaw 1992). According to Cairn and Beech (1999) there is still a lack of critical thinking in facilities management research and writing. Much of FM “research” is concerned with the validation of practice-based concepts, which have been derived and implemented in a small group of specific organisations. Thus it can be said that there is the lack of theoretical research in the FM field.

Since the late 1980s, facilities management (FM) has gradually gained a foothold as a discipline and profession within the property and construction industry. The emergence of FM as a discipline and industry during the late 1980s and early 1990s provided a link between the previously discrete industries of real estate and construction (Varcoe 2000). Nevertheless, FM is still a relatively new profession (Tay and Ooi 2001, Gilleard et al. 1994). This is seen in practice where professionals have very different backgrounds and there are not too many professionals with facilities management training yet. From its dispersed origins FM has tried to transform into a more coherent discipline. Growing number of reports have shown that companies should look at property issues broadly and adopt a more integrated approach to their buildings as a structure, working environment and strategic asset (Balch 1994, Pitt and Hinks 2001). Additionally, the organisational facilities function cannot exist in strategic isolation if the organisation is to effectively exploit its entire asset base to best support the delivery of core services (Amaratunga and Baldry 2002a).

The *raison d'être* of a firm is to generate profit or to achieve a margin within a particular market structure. This needs to be translated through all the core and support functions of the business in such a way as to align activities with this overall intent. Therefore, as FM in most cases is merely a support function for the firm's business, it is important to maintain the right focus (Cox and Thompson 1997). It must be noted that certain widely quoted yet meaningless sales-oriented factors, in particular the claim that “outsourcing allows the organisation to focus on its core business”, are irrelevant when evaluating the FM position, as those parts of the organisation devoted to FM in all but the smallest of premises (and therefore not those to which partnering would apply) are not part of the core business (Usher 2004). Only in a business that conceives itself as running a facility will FM approach a core competence that is to carry both strategic and operational risks of failure (Price 2004). Dean and Kiu (2002, p. 405) found in their study that FM functions (building and grounds maintenance, cleaning, and security) are relatively unimportant to the success of a client's business. Accordingly, it is clear that FM has minor strategic importance (Amaratunga 2001; Lehtonen 2004).

Even when sometimes seen as a mere support function, there is growing evidence about the strategic importance of FM. There are some industries where FM can be seen as having strategic importance, healthcare being one of them. Within organisations which deliver healthcare, the provision of services such as catering and housekeeping have a significant impact on the outcome of the core product (Payne and Rees 1999). The need to achieve the economic, non-core business objectives of NHS Trusts in the UK has meant that healthcare FM operations are now strategically considered value-adding business services (Gombera et al. 2002). This stands in contrast to the past when they were considered “backroom” services with no corporate or strategic value. Another typical example would be accommodation industry.

From a wider perspective it can be said that FM services are an important part of the business service sector. Facilities management is an important emerging business sector having a significant global market. Fearon and Bales (1995) found out that FM services is the most important service category in terms of volume. In the UK, the market has recently entered a more mature phase heralded by the formation of market sectors and the creation of exact definitions of products (Tranfield and Akhalagi 1995). There is a good reason to expect that this is the case also in Finland. The economic significance of FM is clearly evident. Thus, changes or innovations that are geared towards an improvement in FM works would enhance the efficiency and quality of the property and construction industry (Ali et al. 2002) and hence have a great effect on the national as well as international level.

### 2.2.1 Organisational impacts of facilities and facilities management

Property and facilities are an integral part of most organisations’ resources, but just how important they are? It is relatively easy to theorise about their importance in conceptual terms, but less easy to assign a real monetary value to their contribution to the production of the workplace. It is possible, however, to calculate its drain on monetary resources and compute this in terms of turnover, overheads or profit. It is generally accepted that employee wages, including higher management and executive salaries, are the highest overhead for most organisations; property is generally the second highest. This drain on resources is often seen as a necessary evil as opposed to a factor which can influence production. However, the real cost of property or facilities are not often recognised since it has several facets which may well come under different budget headings (Buda 1999).

In broad terms, accommodation costs from a property point of view amount to 20 per cent of total expenses or about 15 per cent of revenue (Robinson 1999). The FM budget of an organisation can often require 30 to 40 per cent of the outlay, second only in cost

to payroll (Amaratunga et al. 2000; Bon et al. 1998, p. 211; Balch 1994). On the other hand, Kaczmarczyk and Murtough (2002, p. 173) refer to studies conducted by Carnegie Mellon University that an organisation's expenses are traditionally made up of 8 per cent for rent, operations and maintenance and churn, 13 per cent for technology and 79 per cent for salaries and benefits. However, for many organisations, the fact that real estate costs represent a major item in their expenses (Kincaid 1994, Chilton and Baldry 1997) has reinforced the strategic importance of real estate as a business resource and the need for managing this resource as effectively and efficiently as possible (Alexander 2003).

It is important, though, to differentiate between running costs and maintenance costs, as many confuse the two (Boussabaine et al. 1999). Running costs (or operational costs) refer to all costs associated with enabling the building to function other than maintenance costs. Boussabaine and associates (1999) estimated that, for non-domestic buildings, the average annual running costs are approximately the same as the annual repayments on a mortgage or other such financial package. To provide some kind of perspective on the components associated with the total running costs of an office building they refer to Flanagan and Norman's (1983) text identifying five components: repayments account for 42%, rates for 16%, maintenance for 12%, energy for 10% and cleaning for 20%. FM deals with the last three components, accounting for over 40% of total running costs.

The importance of FM can also be seen from other than monetary perspectives. According to Amaratunga and Baldry (2002), FM is seen as being able to contribute to the performance of organisations in many ways, including having an effect on strategy, culture, control of resources, service delivery, supply chain management and, perhaps most importantly, the management of change. But so far any studies have not been able to show the actual link between the FM and organisational performance. Grimshaw (1999) mentioned examples demonstrating clear attempts by organisations to change working cultures via radical change in the configuration of the workplace. Other researchers illustrate the relevance of facilities performance for organisational success based on environmental differentiation as a source of competitive advantage and environmental influence on human/organisational performance (e.g. Balch 1994; Gajendran and Sabaratnam 2002). But again there is not clear answer about the exact effect of FM. The relative importance of different business services may differ across sectors, industries and individual companies. However, all companies need a workplace (i.e. a physical place and related services) to carry out their activities.

### 2.2.2 The unrealised strategic importance of facilities management

Despite many claims concerning added value, reduced risk and multiple futures, FM remains rooted in an operational and cost-focussed stance, unable to enunciate its contribution to “the core business” (Price 2004). While FM literature has been suggesting that FM should be a strategic function with a connection to strategic objectives of core business (e.g. Barrett 1995, 2000; Bon et al. 1998; Alexander 2003), it is commonly accepted that facilities management has a strong tendency to be technically oriented and reactive (Barrett 2000). While the growth of the profession has been dramatic, many companies still view the provision, operation and maintenance of facilities as a technical, rather than strategic, function with a vague relationship to core business objectives (Lim 1997). Western authors highlight the fact that, in spite of the complexity and importance of the property management and maintenance sector, the public image of this career is poor (Lias 2002).

According to Grimshaw (1999), there are three paradoxes which lie at the heart of facilities management (FM). FM professes to be a strategic discipline when it is clear that most of its practitioners are at an operational level in their respective organisations; FM professes to want to be at the heart of organisational development when, clearly, many FM services are provided by either external consultants or in-house teams set up as internal consultants; and FM professes to be proactive in managing change within organisations when quite clearly it is reactive in most cases.

Often stuck at an operational level, both in terms of FM’s perception of itself and in terms of management’s perceptions, FM struggles to demonstrate its strategic value (Kaya et al. 2004). The unrealised strategic importance of FM might be due to the misperception issues and FM’s inability to demonstrate results, performance or added value to the core business process. There is a need to describe FM and FM partnerships in the language and terms of business managers. Perhaps FM partnerships could work as a laboratory for testing a company’s partnership models before implementing them in more critical core business partnerships.

### 2.2.3 FM partnerships

Increasing competition has forced to companies to seek new competitive advances. One of areas to seek those has been rearranging the supply arrangements. Recent years have seen an increased interest in buyer-supplier partnerships, which tend to be long-term, existing relationships involving a mutual exchange of ideas, information and benefits (Ellram 1995). The same kind of transition seems also to be going on in the procurement of FM services. Traditionally, relationships between facilities service providers

and clients have been based on the adversarial approach (Atkin and Brooks 2000). Services have been purchased separately for single sites and price has been the determining factor in choosing a service provider. However, this first generation of outsourcing has resulted in problems and costs related to the management of broad service provider bases using the adversarial approach. And thus there is need to evolve the management of the services providers. As my dissertation study is centred on buyer-supplier FM partnerships, I will focus on partnerships along the value chain.

As companies continue to outsource non-critical activities and to shrink and trim their supplier bases, existing outsourcing contracts have been expanded and, on the other hand, strategically more important services have also been outsourced (Loosemore and Hsin 2001). As a consequence, the need to develop relationships based on a more collaborative approach has arisen (Incognito 2002), and nowadays only few would question the general trend towards using specialist service providers also in the FM context (Usher 2004).

Partnerships have generated interest also in the FM field. Furthermore, also in the FM context everyone now appears to be “into partnering” (Jones 1995). One of best-known examples of partnering in FM is the outsourcing partnership between Rank Xerox and CBX Ltd (Houston and Youngs 1996). More recently published examples may be found in Asia and the Far East. In Hong Kong more building owners, in both the private and the public sectors, have started to cut the costs of the operation and maintenance work for their buildings through outsourcing (Yik and Lai 2005). Municipalities in Saudi Arabia are more and more looking at acquiring asset management services from external service providers, for the purpose of accessing the specialist knowledge needed to provide services of high quality (Hassanain and Al-Saadi 2005). Partnership has been seen as a tool to cutting costs while maintaining the quality and overcome the problems related to the adversarial approach.

However, partnership research undertaken in the field of FM services has been scarce, and in business the term partnering is used rather loosely to refer to a variety of different relationship types (Miettinen et al. 2004; Jones 1995). On the other hand, procurement and relationship management seem to be topics of growing importance in academic FM publications (Salonen et al. 2005).

#### 2.2.4 The characteristics of FM partnerships

Facilities management has many special characteristics which cause uncertainty and related perceived risks in buyer-supplier relationships. In this chapter I cover these characteristics in three levels mentioned in chapter 2.1.2, the environmental, the task,



and the partnership level. At the environment level, one can find such factors as the degree of market risk, network intensity and institutional environment. Environmental instability is derived from the environmental uncertainty that refers to the volatility and diversity of the market (Claro et al. 2003). While market volatility represents the rapid changes in the environment, which may catch firms by surprise, market diversity represents the multiple sources of uncertainty in the environment.

From the general environment level characteristics of facilities services it can be highlighted that the number of service providers in Finland is large and they are technically highly developed. We need to note that out of approximately 10,000 Finnish facilities service companies, there are only few large companies who are able to provide a wide range of services. This is an important detail when focusing on co-operative partnership relationships between a client and suppliers. In this study I only deal with large and significant players in the Finnish facilities service market. The small number of such participating organisations means that everybody knows each other, so the network intensity is high. This in turn has a direct effect on the participants' behaviour. The possibility of gaining a good partner reputation or the fear of losing it guides decisions and actions. The other effect (the partnership level effect) of high network intensity is that parties are usually acquainted with and have prior experience of working with each other. This in turn seems to lead to better partnership performance (Draulans et al. 2003; Kale et al. 2002).

From a technical perspective, facilities services is a highly developed business. Even though the facilities and related systems are becoming more complex, the services are still relatively simple. This will be discussed in more detail below when considering task level characteristics, but on the environmental level one can say that considerable technical development leads to a stable environment. Due to internationalisation, companies tend to look for service providers who are able to deliver a consistent level of service regardless of national boundaries (Bröchner 2001). This has resulted in some international service companies emerging into the Finnish facilities service market. This phenomenon is expected to continue and grow. These events will have an impact on the Finnish facilities service market. Since it is not strongly regulated by the government, it is easy to enter the Finnish facilities service market. However, the government affects facilities services at the task level by imposing statutory equipment inspections. Looking at these environmental level characteristics, the level of environmental uncertainty of the Finnish facilities services market is low.

Factors affecting the task level include the nature of exchange, transactional salience, volume, degree and type of asset specificity, measurability of activities and outcome, and task uncertainty. As a general task level characteristic, I should mention the fact that

facilities services are mostly intangible services, even though there is a degree of material included in some areas of service provision. Facilities services are also quite simple, and for most clients they represent non-core support services. In contemplating a mix of support services, such as cleaning, security, building, as well as mechanical and electrical maintenance, it is easy to see the diversity of the tasks involved (Atkin and Brooks 2000). Facilities services may include a large number of different services and there is no single definition for the term. The differences between the various facilities services occur as a result of the duration of the service, the skills and expertise required and the importance of the service to the client and customer. Most facilities services are simple, but there may be some very challenging tasks as well. Accommodation services, such as cleaning, do not require high levels of expertise, whereas services such as statutory equipment testing and the maintenance of major appliances do (Atkin and Brooks 2000).

Due to the simplicity of the service, organisations in the facilities service market have no chance to gain a competitive advantage by standing out from the rest by technical differentiation. Consequently, facilities service partnerships are mostly grounded on benefits gained through economies of scale and the offering of extensive service packages. The extensive service packages may be formed by bundling either sites or different services. The negative effect of forming larger service packages is that it reduces the number of potential service providers. This is due to facilities service companies in Finland being typically small and only operating in local market places. Because the nature of facilities services is simple and labour-intensive, there is usually no need for partner-specific investments. The labour resource is easily moved from one client's site to another.

The support service nature of facilities services reduces the strategic importance of the service to the client. This leads to the client being relatively independent of the supplier and results in buyer dominant relationships. In this way, the support service nature has an effect on the partnership level characteristics.

At the partnership level, factors that come into play are trust, information asymmetry, reputation, experience of cooperation in networks or of a specific party, risk attitude, and bargaining power or pattern of pay-offs. Openness relates directly to information asymmetry: the greater the openness, the smaller the information asymmetry. Since many outsourcing decisions are not based on the benefits of accessing another firm's resources and efficiencies (Downey 1995), openness could be a general characteristic of facilities services on the partnership level. Despite the close relationship, there is a possibility for open communication between the client and the service supplier, because there is no need for the client to share sensitive core-business related information. There

is also another distinction between FM partnerships and typical alliances presented in the literature. This is the type of knowledge shared between parties. Usually alliances are also used as a vehicle for learning. This is not the case with a facilities services client – in FM supplier relationships, alliances are made in order for the parties to benefit from economies of scale.

Due to the fact that partner-specific investments in facilities services are rare, there tends to be a lack of commitment from the parties. Human resources used in extensive contract negotiations are an exception. During negotiations both parties usually need to invest resources, which are not easily usable in other cases. The sacrificed resources are not easily used, but they can help in developing alliance ability (Draulands et al. 2003), which is usually usable in other alliances. Alliance ability leads to better performance. The engagement of resources, along with the anticipation of future benefits, increases the parties' commitment to the relationship.

Other general characteristics of facilities services on the partnership level are buyer dominance, novelty and obscurity of the partnership model. According Cox and associates (2003, p. 543), power structures are the major factor in determining how surplus value is shared. Collaboration can be undertaken in different circumstances of power. However, the outcomes of the collaboration will be very different. Yan and Gray (1994) found that the bargaining power of potential partners affects the structure of management control in a joint venture, which in turn affects the overall venture performance.

Collaboration can be adversarial (i.e. one side dominating, unilateral (Heide 1994)) or non-adversarial (i.e. balanced or bilateral (Heide 1994)). An example of adversarial collaboration would be a case in which the client is working with its suppliers to increase the surplus value generated by its transactions and appropriating most of that value. There are examples in literature of adversarial buyer dominated relationships being successful (see Toyota case in Cox et al. 2003, p. 544). Collaboration can, in fact, be a double-edged sword. Although there is "security" in the relationship, there is a possibility that the powerful partner (usually the buyer) shows the strength of its muscles, squeezing the submissive partner (usually the supplier) to such an extent that the process becomes potentially harmful for both sides of the relationship (McHugh et al. 2003). It may be argued that the abuse of power beyond a certain point may have an adverse effect on the buying company itself. McMillan (1990) argues that a large firm that pushes undue risk onto its small subcontractors may be acting against its own interest.

Bargaining power has two context-based and seven resource-based components (Yan and Gray 1994, p. 1478). Context-based bargaining power includes the strategic importance of alliance (i.e. stakes) and the availability of alternatives for the potential partner.

Resource-based bargaining power includes the resources and capabilities that the partners in an alliance are committed to, such as technology, management expertise, global service support, local knowledge, product distribution, material procurement and equity.

According to the principal-agent theory, bargaining asymmetry exists. The principal (client) is usually much larger than the agent and is therefore able to design the transaction and set the terms of the exchange. For the agent – usually the supplier – there are two important factors which may mitigate its bargaining weakness. One is the ability to reject a proposed contract. The other is the fact that knowledge is power, and the supplier, being a specialist in its field, is likely to be more informed about the details of the buyer's production capabilities than the buyer itself. (McMillan 1990, p. 39)

Trust is mentioned as one of the attributes of partnering (Lehtonen 2004). In business relationships, trust is manifested in the belief that the partner will restrict the chasing of his own advantage in favour of mutual advantage. Ireland and associates (2002, p. 438) maintain that predictability, dependability and faith are the three key components of trust. Trust between partners smoothes and facilitates collaboration. According to the findings and theoretical reasoning of Cullen and associates (2000), higher levels of mutual trust and commitment lead to alliances that perform better, in terms of both financial and non-financial aspects. Galli and Nardin (2003) state the critical role of trust in reducing the risks related to organizational decision-making. They claim that there are two main domains of trust: a rational and an emotional one (see also Cullen et al. 2000). The significance of these two is context-dependent. The contexts may be divided into simple, competence-driven and complex contexts. The dimensions of trust in simple and competence contexts are mainly linked with the rational dimension, whilst in complex contexts they are specifically linked to the emotional one. Based on these observations, the most significant dimension in the facilities service context seems to be the rational dimension.

The parties' experience of (van der Meer-Kooistra and Vosselman, 2000) or familiarity with (Campbell 1985 in Ford 2000) each other, the costs and the ways of doing business, particularly cooperation, seem to be important factors in predicting alliance success. Firms may be more effective at capability development when they develop mechanisms that are purposefully designed to accumulate, store, integrate and spread relevant organisational knowledge acquired through individual and organisational experience (Kale et al. 2002). Such mechanisms could be evaluation methods, dedicated alliance functions and alliance training (Draulans et al. 2003). The findings of Reuer and associates (2002) underline the importance of differentiating the type of knowledge that firms accumulate in their collaborative activities. Prior ties tend to facilitate the post-formation adaptation of alliances as a consequence of partner familiarity and the

development of inter-organisational routines. The accumulation of experience in similar technological domains is more suitable for assisting during the structuring of collaborative arrangements than in the post-formation period. Novelty of partnership arrangements means that companies do not have experience of such contracts. The novelty of the partnership model also results in the market participants having a greater interest in partnering. The term partnering, like other trendy business terms, is used in many contexts and in referring to various arrangements (Lehtonen 2004). However, real and successful partnerships are scarce in the facilities service environment.

The dominant characteristics of facilities services are simplicity and their tendency to be perceived as support services. These characteristics have the strongest effect on business relations in the facilities services. The general and Finnish relationship factors specific to facilities services are summarised in Table 1.

*Table 1: General and Finnish business relationships factors specific to facilities services*

<b>Business environment level</b>	<b>Dyadic level</b>	<b>Transactional level</b>
Uncertainty about future contingencies	Trust	Nature of exchange
Environmental uncertainty	Information asymmetry	Transactional salience
Degree of market risks	Reputation	Frequency / Volume
Institutional environment (rules, systems and organisations)	Experience of co-operation in networks or of specific parties	Degree and type of asset specificity
Network intensity	Risk attitude	Length of transaction period
	Interdependency	Measurability of activities and output
	Bargaining power	Task uncertainty
<b>Facility services market</b>	<b>Facility services business relationship</b>	<b>Facility services task</b>
Non-technical business	Buyer dominance	Non-core support service
Steady markets	Novelty of partnering	No partner-specific assets
Few actors – all familiar	Openness	Simplicity
Unregulated business	Good attitude to partnering	Ease of measuring
		Labour-intensive
	Number of partners	High wastage rate

## 2.3 The risks

Since each firm is oriented toward maximising the return on its dedicated resource (Cousins 2002) while minimising the risk, the resource and risk serve as the key determinants of a partner's orientation (Das and Teng 1998). All purchasing organisations encounter supply risk, whether it is explicitly understood and assessed, or reactively managed (Zsidisin 2003). This is important point even the organisation does not recognize the risk it still may be remarkable. It has been claimed that the risk is greater the closer the relationship between organisations. In case of partnerships, where close ties

with a single transaction partner are developed without entering the safety of a hierarchy, the parties put themselves at greater risk of opportunistic behaviour by their transaction partners (Masters et al. 2004). Three factors bring about risk: lack of control, lack of information and lack of time (Finch 1992). The company would not have risk if it could control all the variables. Even if the company could not control the variables but it would have all the information considering the variables it could make rational choices and avoid the risks. If the company would have all time it would wait and see what are the outcomes of different choices and thus again escape the risks. The degree of risk inherent in any transaction will generally increase in direct proportion to decrease in time, information and control (Ring and Van de Ven 1992). Risk has been defined as “the extent to which there is uncertainty about whether potentially significant and/or disappointing outcomes of decisions will be realized” (Sitkin and Pablo 1992, p. 10).

The concept of risk has been studied extensively in various business contexts (Zsidisin 2003). Recently, the interest in risk management has increased in purchasing, logistics and supply chain management research (e.g. Hallikas et al. 2000; Ritchie et al. 2000; Johnson 2001; Andersson and Norrmann 2003). More recently there have been studies examining relationship related risks in certain specific contexts, such as networks, alliances and partnerships. Harland and associates (2003) studied risks related to supply networks and Li and Liao (2004) in dynamic alliances, while Delerue (2004) studied relational risk in partnerships of European biotechnology firms. However, FM literature has not yet properly focused on this issue of growing importance.

According to Das and Teng (2001c), there is an advantage in explicitly differentiating and measuring specific risk types rather than dealing with the risk concept in a monolithic manner. A more productive approach appears to be to refine the concept of risk by classifying it into different categories of downside risk (Das and Teng 1999). Having categorised the types of risk and the types of losses that can arise, they can be combined to help managers assess and manage risk (Harland et al. 2003). Hallikas and associates (2002) ask for a deeper insight into the nature of risk. The deeper/in-depth analysis of the nature of risks supports a proactive management approach. To help people to deal with risk in FM partnerships, it should be divided into specific types. In this dissertation, I focus on a specific type of risk, namely relational risk.

In next chapter 2.3.1 I will discuss the relational risk. Following that discussion, in chapter 2.3.2 I will delineate risk concept in facilities management context. In chapter 2.3.3. I will deal with risk management issues.

### 2.3.1 Relational risk

The lack of success in partnerships is remarkable. Many causes have been suggested for the widespread dissatisfaction and high dissolution rate, but one particular factor which attracts attention is the risk associated with these arrangements (Delerue 2004).

Entering into partnership arrangements with larger partners within a supply chain can mean, on the one hand, having a competitive advantage through interchange of resources and know-how. On the other hand, there is the risk of becoming economically dependent on larger companies or even having to give up economic sovereignty. The examination of specialised literature shows that empirical studies have until now paid little attention to this problem (Zanger 1997). According to Zsidisin (2003), there is still insufficient understanding of what risk means within a supply management context, although a few scholars have begun to address the issue.

Generally, relational risk is defined as the probability and consequence of not having satisfactory cooperation (Das and Teng 1996) or as the probability and consequence of opportunistic behaviour by the partner (Nooteboom et al. 1997). Relational risk includes parallel risks associated with the cooperation and risks associated with the partner's behaviour (Delerue 2004).

The inter-organisational risks are dependent on the structure and coordination of the relationship which will fail if one of the actors takes advantage of the other's dependence in order to obtain benefits for himself (Andersson and Norrman 2003). Relational risk depends on informal rather than formal factors (Delerue 2004).

Given the growing importance and proliferation of partnerships, it would appear that the relevance and significance of a relational risk measure will grow in the future (Das and Teng 2001c). However, it must be stated that it is not possible to define a *typical* partnership risk (Hallikas et al. 2002). The risks vary a great deal according to company size and branch.

### 2.3.2 Risk concept in FM

There have been some studies of risks in the FM context since the 1990s. However, traditionally the view on risk management in the FM environment has been narrow and focused on disaster recovery plans for incidents affecting supplier's activities. Finch (1992) introduced the general idea of risk related to facilities manager work. Finch also describes and emphasises the importance of a risk management process. The five phases of his process are recognition, evaluation, adjustment, choice and tracking. His exam-

ples illustrated risks related to technical projects, such as choosing a new heat recovery system, or to uncontrollable events, such as weather conditions. Alexander (1992) sees risk management as an integral part of the long-term approach of facilities management and introduces the basic concepts of risk management and their application to the field of facilities management. He proposes a four-step risk management process: identification, analysis, control and financing risk. Davies and Walters (1998) see the facilities manager as the key person in an organisation who is often charged with the responsibility of restoring the support services that will enable the business to start functioning again after a risk has occurred. However, they still view risk mostly as a safety issue. Pitt and Goyal (2004) argue that FM should be a part of companies' general business continuity planning. They found that among the companies surveyed in UK, 80 per cent had a business continuity plan covering premises/facilities.

Traditionally in the FM context, and still in many cases, risk management has included only the narrow and focused view on disaster recovery plans for incidents affecting supplier's activities, resulting in a business recovery plan. One example of such a plan is Castillo's (2004) business continuity model (Figure 1).

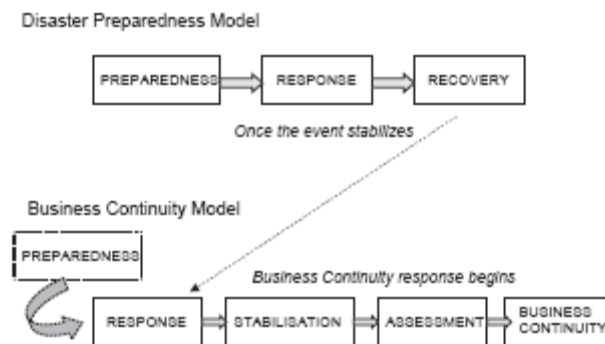


Figure 1: Business continuity model (Castillo (2004))

More recently, the view on the risks has widened also within the FM context. To get a more holistic view on the risks, researchers have covered issues such as financial risk and strategic risk. The Rodney and Gallimore (2002) study of Private Finance Initiative/Public Private Partnership projects in UK found that the methods used to identify the financial risk of the projects are generally restricted to a simple sensitivity analysis, which is a very limited technique, incapable of measuring risk. For example, if a building is too user-specific, the business risk to a particular end-user is more likely to translate into a financial loss for the building owner. Increased understanding of financial risk is, therefore, likely to lead to a greater focus on building design to minimise risk. Respectively, the clients and service providers should think about relational risks with partnership arrangements.



Gombera and associates' (2002) research has established that in managing the non-clinical business process, purchasers are faced with seven major classes of strategic and competitive management risks. The risk factors were arranged in order of relative importance, starting with customer care risks (0.75) and followed by business transfer (0.71), legal (0.669), facilities transmitted (0.662), corporate (0.654), and commercial (0.63) risks, the last one including partnership as the second most important sub construct. The least important were financial and economic (0.615) risks.

Gombera and associates (2002) note that by developing business models for management and decision-making, FM purchasers will be able to monitor management related risks effectively either in the pre- or post-contract stage of healthcare FM operations, in order to improve the delivery of high-quality non-clinical services in NHS trusts. An effective corporate risk management and decision support system or model will ensure that these business factors, although qualitative if carefully managed, become the critical success factors (the best practice) against which future healthcare FM operations are benchmarked. However, unfortunately they do not present such a system or business model.

Thus, some kind of risk assessment and management tool would be appropriate. Various approaches have been developed to facilitate decision-making under uncertainty. Finch (1992) and Rodney and Gallimore (2002) mentioned three approaches, namely sensitivity testing, scenario analysis and simulation. This dissertation aims to provide a framework for helping companies to manage relational risk in their FM partnerships. The provided framework should be used as a starting point when a company develops its specific risk management scheme.

### 2.3.3 Risk management

As companies increasingly move towards inter-firm cooperation to achieve sustained competitive advantage, research in risk management has begun to examine risk management at the level of inter-organisational relationships and more recently at the level of supply chains and networks (Harland et al. 2003). However, so far only limited research has focused on uncertainty and changes in the risk situation, and the risk management processes for the buyer and the provider in an outsourcing situation (Andersson and Norrman 2003).

Traditionally, risk management processes include risk analysis, risk assessment and risk management. The risk management process can also be divided in more detail, as Engblom (2003) did in his dissertation. He divides the risk management process into

five phases: identifying risk, estimating the dimensions of the risk, assessing management methods, organising management and establishing a monitoring scheme.

Risk analysis (or risk identification) can be seen as a fundamental phase in the risk management process. It follows that by identifying a risk, decision-makers become conscious of events that may cause disturbances. Besides risk analysis, there is a need to be able to protect oneself against identified risk factors and to choose suitable management actions for the situation. It is, hence, important to assess and prioritise risks. (Andersson and Norrman 2003)

A very important task in risk management is to establish those risk factors that are important to a particular company. With the help of risk assessment, the company is able to focus its resources more efficiently. The assessment of causes helps companies in two ways: the assessment of causes provides a proactive view on the reasons for the risks, and it helps in the prioritisation of risks (Hallikas et al. 2002).

In their study of risk management processes in an outsourcing situation, Andersson and Norrman (2003) mention that generally used strategies for risk management are to avoid, reduce, transfer, share or even take the risk. In dealing with risk, parties will select a governance structure that provides appropriate safeguards against that risk (Ring and Van de Ven 1992). The choice of governance structure will vary with the risk preference of the firm (Chiles and McMackin 1996). The way that businesses trade off risks depends on what are deemed to be acceptable levels of risk, the size of the benefit and the attitude of the organisation to risk-taking (Harland et al. 2003). The potential risk positions or risk attitudes for a company include reactive, defensive, prospective and analytical (Harland et al. 2003). These terms are similar to the adjectives cautious, risk-averse and risk-seeking.

Decision-making in the risk management process may be analysed on the basis of how much information is available to the decision-makers (Engblom 2003). These situations can be separated into situations where information is objective, in which case we call it "risk", and into situations where information is subjective, in which case we say that the situation is "uncertain" (Arnold 1998; Das and Teng 2001b). The difference between risk and uncertainty is important (Chiles and McMackin 1996, p. 80). According to Arnold (1998), in a risk situation, management has an idea of the probability of the risk's occurrence and can decide whether such a risk may be too high. Uncertainty means that the management does not even have an idea of this probability. However, since probabilities are hardly known in the areas of management and strategy, the term risk tends to be used broadly to refer to variances with both unknown and known probabilities (Das and Teng 2001a, p. 6).

I also want to note the critical difference between “risk” and “perceived risk” (Das and Teng 2001b). The perceived risks will be influenced by acceptable risk level, risk preference, as well as estimated probability and quantity of the risk (Chiles and McMackin 1996; Sitkin and Weingart 1995). Thus, there seems to be no good reason to expect uncertainty and perceived risk to have a highly correlating relationship. Theorists tend to agree that it is the “perceived” environment that is most relevant to the process of making strategic decisions. Managerial perceptions are considered a key ingredient in strategic decision-making (Das and Teng 2001a).

I use the concept of “uncertainty” (i.e. objective risks or contractual problems) with unknown probability and “perceived risk” (i.e. management’s estimate of uncertainty) with estimated probability. I will use the term “uncertainty” to denote consequences or outcomes of alternatives and their probabilities. This is close to the Das and Teng’s (2001b, p. 254) term “objective risk” that is something inherent in given situations. I use the term “perceived risk” to denote managers’ estimate of objective risk. This is similar to the Das and Teng (2001b) definition. Perceived risks can be minimised through information (i.e. control mechanisms) or trust (Chiles and McMackin 1996, p. 89-90; Tomkins 2001, p. 165).

Trust has been debated extensively in partnership literature (e.g. Doney and Cannon 1997; Poppo and Zenger 2002). Even though research on trust has become popular, there is still confusion about the concept itself and many researchers have only focused on parts of the whole (Blomqvist 2002). The term “trust” is never clearly defined and certainly not operationalised (Cousins 2002). Trust has been defined as one party’s confidence in that the other party in the exchange relationship will not exploit its vulnerabilities (Sako 1992; Ring and Van de Ven 1992; Barney and Hansen 1994; Zaheer and Venkatraman 1995; Dyer and Chu 2003). The economic relevance of trust is that it reduces the specifying and monitoring of contracts, provides material incentives for cooperation and reduces uncertainty (Hill 1990). Transactions are thus cheaper, more agreeable and more flexible (Nooteboom et al. 1997).

All relationships depend to some extent on trust. Trust enables partners to accept risks and positively affects the quality of their relationship (Ireland et al. 2002). Trusting in someone enables us to act *as if* the uncertainty that we face is reduced, although it does not actually do that (Tomkins 2001; Das and Teng 2001). Trust and control jointly determine one’s perceived risk (Das and Teng 2001b; Chiles and McMackin 1996). This is a crucial point, because trust only reduces the perceived risk, and management decisions are made on the basis of the perceived risk which does not always correlate with uncertainty. Therefore, the decisions made may be wrong when considering the actual

risk and the firm's acceptable risk level. Even though trust is a vital component of every interaction system, it is a risky investment, because of the "the problem of time and knowledge". Hence, trust has to be supplemented with mechanisms which take into account the risk of misplaced trust (Lane and Bachmann 1998).

The risk management process requires the examination of all aspects of risk facing a corporation, i.e. the relational risk and the performance risk. Because there is a wide range of possible sources of risk, it is necessary for any organisation to develop its own tailored risk management scheme. This is important, as each and every organisation has its own particular risks (Downey 1995; Sheppard and Sherman 1998). The more generic versions might be used as a starting point, but these are not likely to include the full range of possible risks to every project/business, so they must be modified accordingly (Hillson 2003). The purpose of this dissertation research was to offer such a generic framework for companies to be used as a starting point.

As a summary of Chapter 2, Research Issues, I propose (Figure 2) that the characteristics of the task, parties and environment cause some uncertainty in alliances. The uncertainties can be controlled with control mechanisms. Those uncertainties that the parties are not able or willing to resolve due to high costs are perceived as risks. The perceived risks may be mitigated through trust or control. The trust does not affect uncertainty.

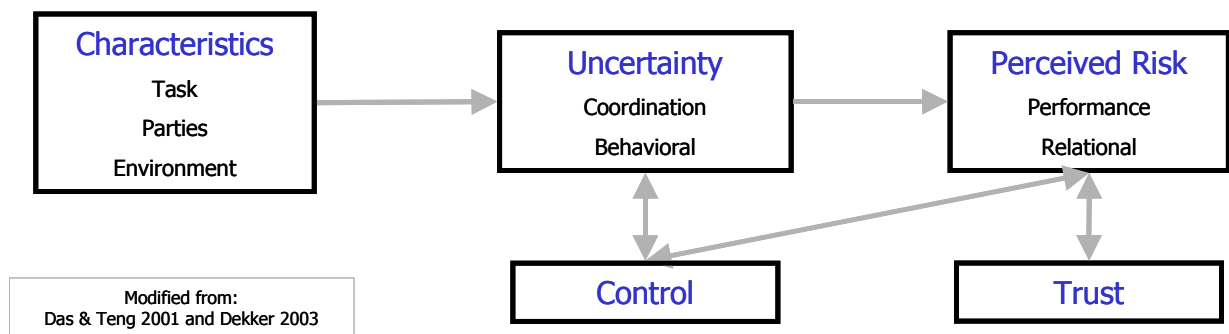


Figure 2: FM partnership management framework

### 3 EMPIRICAL STUDY

*Action research is likely to be a problematic research methodology for doctoral students* (Eden and Huxham 1996, p. 85). As I like personal challenges, I took these words

by Eden and Huxham as a gauntlet to take up. I am also glad that I did not have a supervisor to quote me those words when I was starting this work.

This chapter will present the empirical study and discuss methodological issues. I will delineate the research strategy, research approach and research process. In the research process section, I will also place the appended papers into the respective phases of my research process.

### **3.1 Research strategy**

The selection of the research strategy was made on the basis of the nature of this study. Firstly, it must be noted that the phenomenon of partnerships is a multi-dimensional issue. Therefore a multi-theoretical and multi-method approach is needed to cover all aspects of the phenomenon (Varis 2004). Secondly, although the urge to apply conventional scientific method to FM is strong and the scientific method is firmly established in both political and academic institutions as being the only way to establish truth, it does not serve as a platform for FM research. Facilities management is a multidisciplinary, multifaceted phenomenon, symptomatic of a post-modern view of the world; modernist research paradigms are unlikely to be able to deal with it. FM does not fit easily into the modernist paradigm of distinct academic disciplines or experimental science; it can only be dealt with an equally multifaceted concept (Grimshaw 1999). Related to the above-mentioned reasoning, I have chosen a multi-method research strategy for my FM partnership research. A research strategy may be thought of as the overall direction of the research, including the process through which the research is conducted (Remenyi et al. 1998). The research strategy of this study builds on the research approach and the research process. The research approach describes the general philosophical approach that reflects the researcher's perception of reality. The scientific philosophy behind the research should have an effect on the research process, which describes the actual phases of the process.

This study examines the issue of FM partnership from several standpoints. My dissertation research process consists of three empirical research phases and a literature survey which runs through the whole research process. The publications in the second part of this dissertation had different research aims and settings and, thus, they adopt different approaches to the phenomenon of FM partnerships. Each paper has its own theoretical discussion and empirical viewpoint on the related research problems.

### 3.2 Research approach

The general philosophical approach of the research may be delineated through the scientific paradigm. A paradigm consists of researchers' value judgements, norms, standards, frames of reference, perspectives, ideologies, myths, theories and approved procedures that govern their thinking and action. The specific paradigm adopted by the researcher structures the research problem by providing implicit rules regarding what issues are relevant, how to proceed in the analysis and what analytical tools may be employed in addressing the research questions.

Since the research tradition within FM is not very old, there have not been many exhaustive academic writings on the philosophical issues of FM research. Few researchers involved in the FM area spend much time thinking about research methodology. In the author's recent literature survey (Salonen et al. 2005), the research team did not find any methodological reviews in the surveyed FM articles. Although functionalist-positivism remains dominant in organisational studies, theorists are grounding their work more and more within more critical and interpretative paradigms (Lewis and Grimes 1999). Grimshaw (1999) argues that FM is a multidisciplinary, multifaceted phenomenon, and that FM does not fit easily into the modernist paradigm of distinct academic disciplines. Thus, I would like to point out that, in FM research, we are only at the beginning of a voyage of methodological exploration.

The purpose of this study is to develop a framework for facilitating the understanding of relational risk and management in facilities management partnerships. This dissertation aims to accomplish that purpose by answering the main research question "How can partnerships be built and managed within the FM industry?" Thus the focus is on understanding, and so the study is interpretative and descriptive in nature. Therefore, the scientific philosophy of this study that guides the research process rests on a non-positivistic foundation. In addition to the focus on understanding FM partnerships, this study takes interest in the generation of a new theory on relational risks in FM partnerships. Furthermore, this focus is different from the focus on the positivistic approach to confirming theories. The research approach of the empirical study of this dissertation is based on the constructivist paradigm aiming to interpret and decode the studied phenomenon of relational risk in FM partnerships.

Ontologically, the constructive paradigm assumes that realities exist in the form of multiple mental constructions, which are socially and experimentally based, local and specific, and dependent for their form and content on the person who holds them (Guba 1990, p. 27). This dissertation research bases its theory formulation on the case study respondents' experiences and interpretations of, as well as on the researcher's interpre-

tations of the respondents' mental constructs of FM partnerships. The respondents view FM partnership and related risk in their local and specific company contexts. For instance, during the case study phase, the respondents in the client company communicated their view about the FM partnership from the buyer side of the partnership, while the respondents in the supplier companies viewed the partnership from the standpoint of their specific company and communicated their experiences and interpretations from that specific company context. This issue of multiple mental constructions is raised particularly in the responses of the survey study during the extrapolation phase. One must be careful when interpreting the survey responses, because every respondent looks at and answers the questions from their context-dependent point of view.

Epistemology is the philosophical basis for claiming to know what we know. The nature and origin of knowledge about phenomena are investigated by epistemology. The constructivist paradigm focuses on subjectivity, and aims to unlock the constructs held by individuals. This dissertation focuses on unlocking the respondents' perception and interpretation of FM partnerships, and the generated knowledge is the result of the communication process between the researcher and the respondents, and thus it is subjective. For example, in the case study phase, the researcher and the respondents developed their constructs individually between the meetings, and together in the organisational meetings. Thus, the findings are literally the creation of the process of interaction between the researcher and the respondents.

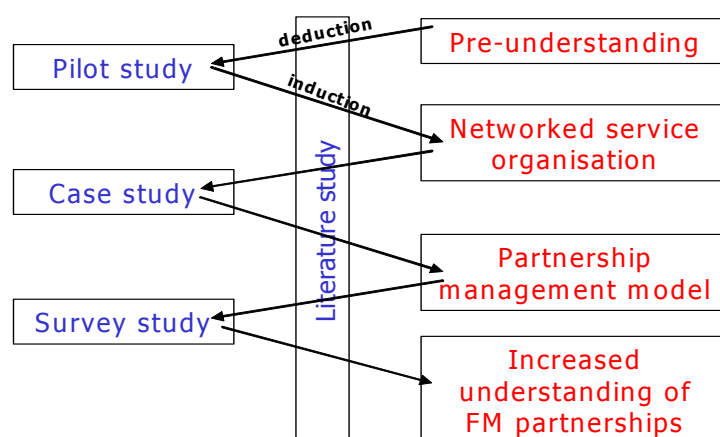
Methodology describes ways to study phenomena. In the constructivist paradigm, individual constructions are revealed and refined hermeneutically and compared and contrasted dialectically, with the aim of generating one construction on which there is a strong consensus (Guba 1990). In the hermeneutic research tradition, absolute truths do not exist. Instead of absolute truth, the researcher tries to find new ways of understanding a phenomenon. The present study discusses FM partnerships in maintenance service. However, the findings in the specific case study cannot be generalised directly to other cases. Hence, the present study aims to find new ways of understanding FM partnerships and related risks.

There are always local and unique conditions that limit the usefulness of time- and context-free generalisations which is characteristic of the positivist methodology. However, constructivist researchers may make time and context specific generalisations, or working hypotheses, using their in-depth knowledge of the specific situation gained through the extended, interactive research process (Tacconi 1998). Working hypotheses come late in the research process and are preliminary both for the particular condition in which they are developed and for other contexts. Working hypotheses of this dissertation may be transferable to other situations. However, the degree to which this is possi-

ble depends on the similarity between the different contexts. This may be judged by comparing the conditions specific to the context of this dissertation with the conditions prevailing in the alternative context. The aim of this constructivist research is an idiographic interpretation, meaning that the data are interpreted in terms of the specific case rather than formulated into statements resembling law. This process of increasing understanding is developed through an iteration process, using both inductive and deductive research. Inductive research starts with real world data and develops theories from that input, whereas deductive research starts with existing theories and develops hypotheses that are tested.

Gummesson (2000) argues that despite their origin, all research becomes an iteration process between the deductive and the inductive after the initial stages. He claims that even if this is sometimes referred to as abductive research, it should not be mistaken for a third type of approach. The iterative process of this dissertation research may be described as "systematic combining" (Dubois and Gadde 2002). Systematic combining is a process where theoretical framework, empirical fieldwork and case analysis evolve simultaneously, and it is particularly useful for the development of new theories.

The starting point of this dissertation was induction from an exploratory pilot study. However, the deductive approach began to gain momentum shortly after the beginning of the research process, as I gained confidence about the relevant literature on FM partnerships and relational risk. The very essence of the research has been an interaction of inductive reasoning and deductive reflection of existing theories (Picture 3). The specific phases of the research will be described in the next section that focuses on the research process.



Picture 3: The systematic combining of the research process



### 3.3 Research process

This section places the appended papers into the respective phases of my research process. My study consists of three separate but partly overlapping phases. The first phase may be called elaboration, which helped to gain pre-understanding and formulate my research questions and propositions. The second phase, called certifying, consisted of a longitudinal case study. It operated as an empirical research laboratory for testing my ideas and propositions. During this phase, I was able to study my research questions in a real-world environment. The third phase's main purpose was to increase the external validity of my results. The extrapolation of the results was tested with a descriptive survey study. We conducted a survey among important FM buyers in Finland. A literature survey was carried out in parallel with these three phases (Figure 4).

A review and classification of empirical research in facilities management [EuroFM, 2005]	Network Service Organisation – a Multiple Pilot Study [EuroFM, 2003; Facilities, 2005]	Elaboration
	Characteristics of facility service industry and effects on buyer-supplier relationship [NJSR-SS, 2004]	
	Managing outsourced support services: observations from case study [EuroFM, 2004; Facilities, 2004]	Certifying
	Dynamic View to Relationship Management – A Case Study in Facilities Management [IPSERA, 2004]	
	Procurement and relationship management trends in FM services [IMP 2005]	Extrapolation

Figure 4: The positioning of the papers with regard to the research phases

In first phase, I studied collaboration between organisations from a network perspective on the business unit level for nine months. On the basis of this exploratory pilot study, I formulated my preliminary research question “How can partnerships be built and managed in the FM industry?” With the help of the pilot study, I could determine that studying partnership on the business unit level was not sufficient to gain understanding of FM partnerships. Instead, to understand the functioning of networks one should first identify the basic constructs of the network and understand their functioning. Networks consist of actors and the links between them. In the facilities management environment,

the network organisation is composed of multiple clients and service providers supporting core business. The relevant lines of questioning should focus on the external network's interaction with the user organisation on both the centralised strategic client level and the decentralised business unit level. On the one hand, the study should be more focused on one partnership at a time and, on the other hand, it should be extended to cover the whole relationship between companies. Based on this I focused my research on the partnership between two actors, while subjecting both partners to a full examination.

The second phase of this dissertation study consisted of a longitudinal case study and it covered a period of over two years, starting from the beginning of the partnership. In this phase I concentrated more fully on the collaboration between organisations and particularly on partnership management. This phase was carried out using the action research method in the longitudinal case study setting. I had a good opportunity to gain varied information as I worked closely with the studied companies for over two years. I also had numerous chances to discuss with the managers the issues relevant for the study. Great caution should be taken when one intends to extrapolate the results of a constructivist study. Thus, I planned and completed the third phase to study the generalisation of the findings.

In the third phase, I looked at whether the results of the pilot and case studies could be generalised to some extent outside the specific cases. This phase lasted for approximately four months. The extrapolation of the results was studied with an internet survey among important Finnish buyers of FM services. Additionally, the internet survey also served to recognise the procurement trends of FM services and to describe the partnership control mechanisms that contribute to the success of FM partnerships.

### **3.4 Literature study**

This study draws from several research traditions: facilities management, relationship management, relational risk, interaction network approach, and also to some extent organisational theory. I have selected many research traditions, because research in the area of relational risk and facilities management itself is still limited. The research traditions mentioned include aspects which are useful in studying relational risk and relationship management in FM partnerships. Several research traditions are used in order to understand the complex phenomenon of FM partnership.

A comprehensive literature review was undertaken in the areas of facilities management, relationship management and relational risk. This has led to the identification of the most appropriate methodologies and technologies for use during the research pro-

ject. The review of literature included a detailed examination of the material relating to current partnership management in general and issues relating to FM partnerships in particular. The literature review revealed the established and generally accepted facts and has enabled me to identify and understand the theories and models which have been used by previous researchers in those fields. The main purpose and outcome of this was the identification of important factors to be addressed in the management of FM partnerships and relational risks. Although the areas of partnership and risk are not new, the constructs are neither well-established nor standardised across the board. There are, therefore, numerous areas in FM partnerships and related risks that require further investigation.

The literature review defines partnerships, identifies the reasons for partnership management and describes the factors underlying an effective management of relational risks. The next three sections on the research phases deal with the application of such partnership management concepts in FM, and discuss the relationship between partnerships in FM and relational risks.

### 3.5 Pilot study - Elaboration

In this pilot study phase, I examined inter-organisational relationships through roles. Because of the explorative nature of the pilot study, I examined relationships in four distinct network contexts. The research was conducted with four pilot cases divided into four types of business units: (1) corporate headquarters (financial service group), (2) large business unit/subsidiary (telecommunications service provider), (3) medium business unit from the property management perspective (real estate investment company), and (4) small business unit (technology park). The pilot cases functioned as a laboratory for testing ideas and propositions for the author's future case study.

The network service organisations (Tuomela and Salonen 2003, 2005) were studied from specific perspectives by interviewing the staff who have various client and service management roles. The exploratory pilot study was conducted by interviewing 25 people responsible for buying and managing support services representing a range of workplace and service functions. The four environments were analysed by interviewing:

1. HR and CRE clients, FM service providers and site managers of service providers in the *corporate headquarters* of a financial service group,
2. HR and FM clients and key account managers and site managers of service providers in a subsidiary of a telecommunications service provider company functioning as the *large business unit*,
3. the property manager, business unit directors in part-time client roles and service provider representatives in the *medium business unit*, which is managed by a real estate investment company,

4. the managers, a FM service provider and site managers of service providers in a technology park, which represents the *small business unit*.

The interviewees were selected with the organisations' strategic client representatives using the snowball sampling method (Scott 2000). Interviews were analysed by cross-checking the answers to avoid bias and to obtain a comprehensive picture of the connections in the organisations, and the analysis was confirmed afterwards by the interviewees. A simple network analysis was carried out on the answers.

In the pilot study, I identified the roles and interaction between the business units. The network perspective was chosen as a starting point for the study. This turned out to be a good point of departure for developing understanding of the importance of relationship management. Analysing single networks in asymmetric environments was deemed superficial. Even though the network perspective was chosen as the viewpoint of the study, it turned out that analysing single networks in asymmetric environments could not reveal the whole picture and that studying a single relationship would be more fertile in the actual case study phase. Connections and different network roles should be studied on a portfolio basis in order to understand and improve interaction between functions in the network context. The exploratory network analysis of four separate pilot cases on the business unit level did not explain the whole value of inter-firm relationships. Based on this exploratory pilot study I formulated my preliminary research question "How can partnerships be built and managed in the FM industry?"

### 3.6 Case study - Certifying

Based on the findings from the pilot study, I entered the next phase of my dissertation research. The purpose of this study was to offer a perspective that helps to understand the nature of cooperative long-term arrangement, and to manage and produce FM services collaboratively. My focus will be on a triadic collaboration network. The studied network is comprised of a buyer and two suppliers who are collaboratively responsible for providing maintenance and space management functions. The studied transaction included only part of those facilities services client organisation was responsible to provide. Namely real estate maintenance, which ensured the appropriate condition of buildings, technical systems and optimal indoor conditions, as well as move management functions in the client's premises in Finland. This case was selected, because it was considered to be the first of its kind in the Finnish FM environment and the participants had a real need for research. Additionally it provided a good opportunity to collect extensive data. When realised, it would be the first really big collaborative outsourcing contract of maintenance functions in Finland based on openness and trust. The client

and suppliers found that switching to the cooperative relationship mode would be a significant challenge. The research process was launched to respond to this challenge.

The case study is a research strategy which focuses on understanding the dynamics present in a single setting (Eisenhardt 1989). As a research strategy, the distinguishing characteristic of the case study is that it attempts to examine: (a) a contemporary phenomenon in its real-life context, especially when (b) the boundaries between phenomenon and context are not clearly evident (Yin 1989). Case studies may combine different data collection methods, such as archives, interviews, questionnaires and observations. Additionally, the evidence may be qualitative, quantitative or both.

The reason for choosing a single case study approach is the in-depth knowledge that is needed of organisational processes, contractual arrangements and complex performance indicators in order to understand FM partnerships. Information about these phenomena is often confidential and latent, and the researcher must have good access to an organisation to be able to identify them (Mitronen and Möller 2003; Yin 1994). Case research can be very helpful in gaining insights into factors that influence the establishment of control structures in inter-firm relationships (Van der Meer-Kooistra and Vosselman 2000). To understand the management and control of partnerships, and their consequences, it is suggested that researchers study and describe the coordination mechanisms and processes used for partnership management (Grandori 1997; Ireland et al. 2002). An additional benefit of using the case study methodology was that it enabled me to identify and describe a set of specific control mechanisms used in an partnership (Dekker 2004). In this study, I use the term “case study” in the sense described by Remenyi and associates (1998).

The methodology utilised in this study phase has been a combination of a case study and literature review. A literature survey was conducted which included the identification of a number of texts specifically devoted to the study of partnerships, strategic alliances or other forms of collaborative strategy. The management journals and texts yielded a great deal of generic material on the subject of partnerships, which was supplemented by a survey of facilities and services related journals that provided a more limited contextual literature relating to partnerships in the facilities related support service.

The research phase was completed using the action research (Eden and Huxham 1996; Huxham and Vangen 2003) method. Because the study had a dual goal, i.e. to contribute both to the companies and to science, action research seemed a suitable method for fulfilling these goals (cf. Gummeson 2000, p. 199; Sanderson et al. 2003, p. 1030). As the name suggests, action research is an approach to research that aims both at taking action and at generating knowledge or developing a theory about that action. Action

research is a “live” case study being written as it unfolds. Action research projects are situation-specific and do not aim to generate universal knowledge. However, it is important to extrapolate the results to other situations and to identify how the action research project could inform like organisations and similar issues (Coughlan and Coughlan 2002). Eden and Huxham (1996) stated that action research must have some implications beyond those required for action or generation of knowledge in the domain of the project. Given that action research generally deals with an individual case study and hence involves all the issues inherent in case study research, the history and context of the intervention must be considered critical to the interpretation of the likely range of validity and applicability of the results.

Action research can involve all types of data gathering methods (Coughlan and Coughlan 2002). The data gathering methods used in this particular action research included interviews, company documentation, as well as observation of a variety of organisational gatherings. Because some variables in our study were bilateral (e.g. relational governance and trust), the data were obtained from all parties of the partnership. This will bring the advantage of more diverse data in comparison to the earlier studies of control systems in outsourcing relationships that have mainly used interviews (e.g. Langfield-Smith and Smith 2003; van der Meer-Kooistra and Vosselman 2000; Mouritsen et al. 2001; Houston and Youngs 1996).

The observations included following a project group at work during a two-year period, training sessions, steering group meetings and the three mid-evaluations of the outsourcing process for everybody in a managerial position. During the latter half of the study, the researcher observed the functioning the implemented model. The model was also evaluated and further developed in concert with the companies.

The researcher participated closely and actively in the companies’ shared development project (related to the outsourcing process), whose aim was to develop a collaboration model for real estate and facilities services. In total researcher participated in around forty five meetings including over twenty operation group meetings during the two and half years. The researcher missed some meetings due the time limitations, but he was typically informed of those meetings through the memorandums and discussions with participants.

The researcher collected information about the process by participating in project meetings and at the same time shared academic knowledge with the companies. The researcher was allowed to follow and take part in discussions and negotiations between partners. Furthermore, he presented options for discussion and decision-making based on prior surveys and knowledge found in literature and the pilot study, but he also

helped companies analyse their operation. On the other hand, the researcher compared methods and mechanisms used by the companies to literature and pre-understanding gained from the pilot study. During the development project, the researcher documented its progress, focusing on the decisions that were made and the reasons behind them. To improve the quality of research, the researcher kept a regular journal to capture his experience of key events soon after they happened and before the passage of time changed his perception of them. The research material was completed with interviews and company documents.

According to Mitronen and Möller (2003), one way of investigating the management of any complex organisation is to identify the different levels of the major decision domains, the players involved in these domains and their relatedness, as well as the governance mechanisms through which the organisation with its layered players is directed and coordinated. For the purpose of the interviews, the researcher identified the key informants as belonging to three organisational levels: senior executive, middle management and operational (day-to-day) management. The interviewees were chosen on the basis of them being managers from all three companies who were involved in the outsourcing and partnership decisions, and in the ongoing management of the outsourced function (i.e. controlling the relationship). The use of multiple respondents from different organisational levels on both sides of a relationship dyad provides greater reliability and validity for inter-organisational relationship reports (Frankel et al. 1996). The interviews were carried out shortly after the implementation of the service concept using semi-structured interviews. All interviewees were voluntary and willing to participate in the research. All interviews were recorded on tape and transcribed, except for one at the request of the interviewee. An interview may generate feelings of anxiety, suspicion, apathy and hostility or create expectations in a workforce (Coughlan and Coughlan 2002), and some people will feel that they will be disadvantaged by the organisation change that results from the intervention. It is also unlikely that the researcher will gain the full trust of all parties (Eden and Huxham 1996). However, such reactions were not observed. The companies' key members were willing to have an action researcher working with them.

When using action research, it is important to recognise that the intervention will result in organisational change and threaten the status quo. The process of change forces a dialectic – a contrast – which helps articulation (Eden and Huxham 1996). This in turn helps the identification of phenomena and matters that would otherwise easily remain unidentified or would not be found using other research methods.

During this extensive and intensive study phase, I was able to test in a real-world context the ideas that I had developed through my dissertation research. In this case work, I

was able to investigate the proposed research questions more thoroughly as I worked with one case for over two years from the beginning.

### **3.7 Survey study - Extrapolation**

To gain more confidence about the results of my previous phases of FM partnerships research, and to solidify earlier relationship research conducted in the FM field, there was a need for a descriptive survey. To address this need, and to gain a deeper understanding and to investigate the importance of different management methods or success factors in establishing and maintaining partnering relations, a questionnaire was developed. Survey provided methodology triangulation for research and thus increased the value of dissertation.

To gain synergy advantages we merged the ideas and questions of two researchers to form one comprehensive questionnaire. The questionnaire was aimed at companies buying FM services (i.e. user or user-owner companies, real estate investors, property management companies). In this study, FM services mean real estate maintenance, technical maintenance, cleaning, grounds maintenance and waste management. In the questionnaire, a partnering relation was understood as a mutually beneficial relationship in which both parties are committed in the long term to developing and maintaining this two-way relationship (cf. Ellram 1995).

The questionnaire was divided into four parts. The first two parts covered the procurement of FM services. The first part of the questionnaire consisted of questions related to purchasing management, and the second part of questions related to changes in service procurement practices. The last two parts considered the partnering approach. There were questions about the motives for and circumstances of partnership sourcing, and in the last part the success factors of partnering relationships were investigated.

Previous surveys have seen the use of secondary data (Gilbert 2000), expert opinion (Clow et al. 1997) and interviews (Marshall et al. 1998) to generate questionnaire items. Shaw and Haynes (2004) felt that focus group sessions, as used by Walker and Baker (2000) and Amaratunga (2000), would be a more appropriate method. The first draft of this questionnaire was developed by the authors on the basis of their previous studies. The precise wording of the questions was tailored to fit the FM context in collaboration with industry experts. The purpose of this collaboration was to develop a set of items that would tap each of the relevant topics and to provide an initial test on some of the measures. The first version was modified together with representatives from RAKLI (The Finnish Association of Building Owners and Construction Clients), an interest group and trade association representing the most prominent real estate owners, inves-



tors and service providers in Finland. Based on their recommendations, a few questions were removed and some questions were modified. The next version was piloted with the Senior Vice President of a Finnish real estate investment company. On the basis of his comments, one question was added to the final version of questionnaire.

The questionnaire survey was carried out in cooperation with RAKLI. The internet-based questionnaire was sent to the 50 most important buyers in the Finnish FM market, the buyers representing both public and private organisations. This was considered to cover the Finnish FM market extensively, especially as the focus of the study was on partnership sourcing.

The importance of the buyers was determined using the following approximations of importance: firstly the amount of owned square metres and, secondly, for management companies the turnover and for municipalities the size of the population. The selection of key informants was based on information in the databases of RAKLI. The database contains information about the buyers of FM services and people who are responsible for decisions related to relationships with FM service providers. The key informants were contacted via e-mail and asked if they would respond to the survey. To improve the response rate, the importance of the survey for RAKLI and for the development of the FM industry were promoted. Initially we received 19 responses, and one week after the first contact a reminder was sent to the 31 informants who had not responded yet. Due to the data capturing methods used we were not able to analyse the possible differences in the answers of the early and late respondents. The total amount of responses was 33 while the response rate was 66%. This could be seen as a very good response rate. But still, as always in surveys, there is a question of non-respondents. We could not analyse these if they have similar profile or not.

The questionnaire form was filled in anonymously. For questions covering procurement trends, respondents were asked to answer either yes or no. In relationship management questions they were asked to rate the importance of different factors on a 5-point scale (from strongly agree to disagree) and then to choose the most important factor of the group. The authors did not target the interviewees' assessment towards any specific relationship, which facilitated the capturing of general trends, perceptions and goals.

The questionnaire provided a good opportunity to seek possibilities for extrapolating findings from the previous phases of this dissertation research. The results mainly supported observations from the author's earlier qualitative studies. The survey confirmed that partnerships are a growing trend that is gaining more and more popularity and growing in importance also in the FM context. This gave some confidence that the relational risk is an unexplored issue which companies are not aware of in the FM context.

Parties of partnerships do not have formalised risk management methods related to the relational risk.

The survey indicated that the results may be applied to other business services to some extent, particularly to support services which are operational by nature. However, it is important to note that relationships which work successfully in one business environment may not be as successful when transplanted elsewhere.

## **4 ANALYSIS OF THE DATA**

Previous sections discussed the methodological issues as well as presented the actual study phases of the empirical study conducted within this dissertation research. This section provides a summary of the key results and main contribution of the appended six papers. All papers have been prepared to meet the requirements of the specific publications and conferences for which they were intended. In this section I will also top up the picture of the process how the author has drawn the conclusions in each paper.

### **4.1 Paper I:**

Tuomela, A. & Salonen, A. (2003) Network Service Organization – a Multiple Pilot Study. *Proceedings of the EuroFM International Research Symposium, Facilities,*

The first paper is an empirical discussion of a multiple pilot study. The empirical data in this paper was collected through interviews. The used interview question themes are appended in the Appendix A.

All interviews were advised by the same basic outline of questions. The additional questions were asked when there was an interesting discussion with the interviewee. Also in the later interviews additional questions were added as researcher was informed both by prevailing theories and by a fresh set of empirical observations. The main contribution of this paper is that I was able to formulate and revise my preliminary research question while gaining more knowledge of the relevant issues. I was also able to define and focus my research more accurately.

### **4.2 Paper II:**

Salonen, A. (2004) Characteristics of Facility Service Industry and effects on buyer-supplier relationships, *Nordic Journal of Surveying and Real Estate Research, Special Series,*

The objective of this theoretical paper was to delineate the characteristics of facilities services and to provide a conceptual model for the management of FM relationships.

The underlying idea was that being aware of the characteristics of facilities services helps companies to manage their relationships with service suppliers and clients. Firstly, the paper describes the general characteristics of business relationships on the basis of a literature review and then looks at the specific characteristics of facilities services. Finally, the paper presents different relationship control mechanisms and formulates a conceptual model for the management of FM relationships. The main contribution of this paper is the delineation of the characteristics of FM partnerships. Additionally, it suggests that companies could use the conceptual model provided as a starting point for the management of their relationships.

#### **4.3 Paper III:**

Salonen, A. (2004) Managing outsourced support services: observations from case study, *Proceedings of European Research Symposium in Facilities Management, Facilities*,

The third paper is a discussion of an empirical case study. The empirical data was collected through participant observation using an action research methodology. The starting point for the research was companies' real need for external help for their development process which they had recognised to be challenging. From this perspective the author designed two parallel research processes. In the first one he would take part in to the companies' research process and help them by coming in their discussion and having a hand in their work. In the second process he would act as an academic researcher trying to develop a framework for facilitating understanding of relational risk and management in facilities management partnerships.

It was thought that the researcher would gain the most important and relevant information of the companies' partnership development process by attending regularly into the meetings of the operating group. The operating group was defined to be the point at which to examine the progress of partnership. This was because all three companies, a client and its two suppliers, were represented by the managers responsible for the controlling the partnership. This group was responsible to functioning of the partnership. Their duty was to form the agreement and the management system including a monitoring system, to negotiate potential disputes and formulate the actual partnership.

The researcher was invited to all meetings and allowed to actively take part in to discussion of the operating group. Researcher was asked to bring his knowledge to help companies to create the partnership. The agreements and service concept was worked in concert with companies and researcher. Suggestions made by the researcher were accepted, modified or rejected by the companies. Then it was possible to assess the researcher's impact to the companies' development process.

This paper was written at time point of one year from origin. In total researcher participated in around forty five meetings including over twenty operation group meetings during the two and half years. The researcher missed some meetings due the limitations in time, but he was typically informed of those meetings through the memorandums.

Researcher used also written material to assess the case. Written material used included the agreements, memorandums, and the company presentations presented in different meetings related to outsourcing process. The written material was analysed to see if the researcher's interpretation of observations was correct.

The empirical data was enriched by attending also to the kick off session of the partnership process and three mid-evaluations held by the companies to analyse the progress of the partnership process. In these meetings there were represented by wider group of people attending to the service provision in operational level.

In addition to the attending meetings and informal discussions with company representatives the interviews were held. The selection of interviewees was done based on the knowledge of who are responsible to create or manage the partnership. It was considered that only one set of the interviews is sufficient because researcher had numerous of changes to discuss with these people through the two year of research process. The used interview questions are appended in this research report as Appendix B.

Focusing on a collaborative FM environment, this empirical paper examines coordination mechanisms that go beyond the traditional market mechanisms. The paper delineates a single case study of a triadic alliance between a client and its two partners, providing outsourced maintenance operations together. The paper's purpose is to add to our knowledge of how inter-firm relationships can be established and controlled in the FM environment. This paper draws on Van der Meer-Kooistra and Vosselman's (2000) work and extends it to consider the difference between contractual problems and the perceived risk, and its consequences on the management and control of the relationship.

The paper contributes to the FM literature by describing a single case of working and successful FM partnership. It delineates the service concept. The collaboration models adopted from other industries cannot be directly applied, so one needs to pay attention to the characteristics of the transaction, parties and environment. A long time span and active interaction during the negotiation phase help the parties to overcome their uncertainties. Trust seems especially important during the contracting phase. This is because there are no control mechanisms yet. In collaborative relationships mutual trust, active interaction, joint decision-making and dispute resolution are the most important management methods.

However, a partnership is not a static union, it is rather a developing process. Thus the paper states that there is a need for further research with a more dynamic and longitudinal approach, which is needed to fully understand the management of FM partnerships.

#### 4.4 Paper IV:

Salonen, A. (2004) Dynamic View to Relationship Management – A Case Study in Real Estate Industry, *Proceedings of the 13<sup>th</sup> International IPSERA 2004 Conference*,

This empirical paper concentrates on investigating the progress in control-trust-risk relationships associated with new organisational forms. The paper contributes to our knowledge of the FM partnership as follows. Conditions will not remain fixed throughout the duration of a partnership. Usually information on the desirable properties of the transaction, and on the actual general situation, gradually becomes available during the process of contract execution. This new information allows contractual gaps to be filled and activates the need to realign contract execution with emerging insights (Speklé 2001). Levels of risk in deals, and reliance on trust between parties, can and will change over time; with these changes parties will alter their choices regarding governance structures and accompanying safeguards (Ring and Van De Ven 1992).

In studied case, I found some uncertainty concerning the dimensions of coordination and behaviour. Uncertainty was mostly caused by pricing, defining performance measurement indicators for how the two-supplier model would work out, and the continuous improvement of relationship and service processes. However, the uncertainty diminished during the outsourcing negotiation due to the ongoing interaction between parties.

Even as the paper was written at time point when the data analyse was partly unfinished these findings became evident in interviews with the managers. The researcher was able to recognise the progress in trust and mutual understanding in conversations held with the managers in operating group. Especially this became visible when parties negotiated about the agreement and monitoring system.

This was facilitated by social mechanisms. Social mechanisms were formed among established representatives of the operating group. The main control mechanisms found in the studied case were the organisational structure and the two organisational groups in particular, i.e. the Steering Group and the Operating Group. All three parties had a representative in these management groups. Also, a dispute settlement was considered an important control mechanism. Trust existed between the parties from the beginning of the negotiation. Due to the great trust, the parties were able to start services with incomplete contracts.

#### 4.5 Paper V:

Salonen, A., Lehtonen, T. and Ventovuori, T. (2005) A review and classification of empirical research in facilities management, *Proceedings of the EuroFM International Research Symposium*,

The fifth paper is a literature review, in which earlier literature regarding FM criteria is critically reviewed. To gain an understanding of the evolution of FM research, and to solidify previous research and pull together earlier work carried out in the FM field, we can use a similar literature review as Scudder and Hill (1998) did within operation management and Carter and Ellram (2003) within supply chain management. A critical and thorough review of published work should yield useful insights as to how to continue to improve the quality of published research and to further advance the FM field. The purpose of this paper is to review, evaluate and classify the empirical research that has been published in FM journals and conferences, and to analyse how FM research and practice are linked. The objective of this study was to answer the following questions:

- How does empirical research appear to be published in FM literature?
- How can empirical research in FM be analysed?

The paper has its limitations as it unfortunately due to the limited resources is not inclusive in the analysed data especially from earlier years. This is recognised by the authors and thus it was given more weight on the formulation of general view of the progress of the FM research than comparing a specific year to another year. Despite of the missing data the paper forms an extensive picture of FM from the perspective of published academic text and gives valuable hints how to improve the quality of published research and further advance the FM field.

The main contribution of this literature review paper is that it offers a framework for analysing published empirical FM research. Additionally, it offers a critical review the current state of the FM discipline. It seems that there is a need for more thoroughly reported case specific studies. Altogether, the normative approach seems to be a common way to write papers on FM. On the one hand, this is typical in a completely new or emerging area of research. In order to progress, the discipline must continue to carry out hypothesis testing and employ valid data analysis techniques more. On the other hand, this should not result in the avoidance of rigorously conducted and effectively communicated qualitative studies. Simultaneously, theoretical frameworks need to be introduced in the discipline (cf. Chotipanich 2004). The lack of conceptual and theoretical frameworks is perhaps, in part, the reason why facilities management remains misunderstood in the general business sector (McLennan 2004).

#### 4.6 Paper VI:

Lehtonen, T. and Salonen, A. (2005) Procurement and relationship management trends in FM services, *Proceedings of the 21<sup>st</sup> IMP Conference*,

The sixth paper is a descriptive survey of Finnish FM buyers. The paper summarises an Internet survey on professional buyers in Finland who purchase facilities management services. The aim of this paper is to recognise the procurement trends in FM services and to describe the partnership control mechanisms that contribute to the success of FM partnerships.

This paper differs from other appended papers of this dissertation as this relies on survey. The objective of this paper was not to offer a comprehensive quantitative analysis but to depict more diversified picture of FM partnerships. We calculated the mean values of those answers where respondents used a 5-point scale to rate the importance of different factors (Table 2). The paper's principal merit is that it offers a methodological triangulation and thus increases the value of the dissertation.

*Table 2: Success factors of FM partnerships (published in Lehtonen and Salonen 2005b)*

<b>Clearly defined and mutually agreed goals</b>	
Partners have shared visions and values	4.39
Partners have mutually-agreed upon goals for the relationship	4.58
<b>Mutual involvement</b>	
Joint planning	3.79
Mutual relationship development	4.33
<b>Joint problem solving</b>	4.27
<b>Two-way information sharing</b>	
Reporting between parties is systematic	3.81
Content, frequency and participants of various meetings are defined	3.69
Meetings between the top management of the companies	3.19
Managerial level meetings	3.75
Operational level meetings	4.54
<b>Partners' ability to meet performance expectations</b>	
Service provider takes care of problems related to its subcontractors	4.36
Service provider takes care of advising new service employees	4.32
Sufficient technical know-how and skills of service employees	4.24
Accomplishment of the goals is monitored and goals are updated if required	4.14

The main contribution of this paper is that it delineates the current state of FM partnership management in Finland. As well as contributing to the relationship management

literature, this study offers potential benefits to both FM service providers and buyers in terms of how to establish successful relationships and to improve the performance and efficiency of partnering relations. The Internet survey also helped to test the possibility of extrapolating findings from this dissertation's earlier phases. The descriptive survey mainly supported the author's earlier findings. According to our survey we can say that partnership sourcing a growing trend also in FM services. The paper gave also support that FM partnerships would differ from those found in literature and have their unique characteristics as stated in paper II. The survey questions are appended in this research report as Appendix C.

## **5 DISCUSSION AND CONCLUSIONS**

The last chapter presented the findings of this dissertation research by summarising the key results and most important contribution of the appended six papers. In this chapter, I will dissect the findings, proportion them to existing literature and draw some conclusions. Additionally, I will analyse the validity of the research, as well as present potential issues for further research.

### **5.1 Contribution of the research**

The purpose of this study was to develop a framework for facilitating the understanding of relational risk and management in facilities management partnerships. The study discussed the characteristics of FM partnership and their consequences on FM partnership management, and also provided information about the connection between trust and partnership management. The results of the research supported the original working hypothesis as follows. Firms are moving towards closer relationships in the FM industry. Firms face new kinds of uncertainties and risks as they move towards collaborative relationships. Uncertainty and risk cannot be managed with trust. Trust only affects perceived risks. In this section, I will discuss how the research process helped to answer to the research questions discussed in the introduction.

The results of this research contribute to the facilities management and to some extent relationship management disciplines. The dissertation adds to our knowledge of partnerships in the FM context. This dissertation adds the relationship management literature by widening the partnership studies into the field of business services. The relationship management discipline is advantaged by introducing the difference between risk and perceived risk and its consequences on relevant management methods. Additionally, the much debated concept in partnership literature, trust, is examined and it is stated that trust only affects perceived risk.



My doctoral dissertation's general research question was presented in the introduction as "How can partnerships be built and managed in the FM industry?" The question was formed mainly on the basis of findings from the pilot study (Paper 1). To answer the general research question, this dissertation firstly confirms that there is a similar transition towards closer relationships and larger purchase entities taking place in the FM context (Paper 6). The study contributes to the FM literature by describing the general characteristics of FM partnerships and their consequences on partnership management (Paper 2). Until now there have not been studies that would discuss the characteristics of FM or FM partnerships thoroughly. Additionally, this research provides the FM discipline with a detailed description of how to set up and manage a working and successful FM partnership (Papers 3 and 4). Despite the growing interest in partnerships, there have been only a few publications discussing this issue in FM literature (Jones 1995; Yik and Lai 2005). The dissertation also provides a conceptual model for FM partnership management (Paper 2). Furthermore, it suggests that risks should be addressed more comprehensively within FM, by introducing the concept of relational risk. Traditionally, FM literature has seen the risk from a more limited perspective. The relational risks have been addressed as important issues in other disciplines (Das and Teng 1999, 2001; Delerue 2004). However, the academic world has not yet devoted effort to this issue of growing importance in the FM discipline. This might be because so far there have been only very few partnerships in FM industry. So far only Gombera and associates (2002) have discussed relational risk. Instead of discussing it as at separate type of risk, though, they employed it only as a minor sub-construct of commercial risk. The proliferation of FM partnerships the issue of relational risk will unavoidably increase its importance in FM. Additionally, the dissertation provides a definition of relational risk in order to guide and promote the practice of and future research on relational risk and its management in FM partnerships.

The relationship management literature is also extended to cover the partnerships between the client and the support service provider. This extends the traditional views which have mainly studied partnerships between client and component supplier or between rivals. The dissertation promotes FM as an important part of the business service sector. Additionally, this may improve the position of the FM function within companies. Perhaps FM partnerships could work as a laboratory for testing a company's partnership models before implementing them in more critical core business partnerships. Despite of the general trend of FM literature emphasising the strategic importance of the FM function, it has not attracted attention within the general management of companies. Hitherto many companies have viewed the provision, operation and maintenance of facilities as a technical, rather than strategic, function with a vague relationship to core business objectives. Furthermore, this dissertation delves into the management of partnership. As many previous studies have focused on partner selection or success fac-

tors, there has been only a limited amount of studies on how the partnerships should actually be managed (van der Meer-Kooistra and Vosselman 2000; Ireland et al. 2002; Dekker 2004). This dissertation will draw on van der Meer-Kooistra and Vosselman's (2000) work and extend it to consider the difference between contractual problems and perceived risk, as well as its consequences on the management and control of a relationship.

As well as contributing to the FM and relationship management literature, this study has implications for management through potential benefits for both FM service providers and buyers in terms of how to establish successful relationships and to improve the performance and efficiency of partnering relations (Paper 6). As one of the main practical contributions of this dissertation, it is suggested that companies could use the presented conceptual model (Paper 2) as a starting point for the management of their relationships and risks, particularly the management of relational risk. Since organisations have not yet fully recognised the importance of the relational risk or formalised their management mechanisms for providing services in closer relationships, there exists a strong potential for them in taking advantage of and adopting relational risk management schemes as well as more sophisticated relationship management methods which are already used widely in the more matured industries. The managers can implement the delineated FM partnership model by assessing the similarity and differences between the context of the specific case and their own context. This is made easier as the context of this research is described in detail in the appended papers (Papers 2, 3 and 4). Essentially I argued that companies should identify the risk related to close relationships and that trust, even though essential for successful partnerships, does not remove relational risk.

## **5.2 Evaluation of dissertation**

The objective of this constructivist research was to give an idiographic interpretation, meaning that the data is interpreted in terms of the specific case rather than formulated into statements resembling law. This process of increasing understanding consisted of an iteration process using both inductive and deductive research. This research report, however, follows deductive logic, where the theory is presented at the beginning, and the empirical part is discussed at the end of the report. The validity comes from the contribution of the individual studies, which have been peer-reviewed and evaluated individually before each paper was published in academic forums. The reliability of the study was supported by reporting both the research methodology and the results in detail in the appended papers and this research summary report.

The greatest weight in my dissertation research was attached to phases 1 and 2, as phase 3 largely served the purpose of methodology triangulation and extrapolating the findings from phases 1 and 2. The research methods used in the empirical part of this dissertation research were qualitative in research phases 1 and 2, while in research phase 3 a survey method was used. Therefore, I can say that this dissertation research belongs to the qualitative research tradition.

The scientific quality of a research may be judged by various criteria. The qualitative and quantitative studies are based on different paradigms. Where the qualitative researcher seeks understanding, the quantitative researcher seeks, instead, generalisation of findings. Thus, I use criteria aimed at determining the quality of case studies to analyse both phases 1 and 2, and criteria aimed at analysing surveys in analysing research phase 3. In qualitative research, a study is valid if it truly examines the subject which it claims to have examined, whereas in survey research a study is valid if an instrument actually measures what it claims to measure. In surveys, validity is focused on methods; an example is the validity of rating scales in a survey. In qualitative research, the main concern is the validity of interpretations, for instance, whether a researcher's conclusion that x is the main theme to emerge from interviews is valid.

Research phases 1 and 2 were both modifications of a "normal" case study. The first phase, called elaboration, was a multiple case study that leaned towards an explorative study. This can be handled within this section that discusses the validity of the research process. The second phase, called certifying, was a single longitudinal case study conducted using the action research method. Given that action research deals with individual case studies, it hence involves all the issues inherent in case study research. Therefore the validity of the second phase can also be assessed within the discussion of the research process in this section. Action research also has its own unique characteristics, and the term is sometimes used rather loosely to cover a variety of approaches (Eden and Huxham 1996). Thus, I will include a separate subsection to discuss of the validity of action research (Section 5.2.1). I also discuss the validity of research phase 3 in a separate subsection (Section 5.2.2). In this section, I present a summary of the key issues affecting the validity and reliability of the research process.

The quality of a study may be assessed through the concepts of construct validity, internal validity, external validity and reliability (Kidder and Judd 1986; Yin 1989). Validity is the extent to which the researcher is able to use his method to study what he intends to study, rather than studying something else. The credibility of the study may be increased if the final interpretation is subjected to the scrutiny of those individuals upon whom it is based. In this research, the credibility has been validated by allowing the interviewed managers to evaluate and comment on the researcher's interpretations in

accordance with their own empirical and contextual understanding. In the first phase of this research, the respondents were given an opportunity to comment on the transcription of their interview. Additionally, the researcher went over the results of the pilot study with the representative from each case. In the second phase, the results were accepted by the companies as they had a chance to read and amend the papers (Papers 2 and 3) before sending them for publication. Also the long time span of the action research served as a means to gain credibility.

Good construct validity means that the focal characteristics and concepts of the research subject are revealed and the correct operational measures for the concepts, ideas and relationships are studied (Remenyi et al. 1998). To gain construct validity, the focal concepts were defined and redefined through the iterative research process in order to find the most suitable ones. The formulation of the focal concepts has been an iterative process over three years. The concepts were derived from literature and discussed with peers, as well as practitioners, in academic and practical seminars where the researcher was presenting his study. There were some problems with the concepts of “risk” and “perceived risk”. We found that the division into “risk” and “perceived risk” is challenging, and it seems that managers have hard time to differentiate the two in practice. Additionally the term partnership has been stated to be a complex term, meaning different things to different people. In this dissertation due to the longitudinal case study researcher had a good opportunity to be secured that each participant organisation understood it equally. Additionally, even the levels for characteristics seem to be universal and in line with earlier studies it was noted that the described characteristics of FM are derived from the researcher’s observations of the studied cases. Further research should examine whether or not there are some other relevant characteristics.

Internal validity refers to the validity of the research process as research (Eden and Huxham 1996). Internal validity means establishing a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships. Checking and improving the internal validity of research was based on the literature analysis while I developed my conceptual framework. The case study analysis was based on the developed framework. Internal validity was also ensured by triangulation of data both by interviewing several interviewees on the same themes and by combining and comparing data from various sources. Especially phase 3 was used to triangulation and thus to increase the internal validity.

External validity of research is concerned with the degree to which the results may both be justified as being representative of the situation in which they were obtained and have claims of generality. The aim of this constructivist research was an idiographic interpretation, meaning that the data are interpreted in terms of the specific case rather

than formulated into statements resembling law. Thus the most weight was focused to that results are representative of the situation. In order to be able to assess the representativeness of the results the actual situation was pictured as perfectly as possible. The generalisability was improved with a thorough description of the research process and the specific context of the empirical study. The generalisability of the results was also studied in the third research phase. Furthermore, it will be discussed below in Section 5.2.2, The validity of survey.

Reliability means that other researchers can replicate the study with similar results. Given that qualitative studies generally deal with an individual case study and are often both time and context specific, the repeatability concerns the documentation of the research process. This applies particularly to the action research method used in phase 2. By its very nature, action research does not lend itself to repeatable experimentation; each intervention will be different from the previous one (Eden and Huxham 1996). Thus, the history and context of the intervention must be considered critical to the interpretation of the likely range of validity and applicability of the results. However, it is believed that if another researcher would listen to the recorded tape interviews, read the transcriptions and other research material, rather similar findings could be obtained.

A research diary was used, because it allowed the researcher to document ambiguous matters and to continue their systematic analysis later. In practice, an electronic data file was used to document new ideas, questions and challenges related to the different phases and themes of the study. In his dissertation research, Seppälä (2004) found that this has been especially helpful when following an abductive (i.e. systematic combining) approach.

### 5.2.1 The validity of action research

The distinguishing feature of action research, when compared to other forms of organisational research, is the tight coupling of research and action and the deliberate involvement of the researcher in the changes made to the situation being researched (Huxham and Vangen 2003). It should be remembered that there are actually two coexisting action research projects. First, there is the core action research, in this case it was the outsourcing project. Second, there is also the dissertation action research project. This distinction is useful as it is the dissertation project which will be submitted for examination, rather than the core project.

One should note that much of action research's validity comes from the developed theory not simply being "grounded in the data" but being "grounded in action" (Eden and Huxham 1996). This has a potential for a more comprehensive ground for theory devel-

opment, because it is possible to determine what participants actually say and do in circumstances that really matter to them. The validity of research may be improved through triangulation. Action research provides an opportunity to search for triangulation between (i) observation of events, (ii) the accounts of events, and (iii) the changes in these accounts and the interpretation of events as time passes (Eden and Huxham 1996). The conducted action research offered a good opportunity for triangulation due the diverse sources of data available for the researcher.

The quality of action research should not be judged by the criteria of positivist science, but rather by its own criteria. According to Coughlan and Coughlan (2002), the suitable questions are as follows:

- How well does the action research reflect the cooperation between the action researcher and the members of the organisation?
- Is the action project governed by constant and iterative reflection as part of the process of organisational change?
- Does action research include a plurality of knowing?
- Does action research engage in significant work?
- Does sustainable change come out of the project?

As I participated closely and actively in the companies' outsourcing process and was involved in the discussions, it can be said that there was intensive interaction between the researcher and the managers. The managers faced a real challenge in set up a working partnership and they were willing to discuss this with me. This intensive interaction resulted in more extensive academic knowledge, as well as a partnership model used by the companies. The academic knowledge increased with insights gained during the interaction. The development of the partnership model benefited from academic knowledge. Thus, we can say that the research process fulfils the criteria of high-quality action research.

### 5.2.2 The validity of survey

The third phase of this dissertation focused on extrapolation of the findings obtained from earlier phases. Thus, the objective of this survey was to find whether the findings could be generalised to some extent beyond the specific case studies. It was found that the results of the survey conducted as the third research phase are representative in the FM field and may be applied even to other business services to some extent, particularly to support services which are operational by nature. Thus the survey supports the generalisability of the findings from this dissertation. In survey research, a study is valid if an instrument actually measures what it claims to measure. This was tested and improved in collaboration with industry experts. In survey methods, validity is focused on methods; an example is the validity of rating scales in a survey. In this survey, the scale was determined together with researchers and the industry experts. The researcher defined

the academic objective while the industry experts told what had been used in earlier studies and hence the scale that the respondents were familiar with.

The most essential weaknesses of our survey relates to the data capturing method. It did not allow us to analyse the potential differences between the early, late and non-respondents.

The generalisability of the results was reduced for four reasons. The first reason is that the study was only carried out in a single country. Thus, differences between different markets could not be observed. The second limitation is related to the sample. Even though the response rate was exceptionally (total 66%) high, one should also pay attention to the possible effects of non-response. On the other hand, although the sample covers the Finnish FM service market extensively, it is still quite small from the statistical point of view. Furthermore, the study sample may be somewhat skewed towards companies with proactive facilities management. The third reason is that the data were gathered only from the buyer side of the dyadic relationship. It has been noted in the literature that the emphasis on each control mechanism differs between suppliers and buyers (cf. Leek et al. 2004). However, this was not seen as a serious deficiency as the survey was created on the basis of previous knowledge, which was gained from dyadic studies. Finally, FM relationships (in Finland) are often buyer-dominated. As a consequence, further research should involve the use of the same questionnaire in different business environments. In addition, to be able to make stronger claims to support the supposition that particular governance mechanisms result in partnership success, one should conduct an extensive test that includes the mechanisms' effect on the partnerships' performance (cf. Cannon et al. 2000).

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## **APPENDICES**

### **Appendix A: The interview questions of the pilot study**

The interview themes of the pilot study presented in paper I.

Theme 1) How are your services organised?

Theme 2) How do you communicate about different services with the client (e.g. building owner)? What are the issues and how frequently?

Theme 3) How do you communicate about different services with the end-user organisation (e.g. management and staff)? What are the issues and how frequently?

Theme 4) How do you communicate about different services with the other service providers (e.g. cleaning, maintenance, catering etc.)? What are the issues and how frequently?

Theme 5) How would you improve the overall cooperation in the network?

### **Appendix B: The interview questions of the case study**

The interview questions of the pilot study presented in papers III and IV.

#### **Background**

Why you entered into the partnership between three partners?

What expectations or objectives you had initially? What were the possibilities you saw?

Has these objectives changed during the process? How? What elements has caused the change?

Was there some critical phases? Which ones? Why?

#### **Characteristics**

Did the characteristics affected to the formation of relationship? How?

What resources you have put into this partnership?

How would you describe the intended relationship? Does it meet the outcome?

How this partnership differs from other relationships?

#### **Challenges**

What type of challenges you faced during the partnership process?

What were the issues that were hard to agree? why?

How these challenges were solved? What kind of solutions were found?

Is there still some issues that you perceive as challenges?

What issues you rate as important in order to formation of collaboration?

### Perceived risks

What kind of risks you perceived initially? Did they were consequences on used partnership model?

Have these perceived risks changed? What issues have caused the change?

Have you prepared to perceived risks? How have you prepared?

Have you evaluated the amount or possibility of those risks? How?

What is your risk preference or tolerated risk level? Does this vary compared to your other relationships?

### Management

How do you get everyone involved to understand the partnership and work as intended?

How can the partnership be managed? What mechanisms you have?

What are the differences between management mechanisms?

What mechanisms you intended to build into the partnership? Are those come true?

In which time point the trust formed? How has the trust been built?

### Productization

Is the used partnership model usable in other situations?

What would you do differently?

Is it possible to generalise the partnership model? What would be the advantage of it?

How would you describe the partnership process?

## **Appendix C: The survey questionnaire of the survey study**

The survey questions of the survey study presented in paper VI.

### **Background information**

I am a representative of a:

- user or user-owner company
- real estate investor
- property management company.

### **Procurement of real estate services**

We have a general procurement policy, which describes the goals and practices of purchasing. (yes/no)

We have a written (version of) sourcing strategy, which defines the guidelines for the purchasing of real estate services. (yes/no)

We have reduced the number of our real estate service providers in the last five years. (yes/no)

We have reduced the number of personnel who are responsible for purchasing of real estate services and management of relationship with real estate service providers in the last five years. (yes/no)

We have chosen preferred service providers from whom we buy real estate services. (yes/no)

– If your answer was yes, how many preferred service providers do you have?

\_\_\_\_\_

We have outsourced functions related to real estate services during the last five years. (yes/no)

– If your answer was yes, what functions have you outsourced?

\_\_\_\_\_

We have grouped real estate service purchases into larger units. (yes/no/we purchase real estate services nowadays in smaller entities)

– If your answer was yes, has it happened by entrusting more sites to one service provider? (yes/no)

– If your answer was yes, do you purchase services regionally or nationwide?

\_\_\_\_\_

Have you entrusted multiple services to one service provider?

– If your answer was yes, has it happened on the level of a single site or on the level of multiple sites? \_\_\_\_\_

During the recent years, have the periods of agreement of the contracts with real estate service providers become longer. (yes/no)

Nowadays we purchase real estate services more often from certain service providers. (yes/no)

We have established close partnering relations with some real estate service providers. (yes/no) (If the answer is no, the questionnaire “ends”)

What have been your motives to move towards the partnering approach? (Select the two most important factors.)

- to reduce and trim our service provider base
- to improve service quality
- to save on costs
- to reduce the amount of work related to competitive bidding
- to increase development activity of real estate services
- none of above.

In which situations does the partnering approach seem to be necessary? (Select the two most important factors.)

- wide service packet with high purchasing volume needed
- tailored and complex service packet needed
- service needed is strategically important
- service requires us to share sensitive information with the service provider

- there are only a few alternative service providers in the market
- resources of own organisation needed for the purchasing of real estate services are scarce
- none of above.

We have analysed the risks related to partnering relations. (yes/no)

### **Management of partnering relations**

Respondents are asked to rate the importance of every factor on a 5-point scale (strongly agree/disagree) and after that to choose the most important factor of the group.

#### **Co-operation**

Partners have shared visions and values.

Partners have mutually-agreed upon goals for relationship.

The accomplishment of the goals is monitored and goals are updated if required.

Partners have a joint action plan.

There are well-defined command structures and authority systems between partners.

Both partners participate in and put effort into relationship development activities.

Flexibility of partners and willingness to make relationship-specific investments.

#### **Economical aspects**

Open books -approach to costs and pricing.

Both partners agree to take risks.

Benefits are shared proportionally with respect to the investments of the various parties.

Benefits are shared in some other way.

Service provider has the possibility to gain a larger profit by developing its own operations.

#### **Service quality**

No variations in service quality between sites and regions.

Service provider takes care of problems related to its subcontractors.

The amount of force-account work is minimised.

Service provider reacts immediately to service failures and complaints.

Service provider replaces its employee with another immediately, if service failures caused by the employee appear.

Service provider takes care of advising new service employees.

Service employees have the technical know-how and skills, needed to provide service.

Service employees are able to provide customer service.

Positive feedback from end-users.

#### **Interaction**

Joint problem solving.

Good interpersonal relations.

Partners have defined what kind of information is shared, how often, and who is responsible for collecting the data.

Deviations and needs for change are reported immediately.

Partners have defined the content and frequency of different type of meetings and defined which organizational levels take part in these meetings.

There are meetings between the top management of the companies to set mutual strategic long-term goals and to try to discover the potential synergies between the operations of the service provider and the client.

There are meetings between the managerial levels of companies to develop the operations related to the relationship.

There are operational level meetings to adopt new courses of action and to solve practical problems related to service providing.

Consolidation of data systems related to e.g. property data and customer feedback channels.

Problems related to partnering relations: \_\_\_\_\_ (written, free form)



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