**Management and Production Engineering Review**
Volume 7 • Number 2 • June 2016 • pp. 50–61
DOI: 10.1515/mper-2016-0017

DE GRUYTER OPEN

mper

# A CUSTOMER'S POSSIBILITIES TO INCREASE THE PERFORMANCE OF A SERVICE PROVIDER BY ADDING VALUE AND DEEPENING THE PARTNERSHIP IN FACILITY MANAGEMENT SERVICE

Elina Sillanpää[1], Juha-Matti Junnonen[1], Ilkka Sillanpää[2], Arto Saari[1]

[1] *Department of Civil Engineering, Tampere University of Technology, Finland*
[2] *Department of Management, University of Vaasa, Finland*

***Corresponding author:***
*Elina Sillanpää*
*Tampere University of Technology*
*Department of Civil Engineering*
*P.O. Box 600, 33101 Tampere, Finland*
*phone: (+358) 44 55 777 87*
*e-mail: sillanpaa.elina@gmail.com*

Received: 27 January 2016
Accepted: 17 May 2016

Abstract
Reliable and good suppliers are an important competitive advantage for a customer and that is why the development of suppliers, improvement of performance and enhancement of customership are also in the interest of the customer. The purpose of this study is to clarify a customer's possibilities to increase the performance of a service provider and to develop the service process in FM services and thus help to improve partnership development. This research is a qualitative research. The research complements the existing generic model of supplier development towards partnership development by customer and clarifies the special features that facility management services bring to this model. The data has been gathered from interviews of customers and service providers in the facility management service sector. The result is a model of customers' possibilities to develop the performance of service providers from the viewpoint of value addition and relationship development and in that way ensure added value to the customer and the development of a long-term relationship. The results can be beneficial to customers when they develop the cooperation between the customer and the service provider toward being more strategic and more partnership focused.

Keywords
relationship development, service development, facility management, performance increase, value addition.

## Introduction

Partnership is understood as a bidirectional relation that brings benefit to both parties and that both parties are committed to develop and maintain in a long-lasting way [1]. The target of a partnership is to create a long-lasting customership instead of producing single transactions [2]. A long-lasting partnership and its development is emphasized especially in the service business, because the consumption of a service is part of the service process and not the output of the process, as it is with products [3].

The customer often has the possibility to require improvements in the supplier's performance only when they are in a partnership [4–7]. A partnership helps companies to minimize transaction costs, survive in an unsure market, decrease the dependence on uncontrolled resources, reposition the company successfully in a dynamic market, share fixed costs, improve companies' core business, acquire access to complementary competence and increase the entry speed to market [8, 9]. Relationship development increases performance and productivity [10]. In the service business, to increase productivity, both

the productivity of the service provider and the productivity of the customer must be considered [11, 12].

Suppliers have an important meaning to customer business and the customer's direct involvement in the development of supplier performance is a key feature in improving and developing quality [13]. In the service business, quality is estimated by how much value the service brings to the customer. That is why the service process as a whole must be studied, instead of sub-processes, and focused on to decrease costs without reducing value production to customers [14].

In relations that are based on a partnership, cost savings are expected in the long run and most companies have gained good results of partnerships [15]. Companies that focus on long customerships are more productive than companies that focus on single transactions [16]. Partnerships and their development help a service provider to produce value for customers with services [14], decrease prices and increase the level of service and add new technology, innovations and methods [17].

There are a lot of challenges related to partnerships and that is why they are not a savior in every situation. A partnership is only justified when better results are gained with it than without it. It is expensive to establish a partnership because it requires much communication, co-ordination and distribution of risks [18]. Still, the costs that partnership requires are expected to come back with the development of service production [19] and satisfied customers [20].

It is often perceived that the service provider is responsible for the development of service production even though several researches (e.g. [21, 22]) emphasize the significant role of the customer as the builder of trust and the developer of the partnership. Facility Management [FM] services are operational support services for several organizations, where the acquiring criteria for services are the same as with products: cheaper prices are often experienced as more attractive acquiring criteria than total quality. This often causes the service to be experienced to be of poor quality and the search of a new service provider starts [2].

Jylhä and Junnila [20] have found six factors as to why the level of partnership is low in FM services. These factors are: sub-processes are optimized instead of the entire process being optimized, prices are minimized instead of costs, the process does not respond to customer values, employees are constantly overloaded, there is an inability to make improvements, and information is poorly managed [14].

In price-based business relationships, quality is related to price and results and the whole process behind the defects is not seen. Changing the service provider is a low-risk but painful process from the viewpoint of the buyer. In addition, the buyer often has a dominant role and can get advantages more easily in negotiations in price-based business relationships. Thus, a long-lasting and trust-based partnership cannot be created and, at the same time, the advantages that the partnership would bring will be lost [2].

Clarifying the role of the customer in the development of the service process helps the customer to see the whole process that affects the service production. Moreover, it helps to see developing the service process as an alternative to changing the service provider in a situation where the service relations are not working. In this study, the model of supplier development towards partnership development by the customer is completed with the features of FM services. When both parties, especially the customer, understand their role in the development of the service process, it will help in creating long-lasting partnerships.

## Research methodology

This study is a qualitative study of a customer's possibilities to support a service provider with the development of service process performance and the development of partnership. The purpose of this study is to clarify a customer's possibilities to increase the performance of a service provider and to develop the service process in facility management [FM] services and thus help to improve partnership development. This study complements the generic model of supplier development as also its impact on performance and the customer – supplier relationship has been studied. Through the model, the customer can develop the performance of the service provider in FM services and thus improve the possibilities of the service provider to increase value creation to the customer. The research problem can be given with the next research question:

What are the customer's possibilities to increase the performance of the service provider by adding value to the customer and deepening the partnership?

The generic supplier development model utilized in this study was developed in the manufacturing industry. This model has been completed in the context of FM services. The research strategy of this study is a case study. Case study research aims at understanding the internal dynamic of an individual case [23]. With the help of the case study research it

is possible to explain complex social events, like organizational processes and problems of an industry. In addition, the case study is one of the most widely used methods in industrial economics [24].

Research design is the logic that links the data to be collected and conclusions. After a relevant research problem was found, the first research process was literature research of the research theme and FM services. The empirical data of this study was obtained from the FM service sector. The data collection consisted of two rounds of interviews. The first round of interviews was conducted within five customer relationships. Five service providers and five customers were interviewed to obtain the viewpoints of both the supply and the demand perspectives. The interviews were divided into three themes: the development of the life cycle of the customership, the engagement of the customership, and the development of the whole of the procurement in its entirety.

The second round of interviews focused on the present performance of the service process and improving it. The interviews were held with four customers and four service providers to get the aspects of both parties. The development was discussed from the viewpoint of information flow development between the service provider and the customer. The themes of the second round of the interviews were divided into three parts: the present situation, the development needs of the service process, and the challenges related to the development.

To get a wide perspective of the researched theme, the service providers were chosen from different companies with different packages of services. The interviews were conducted separately with the service provider and the customer but they focused on the particular relationship between them. The service providers came from the largest FM service provider companies in Finland.

All of the interviews were taped and documented during the interview. The analysis of the interviews consisted of three steps: the identification of the broad themes, the further development of the broad themes, and finding similarities between different interviews. There were two interviewers in each interview to increase the reliability of the analysis.

## Presentation of the Generic model

The Supplier development framework was created in past research to enable supplier development to relationship development lead by buying firm [10]. The target of the framework is to develop a supplier relationship into a partnership relationship from the viewpoint of the buying firm. The research environment of the framework is in the manufacturing industry and thus the framework does not include the special characteristics of FM services. The developed framework was created based intensively on a literature review. The buying firm should develop suppliers systematically, so that the supplier's performance would increased as well as both parties being able to gain competitive advantage from this partnership [10].

The supplier development to relationship development framework consists of four approaches: supplier assessments, competitive pressure, supplier incentives and direct involvement. The first approach, supplier assessment, remains close to the traditional purchase function, where suppliers are evaluated based on selected criteria. When moving closer to the direct involvement approach, the relationship grows closer and deeper and gets new characteristics.

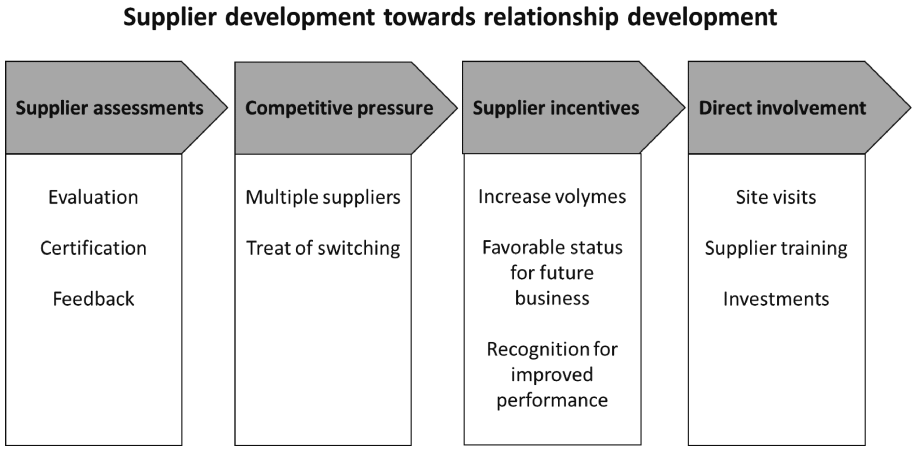


Fig. 1. Supplier development framework to develop suppliers towards relationship development [10].

### Supplier assessments

The assessments and certified systems of suppliers guarantee supplier performance and in that way motivate suppliers to develop their performance and competitive advantage continuously [25]. The assessments and certified systems support the expectations of the buying firm related to the present and expected performance of the supplier and ensure that the supplier's performance and the expectations of the buying firm will meet. Assessments and certified systems are important tools in communications and motivate suppliers to develop their performance. The assessments and certified systems assess suppliers and are one of the main enablers for suppliers to develop their operations and the relationship of the buying firm and the supplier [10].

Supplier assessments are not just an important tool for the buying firm to measure and compare suppliers' performance, but they also make it possible to clarify future expectations [25]. Supplier assessment tools assess, for example, management, quality, technical capabilities, costs, and supply capacity [26, 27]. It is very important to give feedback to the suppliers to ensure that development activities are done. The feedback from supplier assessments compares the buying firm's expectations and the supplier's performance. The given feedback states the present performance and encourages suppliers to perform better [25].

### Competitive pressure

Competition motivates suppliers to develop their performance and quality. Companies have multiple suppliers to keep up competitive pressure between the suppliers. Industry rivalry, like the bargaining power of suppliers, the threat of substitutes, the bargaining power of buyers, and the threat of new entrants, keeps competition ongoing [28]. Using multiple suppliers helps the buying firm to classify the competence and performance of the supplier and to develop a long-term relationship with selected suppliers. When the buying firm is able to motivate suppliers to keep quality, cooperation and other performance on a high level, the suppliers are able to have a higher volume and increase volumes [29]. The production costs do not often increase at the same ratio as volume increases. Thus, production costs can be split between several departments and, in that way, unit cost will decrease. Buying firms seek volume benefits when selecting suppliers and making volume allocations [25].

The threat of customers changing suppliers or losing business to other suppliers motivates suppliers to keep and develop their performance on a high level, develop quality and maximize value creation for customers. Buying firms usually have multiple suppliers, but they focus on developing a partnership with selected suppliers. Buying firms should analyze the change risks and costs of suppliers if suppliers should be changed [10].

### Supplier incentives

Buying firms can provide incentives to motivate suppliers to develop their performance, capacity and cooperation. The incentives could be, for example, to share achieved savings or other benefits, volume increases and future planning jointly [30, 31]. Supplier incentives are a key motivator when improving supplier performance and building long-lasting partnerships. Incentives are important in order for suppliers to be motivated to develop their performance and buying firms to really be interested in following up on the performance and competence of suppliers. If there are no supplier incentives available, suppliers are not motivated to develop long-term partnerships and development activities [10].

Supplier incentives increase customer willingness to monitor the satisfaction of suppliers and improve the possibilities to respond to customer demands [32]. The assessments and incentives of the supplier have an indirect effect on suppliers' performance [25]. Supplier incentives, like increasing volume, are positive recognition for the supplier and motivate suppliers to develop delivery performance and to achieve requirements set by buying firms [33]. The buying firm can offer incentives to motivate suppliers to develop their performance and capabilities, which include achieved cost savings sharing, increased volumes consideration, future aspects for business, and recognizing them through awards [30, 34]. Incentives play a vital role in developing the motivation and interest of suppliers towards their capabilities and competence, including awards, cost savings, consideration for increased volumes [35].

### Direct involvement

Direct involvement means that the buying firm cooperates with the supplier through a joint development program [30, 36]. There are several supplier development activities in direct involvement approaches, like investments in the supplier's production equipment, investing in joint ventures [10], site visits, training and educational programs, technical assistance, and investments with the supplier [33].

The target of direct involvement approaches is to improve supplier performance, to develop the partnership of the buying firm and the supplier, to secure a good market position [33], and to strengthen

the performance improvement of the supplier and the buying firm [10, 37–40]. Site visits enable suppliers to concentrate on the requested quality of the buying firm and to develop the development processes [33].

Direct involvement requires special attention, because it is an investment from the buying firm [41, 42]. In the long run, direct involvement activities aim to decrease the buying firm's transaction costs and uncertainty towards delivery. The investments used for direct involvement include a risk to the buying firm because the investments can be moved back to the buying firm, and it cannot get the benefits that the direct involvement brings if the contractual relationship between the supplier and the buying firm is terminated. Companies use proactive methods through direct involvement and ensure their existence by making capital and equipment investments, acquiring supplier firm operations partially, and by investing human and organizational resources to develop supplier performance and competence [43].

## Service business as a research environment

### The special features of services

The special features of services change the generic supplier development model presented above. Two features that differentiate a service from a product are immateriality and the connection to the customer [3]. In addition, services are heterogeneous, transient, and produced and consumed at the same time. Immateriality can be seen as the central feature of services, because the other features are a result from it [44].

A service is an action, a function or a performance where something immaterial is offered to a customer, that is produced and consumed at the same time and that brings added value to the customer. The service occasion is immaterial, but the service production can be connected to something concretely material [45]. Grönroos [46] determines a service as follows:

*Service is a process that consists of a set of activities which take place in interactions between a customer and people, goods and other physical resources, systems and/or infrastructures representing the service provider and possibly involving other customers, which aims at assisting the customer's everyday practices [46].*

To understand service management, it is necessary to understand that service consumption is more consumption of the process than consumption of the output. The customer experiences the service process as a part of the consumption because the customer does not experience consuming only the output of the process as is often thought with physical products [3].

The participation of the customer in the service process can be studied by comparing the service process and the production process of industrial products. In the production process, the material flow goes from the supplier to the customer and the money and feedback flow goes from the customer to the supplier. In the service business, the customer does not only receive the product but the customer is a part of the service process by bringing input into it. The input by the customer brings added value to the service process and thus the customer gets value from the service process [47].

The customer is a part of the service process and thus a co-producer of resources and processes with the service provider [48]. Because customers are part of the service process they actively affect the quality and productivity of services [49–51] and, at the same time, the service provider participates in the value creation together with the customer [48].

The service process is a chain or chains of parallel and sequential activities that must function if the service is to be produced. The activities can be done in both the customers' and the partners' premises and that is why it is difficult for the service provider to get full control of each part of the service process [52].

The service process is typically shorter than the manufacturing process because the basic phases of the service process, the order request, the service process, and giving the input, can occur at the same time. In services, the service provider does not often pay for the input that the customer brings to the service process, because the customer will get that input back increased with the added value in the result of the service process. In the production process, the material brought to the process is paid for [47].

### Value creation in the service process

In business, interaction means that two or more parties are in contact with each other. Through interaction, the parties have the possibility to actively get to known and participate in each other's activities and thus affect the processes of each other. During the interaction, the service provider can actively and directly affect the experiences of customers and also value creation [48].

According to the service logic, value creation is related to the customer's environment and value is created during the time when customers use the existing resources [48]. According to the service log-

ic, the customer is always the value creator [53] but the service provider supports the value creating process of the customer with resources and interactive processes like products, service actions, and information [48, 54].

The service provider is fundamentally the service enabler and produces the services available to the customer. The customer creates value by using the existing resources. Still, the service provider has the possibility to get in the value creation process of the customer in the moment of interaction with the customer and in that way create value together with the customer and give direct support to the value creation of the customer. According to the service logic, customers create value by themselves; the service provider cannot create value alone but can be one party of the value creation [48, 54].

The target of the service provider is to engage the customer by creating value to them and through that create value to the service provider company. The value creation process to the customer is a vague process, because it is created individually and the same product or service can create different values, such as physical and mental value, to the users [48]. The interaction and the value creation process can occur through development, planning, production or delivery. This makes it possible to engage the service provider in the value creation process of the customer [48]. Value co-creation creates value both to the customer and the service provider [55].

### The productivity of the services

Productivity is defined as the ratio of a producer's output to input. This producer-oriented definition works well in a manufacturing contexts because the output in such contexts can be measured relatively unambiguously in terms of units produced in a manufacturing facility. The traditional producer-oriented view of productivity for the service domain is questionable because most services are "performances" that are typically produced and consumed simultaneously through interactions between producers and customers [11].

A productivity model based on traditional manufacturing may guide managers in the wrong direction in services [56]. In services, higher productivity for the service provider could lead to lower productivity for the customer, because the customer experiences and perceives poorer services and lower value [12]. In manufacturing, production outputs, products, are produced in a factory and without much additional customer contact [56].

The major thing in the productivity of services is to understand the relationship between operational and customer productivity [12]. Productivity from the customer's perspective – defined as the ratio of the service output experienced by a customer to the inputs provided by that customer as a participant in service production – suffers when managers in service companies blindly follow productivity improvement methods conventionally used in manufacturing contexts [11].

The relationship between operational productivity and customer productivity and satisfaction is not always positively or negatively related. In some circumstances, increases in operational productivity can reduce customer productivity and satisfaction, and in other circumstances it can increase customer productivity and satisfaction [12]. The two perspectives need not to be considered independently – improvement in one type of productivity will likely be accompanied by deterioration in the other [11].

## The special features that FM services bring to the model

### The estimation of services

In facility management [FM] services, the customer is always a part of the value creation and that makes service estimation difficult compared to products. Service quality is an essential part of service estimation [57]. Customers experience the service in different ways because several factors affect it: technical and functional quality, image of the corporation, and factors outside of the corporation, such as communication and marketing [46]. In service actions, the customer and the FM service provider are in interaction with each other and that has a big effect when the customer creates an opinion of the service quality [58].

FM services are intangible and they are created when the customer uses them and that is why the service provider cannot promise what kind of a service the customer will get [44]. People create the service and there are no two services alike [44] and that is why the customer cannot estimate the quality of the service in advance, which increases the risk of the customer [59]. Because of the intangibility, the service cannot be stored, saved, sold forward or returned. This creates challenges, for example, in managing demand, mass production and centralized production and makes it difficult to use the advantages of these in services [60].

FM services have to be created based on the real estate, because every real estate is different. This highlights the importance of long-lasting cooperation. Another feature typical for FM services is that

they are repeated and seasonal. Planning and winter tasks are examples of seasonal tasks and work based on devices is an example of repeated tasks [61].

**Increase volumes**

It is impossible to store services, and thus it is difficult to get the advantage of volume increase in the service business. Based on the interviews, in FM services volumes are often standard and small. That is why using several service providers in one service is often not sensible for the customer and also increasing volumes is not necessary. In FM services, the customer orders primary services and can increase the volume of the service provider by ordering secondary services that support the primary services. In addition, the customer can increase volumes by ordering bigger service packages and whole services. Ordering services only from one service provider makes it difficult to change the service provider.

**Incentives and decrease of costs**

Decreasing the costs related to service production may often have a positive effect only within the service provider. This often results in actions and incentives that support the wrong actions [62], such as actions that decrease costs but also decrease the satisfaction of the customer. That is why when developing the incentives, the starting point should be to maximize the value creation of the customer and to optimize the whole process instead of sub-processes.

**Direct involvement and development**

Constant development actions are motors to effectively increase value creation in FM services [20]. FM services can be separated from other services because they are produced on the property of the customer and thus the service provider has a lot of interaction with the end users [19, 63].

The service is produced and consumed at the same time and that makes tailored services based on hopes and needs of the customer possible [60]. From the viewpoint of the customer, FM services are mostly productions that occur on customer premises and that is why the contact area of the customer and the service provider is wide [61].

The value that is created in the interaction has the biggest effect on the development of the relationship and brings benefits to both parties more certainly. That is why the knowledge of the customer and the willingness to take part in the service process are critical in making productive and high quality services [51]. The value created in interaction makes it possible to decrease or delete extra costs, improve quality, and increase speed and flexibility. Learning capabilities in customerships have a very strong and positive effect on productivity [64].

## The results

Three themes were found that have to be emphasized to enable service provider development to relationship development:

*[1] Focus on maximizing the value addition and productivity of the service provider and the customer.* All companies want to maximize profitability. In manufacturing companies, this is gained by maximizing inner productivity, whereas in service companies what must be maximized is the productivity of the customer in addition to the production of the service provider, because in some circumstances maximizing only the productivity of the service provider decreases the value to the customer, they obtain poorer services and the number of orders decreases. In that case the productivity and profitability of the service provider decrease. The same also happens in the opposite case: when only maximizing the productivity of the customer, the productivity and profitability of the service provider decreases in some circumstances and the service provider is not allowed to do profitable business. Based on the interviews, the key point is to find out the services that create value to the customer and in that way estimate the balance between the productivity of the service provider and the customer. Considering value addition, it creates profit to the service provider and value to the customer.

*[2] The problematic related to service estimation.* Based on the interviews, there are often unrealistic expectations related to FM services and thus it is crucial that the customer and service provider communicate about the customer expectations about the added value that the service process brings and the limitations related to the services. The customer can easily build up expectations about the services because they know what the condition of the service object is before the service process and how much added value the service process brings to it.

Interviewing the customers and service providers showed that customers do not often know the quality requirements of the contract of the service provider when they estimate the service provider and the services. In such a case, the expectations of the customer and the obtained services do not meet and the quality of the service is experienced to be weak even though the service provider has produced the services based on the quality requirements in the contract. When

the service provider is evaluated, it is essential to find out what the service that has been ordered from the service provider is and compare this to the services that have been obtained.

*[3] Develop the relationship together and continually.* The customer is a part of the service process and automatically participates in it and knows a lot about it. That is why the knowledge and development ideas of the customer should be exploited when developing the efficiency of the service provider. Based on the interviews, it is noticed that it is crucial that the development is made from the value addition viewpoint and that the effects of the development are estimated for the entire service process thus ensuring that the whole service process is developed. Because the service is created in the interaction of the customer and the service provider, the processes of the customer, service provider and others who participate in the service process must be developed as a whole, not separately. Through the interviews it is seen that the development of services is mostly made at the beginning or at the end of the relationship or contract period. Based on the interviews of the customer side, development made continually and together is essential to gain a long-term relationship.

When searching for the changes that FM services bring to the generic model, the model showed in Fig. 2 is found. The model emphasizes maximizing the value addition and productivity for both parties, the problematic related to service estimation, and developing the relationship together and continually. And that is why the stage 1 of the original generic model, "Supplier assessment", has been changed to "Comparing the expectations of the customer and the outcome of the supplier" and stage 4 "Direct involvement" to "Mutual development of operations". The circular shape of the model emphasizes that continual development of both parties is needed to gain the advantages of cooperation.

FM services include several kinds of services, such as maintenance of building technology, cleaning, reception services, and maintenance of outdoor areas. FM services differ from one another, for example, in how much the personnel of the service provider is in contact with the personnel of the customer and how much the customer's actions affect the service outcome. Below, there is an example of how the result of this article can be used practically in FM services.

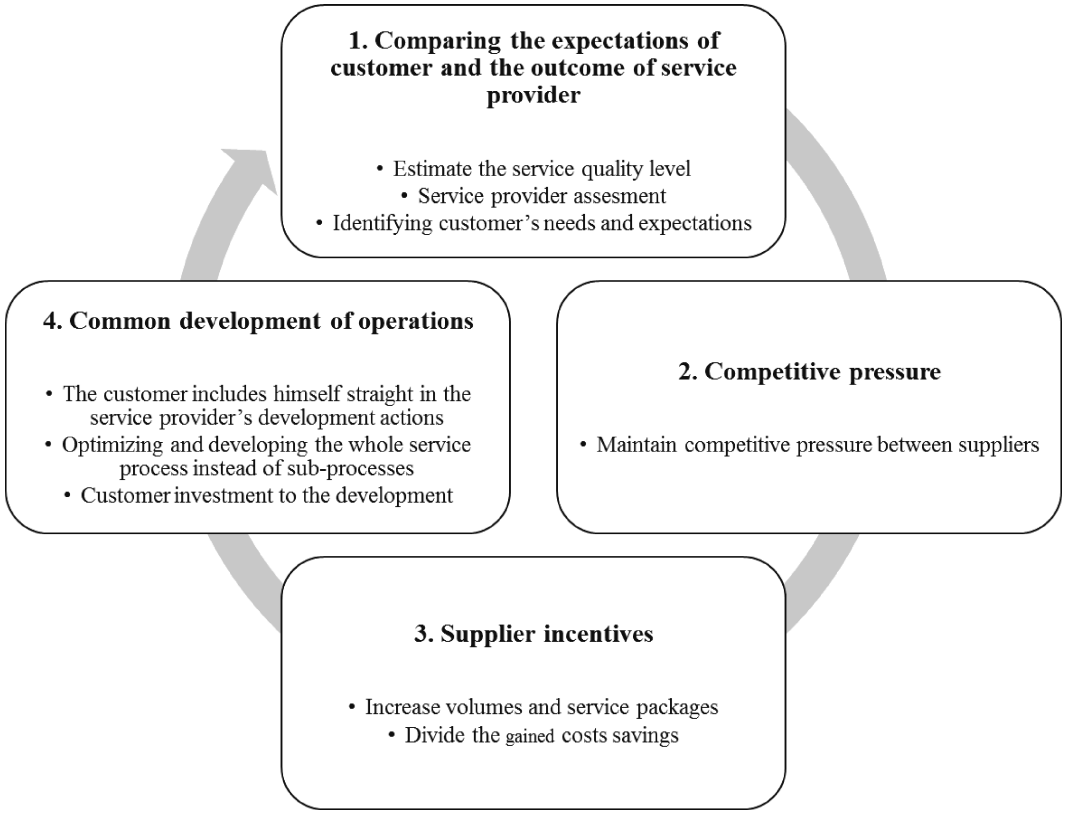


Fig. 2. Relationship development framework in service sector.

**Maintenance services for building technology**

The customer has ordered three maintenance companies to change the filters of ventilation units in twelve properties two times a year [Stage 2 Competitive pressure]. The first maintenance company performs the changes on time, properly and does the acknowledgement that is needed. The second maintenance company signs the tasks as done, but later on it is revealed that all filters have not been changed and an old filter has been left in the engine room. The third maintenance company does the changes on time, properly and does the acknowledgement that is needed. In addition, the service person reports the defects that he observes, such as the broken belt in the heat recovery, and offers to fix them [Stage 1 Comparing the customer expectations and the supplier assessments].

It follows that the first company gets the same number of properties in the next year, but the customer urges them to improve actions and observe defects. The problems with the second company are told to them and their properties decrease to one. In addition, they are told what the service outcome should be so that they would have the prerequisites to continue the cooperation. The third maintenance company gets three more properties and the volume increases to the maintenance inspections of the ventilation unit once a year and the service work related to the ventilation unit when necessary [Stage 3 Supplier incentives].

In the next year, the costs of the third company increase because of the large number of kilometers driven and the increase of material prices. The customer wants an explanation for it. The problem from the side of the maintenance company is that the materials are not directly obtained and the tasks have to be ready quickly. Development is done together and the solution is that the customer arranges a space in the property for material storage and invests in typical materials in the storage. The consequence of that is that the costs fall [Stage 4 Operations' mutual development].

When contemplating this example and the results, it is noticed that it is not enough to fulfill the order of the customer, but the service provider has to find out the expectations of the customer and fulfill them. This is typical in services: often the customer does not know what he needs and expects, and the service provider who finds it out can get competitive advantages. Like it is seen in the example, competitive pressure helps service providers to develop their actions and customers to compare the different service providers. Incentives motivate the service provider to do good work and develop their operations and the customer gets good services.

## Discussion

The purpose of cooperation is to produce benefits to the customer and the service provider and that is why both parties have engaged in developing and maintaining the relationship in a long-lasting way. The development of the service provider improves the customer's performance and competitive activities and thus it is also in the interest of the customer. Understanding customer demand and providing services for customer satisfaction in highly competitive facility management [FM] services can establish long-term partnerships.

In this study, the generic model of supplier development towards relationship development is supplemented by bringing the features of the special characteristics of FM services into it. In this study three key elements are found that should be taken into account when the model is adapted to FM services:

- focus on maximizing the value addition and productivity of the service provider and the customer,
- the problematic related to service estimation, and
- developing the relationship together and continually.

As a result, four stages are found in how the customer can improve the performance of the service provider from the viewpoint of value addition and relationship development:

- comparing the expectations of the customer and the outcome of the service provider,
- creating competitive pressure,
- incentives of the service provider, and
- mutual development of operations.

The model highlights the significance of efficient information management and communications processes. Developing the relationship also requires monitoring and relevant ways of measuring progress. In addition, we conclude that the potential benefits of relationship development should be well understood in both the service provider's and the customer's organizations.

## Managerial implications

The generic model that was completed with the special characteristics of services was developed in the context of manufacturing. Today, a growing number of product manufacturers are moving towards a service business mode [56]. This supports the usefulness of the result model that includes the features of services. It is often perceived that the service

provider is responsible for the development of service production even though several studies [21, 65] emphasize the significant role of the customer as the builder of trust and developer of partnership. Hence studies related to service process development lead by the customer are scarce, but they are increasing today when the role of services in businesses is growing. This study creates new knowledge of service development from the customer's side by developing a framework of service provider development towards relationship development. It also complements previous studies of the service sector.

The results helps to develop the customer-supplier relationship from transaction based towards partnership based relationship. Both customers and service providers can utilize the results and in addition, researchers can use the results in their study and also develop the framework forward.

The general opinion is that the service provider has the main responsibility of the development. This study and the results help customers to notice that they are one part of the service supply chain and they can affect how the relationship and services develop. In addition, the results help the customer to find out ways to improve them actions in developing relationship and services.

From the service provider view this study and the results encourage them to take customer as a part of the developing processes. Moreover, the results gives knowledge and tools to increase the customer participation in developing the partnership and services.

## Generalization

In case study research the challenges are data collection methods, results generalizations and reliability of the results [24]. The data of this study was gathered from FM services. FM services have the main special characteristics of services and the result can be implemented in other services as well. The interviewed customers operate in Finland's market. The customers were from the largest Finnish service provider companies, including a globally operating company, and the service providers produce different FM services and service packages, which is seen to increase the reliability and generalizability of the findings [24]. Both customers and service providers were interviewed to get both aspects on the topic. There were two interviewers in each interview, which increases the construct validity of the research [24]. In addition, the research process is well documented, which is seen to make the analysis and research reliable [24]. The number of interviewees was decided beforehand, and there was no need to increase the number during the research because the answers of the interviewees began to repeat themselves.

## Future research

There are many possibilities to continue and develop this study forward. One point of view would be to extend empirical research to the different service segments for example B2C services or to different services more deeply like technical services, information services, public services etc.

*This paper emerges from the research project FIMECC S4Fleet. The financial support of the Finnish Funding Agency for Technology and Innovation is gratefully acknowledged.*

*The project is supported by OTKA [K 115542].*

## References

[1] Ellram L.M., *Partnering Pitfalls and Success Factors*, International Journal of Purchasing and Materials Management, 31, 1, 35–44, 1995.

[2] Lehtonen T., *Partnering relations – Justification and success factors from facilities management services perspective*, Helsinki University of Technology, A Research Reports 7, Doctoral dissertation, TKK-RTA-7, 2006.

[3] Grönroos C., *The perceived service quality concept – a mistake?*, Managing Service Quality, 11, 3, 150–152, 2001 06/01; 2015/03.

[4] Peters T.J., Waterman R., *In search of excellence*, New York: Harper & Row, 3, 1, 212–217, 1982.

[5] Parker C., *Performance measurement*, Work Study, 49, 2, 63–66, 2000.

[6] Plowman B.,*Activity based management Elektroninen aineisto: improving processes and profitability*, Aldershot, Hants, England: Gower, 2001.

[7] Petersen K.J., Handfield R.B., Ragatz G.L., *Supplier integration into new product development: Coordinating product, process and supply chain design*, J. Oper. Manage., 23, 3–4, 371–388, 2005.

[8] Ireland R.D., Hitt M.A., Vaidyanath D., *Alliance Management as a Source of Competitive Advantage*, Journal of Management, 01; 28, 3, 413–446, June 2002.

[9] Nooteboom B., Berger H., Noorderhaven N.G., *Effects of Trust and Governance on Relational Risk*, Academy of Management Journal, 01; 40, 2, 308–338, April 1997.

[10] Sillanpää I., Shahzad K., Sillanpää E., *Supplier development and buyer-supplier relationship strategies – a literature review*, International Journal of Procurement Management, 8, 1/2, 227–250, 2015.

[11] Parasuraman A., *Service productivity, quality and innovation – Implications for service-design practice and research*, International Journal of Quality and Service Sciences, 2, 3, 277–286, 2010.

[12] Johnston R., Jones P., *Service productivity Towards understanding the relationship between operational and customer productivity*, International Journal of Productivity and Performance Management, 53, 3, 201–213, 2004.

[13] Krause D.R., *The antecedents of buying firms' efforts to improve suppliers*, J. Oper. Manage., 1; 17, 2, 205–224, 1999.

[14] Jylhä T., Junnila S., *The state of value creation in the real-estate sector – lessons from lean thinking*, Property Management, 32, 1, 28–47, 2014.

[15] Arnold U., *New dimensions of outsourcing: a combination of transaction cost economics and the core competencies concept*, European Journal of Purchasing & Supply Management, 6, 23–29, 2000.

[16] Kalwani M.U,. Narayandas N.. *Long-Term Manufacturer-Supplier Relationships: Do They Pay Off for Supplier Firms?*, Journal of Marketing, 59, 1–16, 1995.

[17] Meneghetti A., Chinese D., *Perspectives on facilities management for industrial districts*, Facilities, 10/01, 2002; 20, 10, 337–348, 03/2015.

[18] Lambert D.M., Knemeyer A.M., Gardner J.T., *Supply Chain Partnerships: Model validation and implementation*, Journal of Business Logistics, 25, 2, 21–42, 2004.

[19] Lehtonen T., Salonen A., *An empirical investigation of procurement trends and partnership management in FM services-A Finnish survey*, International Journal of Strategic Property Management 10, 2, 65–78, 2006.

[20] Jylhä T., Junnila S., *Partnership practices and their impact on value creation – reflections from lean management*, International Journal of Strategic Property Management, 18, 1, 56–65, 2014.

[21] Krause D.R., Ragatz G.L., Hughley S., *Supplier development from the minority supplier's perspective*, Journal of Supply Chain Management, 35, 4, 33–41, 1999.

[22] Krause D.R., Handfield R.B., Tyler B.B., *The relationships between supplier development, commitment, social capital accumulation and performance improvement*, J. Oper. Manage., 25, 2, 528–545, 2007.

[23] Eisenhardt K.M., *Agency Theory – an Assessment and Review*, Acad. Manage. Rev., 14, 1, 57–74, Jan 1989.

[24] Yin R.K., *Case study research: design and methods*, 4th ed. Thousand Oaks [Calif.], Sage Publications, 2009.

[25] Krause D.R., Scannell T.V., Calantone R.J., *A structural analysis of the effectiveness of buying firms' strategies to improve supplier performance*, Decis Sci., 31, 1, 33–54, 2000.

[26] Giunipero L.C., *Motivating and monitoring JIT supplier performance*, Journal of Purchasing and Materials Management, 26, 3, 19–24, 1990.

[27] Hahn C.K., Watts C.A., Kim K.Y., *The supplier development program: A conceptual model*, Journal of Purchasing and Materials Management, 26, 2, 2–7, 1990.

[28] Porter M.E., *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, New York: The Free Press, 1980.

[29] Tezuka H., *Success as the source of failure? Competition and cooperation in the Japanese economy*, Sloan Manage. Rev., 38, 2, 83–93, 1997.

[30] Monczka R.M., Trent R.J., Callahan T.J., *Supply base strategies to maximize supplier performance*, International Journal of Physical Distribution and Logistics Management, 23, 4, 42–54, 1993.

[31] Krause D.R., Handfield R.B., Scannell T.V., *An empirical investigation of supplier development: reactive and strategic processes*, J. Oper. Manage., 12; 17, 1, 39–58, 1998.

[32] Ghijsen P.W.T., Semeijn J., Ernstson S., *Supplier satisfaction and commitment: The role of influence strategies and supplier development*, J. Purch. Supply Manage., 16, 1, 17–26. 2010.

[33] Modi S.B., Mabert V.A., *Supplier development: Improving supplier performance through knowledge transfer*, J. Oper. Manage., 25, 1, 42–64, 2007.

[34] Krause D.R., Handfield R.B., Scannell T.V., *An empirical investigation of supplier development: Reactive and strategic processes*, J. Oper. Manage., 17, 1, 39–58. 1998.

[35] Krause D.R., Handfield R.B., Scannell T.V,. *An empirical investigation of supplier development: Reactive and strategic processes*, J. Oper. Manage., 17, 1, 39–58, 1998.

[36] Galt J.D.A., Dale B.G., *Supplier development: A British case study*, International Journal of Purchasing and Materials Management, 27, 1, 16–22, 1991.

[37] Humphreys P.K., Li W.L., Chan L.Y., *The impact of supplier development on buyer-supplier performance*, Omega, 32, 2, 131–143, 2004.

[38] Krause D.R., Ellram L.M., *Success factors in supplier development*, International Journal of Physical

Distribution and Logistics Management, 27, 1, 39–52, 1997.

[39] Krause D.R., *Supplier development: Current practices and outcomes*, International Journal of Purchasing and Materials Management, 33, 2, 12–19, 1997.

[40] Sánchez-Rodríguez C., *Effect of strategic purchasing on supplier development and performance: A structural model*, J. Bus. Ind. Mark., 24, 3–4, 161–172, 2009.

[41] Williamson O.E., *The Economics of Organization: The Transaction Cost Approach*, American Journal of Sociology, 87, 3, 548–577, 1981.

[42] Williamson O.E., *The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting*, London: Macmillan, 1985.

[43] Krause D.R., Scannell T.V., Calantone R.J., *A structural analysis of the effectiveness of buying firms' strategies to improve supplier performance*, Decis Sci., 31, 1, 33–54, 2000.

[44] Zeithaml V.A., Parasuraman A., Berry L.L., *Problems and strategies in services marketing*, The Journal of Marketing, 33–46, 1985.

[45] Lovelock C.H., Vandermerwe S., Lewis B. [Eds.], *Services Marketing a European Perspective*, Prentice Hall Europe, 1999.

[46] Grönroos C., *Service logic revisited: who creates value? And who co-creates?*, European Business Review, 20, 4, 298–314, 2000.

[47] Sampson S.E., *Customer-supplier duality and bidirectional supply chains in service organizations*, Int. J. of Service Industry Mgmt., 10/01, 2000; 11, 4, 348–364, 03/2015.

[48] Grönroos C., Ravald A., *Service as business logic: implications for value creation and marketing*, Journal of Service Management, 22, 1, 5–22, 2011.

[49] Dyer J.H., Hatch N.W., *Relation-specific capabilities and barriers to knowledge transfers: creating advantage through network relationships*, Strategic Manage. J., 27, 8, 701–719, 2006.

[50] Grönroos C., *The relationship marketing process: communication, interaction, dialogue, value*, Journal of Business & Industrial Marketing, 19, 2, 99–113, 2004.

[51] Gummesson E., *Productivity, quality and relationship marketing in service operations*, Int. J. Contemp. Hospitality Mngt., 02/01, 1998; 10, 1, 4–15, 03/2015.

[52] Edvardsson B., Olsson J., *Key concepts for new service development*, Service Industries Journal, 16, 2, 140–164, 1996.

[53] Vargo S.L., Lusch R.F., *Evolving to a new dominant logic for marketing*, J. Market., 68, 1, 1–17, 2004.

[54] Grönroos C., *Service management and marketing: customer management in service competition*, John Wiley & Sons, 2007.

[55] Gupta S., Lehmann D.R., *Managing customers as investments: the strategic value of customers in the long run*, Wharton School Publishing Upper Saddle River, NJ, 2005.

[56] Grönroos C., Ojasalo K., *Service productivity as mutual learning*, International Journal of Quality and Service Sciences, 7, 2/3, 296–311, 2015.

[57] Parasuraman A., Zeithaml V.A., Berry L.L., *Servqual*, J. Retail, 64, 1, 12–40, 1988.

[58] Kasper H., Van Helsdingen P., de Vries Jr W., *Services marketing management: An international perspective*, Wiley, 1999.

[59] Murray K.B., Schlacter J.L., *The impact of services versus goods on consumers' assessment of perceived risk and variability*, Journal of the Academy of Marketing Science, 18, 1, 51–65, 1990.

[60] Zeithaml V.A., Berry L.L., Parasuraman A., *The behavioral consequences of service quality*, Journal of Marketing, 60, 31–36, 1996.

[61] Nikander R., Heimbürger M., Junnonen J., Puhto J., *Kiinteistöpalvelujen teknisen laadun arviointi*, Helsinki University of Technology, 2007.

[62] Gustafsson A., Brax S., Witell L., Grönroos C., Helle P., *Adopting a service logic in manufacturing: Conceptual foundation and metrics for mutual value creation*, Journal of Service Management, 21, 5, 564–590, 2010.

[63] *Facilities management as a special case of business service management. Facility management and service concepts* – International research seminar on real estate management 29th to 30th March, 2001.

[64] Selnes O.A., *Invited commentary*, Ann Thorac. Surg., 9, 76, 3, 770, 2003.

[65] Krause D.R., Handfield R.B., Tyler B.B., it The relationships between supplier development, commitment, social capital accumulation and performance improvement, J. Oper. Manage., 25, 2, 528–545, 2007.