Facing a dilemma when procuring consultancy services in the public sector

A qualitative study of how public organizations learn

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Abstract
Organizations in the public sector face a dilemma when procuring consultancy services, due to the adaptation of the Public Procurement Act. The thesis aims to understand how organizations learn to improve their process of procuring. The research context for this study is the Swedish public sector. The research design is an abductive qualitative research. 15 semi-structured interviews have been conducted with individuals responsible for procurements in the public sector.

In this study, innovative organizations using new evaluation methods have been investigated. Differences have been found between these organizations despite the similarity of being innovative and the evaluation methods used. In this thesis, three groups have been identified in which the interview objects have been placed. One group is seen as only using the gained experience to a limited extent while another group has gained experience within a specific task. The organizations in the last group identified is seen as having a broad experience and has come further in the learning process resulting in integrating the experience more, as well as transferring the gained knowledge into the organization.

Furthermore, five categories have been identified: *experience, multilevel organizations, procurement development, relationship,* and *the role of the consultants.* A relationship between the theory of the different themes and the three groups has been found. For instance, it has been found that the more experience an organization has, the more developed its procurement is. Relationship has further been found to be an important factor in the determination of success of the procurement and collaboration in the consultant projects, and something that has been incorporated in all categories mentioned above.

Key words: public sector, management consulting, client-consultant relationship, procurement maturity, organizational learning.

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1. Introduction

In Sweden, the public sector constitutes a large part of the Swedish economy, approximately 30 percent, and is responsible for many important civic functions (McKinsey, 2012). Furthermore, public procurements consist of around 600 billion SEK each year (Konkurrensverket, 2014). For management consultants, the public sector is an important client sector and constitute for 14 % of their clients (FEACO, 2012). According to a report by FEACO, management consulting consisted of 0.9 % of the GDP in Sweden 2011. The total turnover of Swedish management consultant firms in 2011 was 3500 million euro (FEACO, 2012). The consultancy firm McKinsey alludes to the importance of the collaboration between public sector and management consultancy firms when working together in their Swedish Report 2012. According to McKinsey (2012), the public sector has the potential to become better. They point out the importance of increasing the productivity in the form of cost effectiveness and quality in this sector.

1.1. Background

Organizations in the public sector have to follow the Public Procurement Act, PPA when procuring. The act prescribes that the organizations have to announce their need in public where they define what they are going to buy and how they will select the supplier in advance. To select a supplier, the supplier has to leave a tender; otherwise, it cannot be selected. The act aims to minimize risks as organizations in the public sector procure at expensive costs, discriminate suppliers and engage in corruption. Furthermore, it aims to increase transparency and equality. This result in organizations that are not allowed to select suppliers based on established relationships (Lindberg and Furusten, 2005). This increases the complexity of procuring management consultancy services in the public sector due to the characteristics of the management consultancy services.

According to Björn Axelsson, professor at Stockholm School of Economics (personal interview, 2015-03-11) the difficulty with buying consultancy services lies in tacit knowledge. A large part of consultants' knowledge is hard to express due to experiences and are thereby not explicit. Therefore, the buyer usually rests on trust when choosing a consultant (Armbrüster, 2006). This can be done by a client-consultant relationship, which generally is the nature of the management consultancy work (Werr and Styhre, 2003, Werr and Pemer, 2007). Furthermore, relationships are used due to the intangibility of consultancy service (Clark, 1995 and Edvardsson, 1990). It is the intangibility of the service that makes it difficult for buyers to know in advance what they will get, as well as evaluate the consultant's competence (Glückler and Armbrüster, 2003).

Furthermore, Axelsson (2015-03-11) mentioned that clients don't always know what they want help with and therefore they hire consultants to solve their problems. In this way, it can be difficult to define what skills the consultant needs to have. This increases the complexity of procuring consultancy services in the public sector where they have to define their need explicitly in advance. Furthermore, some consultants are skeptical about offering their service to the public sector; this is because they want to be involved in the whole process. For example, they want to define the underlying problem the public organization is facing, as well as deliver the solution. Sometimes this is not how it’s done in the public sector, where the public organizations often have defined the problem and are seeking a consultant who can deliver the solution. Another reason for consultants being skeptical is that they have put a lot of time to come up with a solution without knowing if they will be selected. Therefore, some consultants don’t think they can offer the best service because they are not convinced about the underlying problem or are doing a lot of work to get to the solution without knowing if they will be selected (Lindberg and Furusten, 2005).

As mentioned above, the evaluation criteria for selecting suppliers in the public sector need to be predetermined. Irrelevant factors are not taken into consideration in order to maintain objectivity (Lindberg and Furusten, 2005). This illustrates the dilemma of finding normally subjective management consultants in an objective way.

Both the public and the private sector are facing the difficulty with capturing the consultant’s knowledge. One way to handle this dilemma in the private sector involves a buyer turning directly to the supplier whenever the organization needs consultation. The consultant who gets the job is often already a well-established business contact before the projects begins, due to previous engagements (Lindberg and Furusten, 2005). Since it is not allowed for organizations in the public sector to turn directly to a preferable supplier, they have found new ways to capture consultants’ tacit knowledge and qualities. By using subjective qualitative evaluation methods as fictitious cases and quality, the public sector increases the understanding of how the potential consultant will handle and think in some situations (Pemer, 2014). In this way, they will not solely select consultants based on the lowest price. The use of these upcoming methods is one way to capture consultants’ tacit knowledge and the use has recently increased in the public sector. As indicated, the public sector has changed and one quote from an interview in this study illustrates this:

> “15 years ago, the public procurement looked very different. It was only about adapting to the PPA, however now it is more focus on the supply chain, category management and to drive and operate the business.” (David, Organization D)

As mentioned, procuring consultancy services, especially management consultancy services, can be seen as a quite complex and problematic situation for organizations in the public sector. Therefore, organizations need to learn and gain experience from each other to adapt and handle this complexity (Sisaye et al., 2012).

More research on investigating how consultants’ competences are translated into selection criteria and methods used for evaluating consultants’ competence have to be done (Sporrong, 2011). In this thesis, we attempt to research this by performing an explorative qualitative study where we investigate how organizations in the public sector learn to improve the process of finding qualitative consultants when competence is important. This will be investigated in the legal framework PPA.

1.2. Aim and research question

There is a call for more investigation into how the public sector translates the consultant competence into selection criteria, as well as methods for evaluating competence (Sporrong, 2011). This study aims to investigate contracting agents in the public sector in order to understand how these organizations learn to improve the process of finding qualitative consultants. In this study, qualitative consultants are seen as consultants of high quality who are able to solve complex problems organizations are facing. In this way the consultant's competence will be significant. Furthermore, since the investigation will be based on qualitative consultants, a focus will be on organizations using quality aspects and fictitious cases as evaluation methods of consultants. This will be done by investigating procurements of management consultancy services which can be seen as complex and qualitative. Since the study aims to investigate which organizations learn to improve the procurement process, the focus of the theoretical framework will therefore be organizational learning.

The research question of the thesis is the following:

How are organizations in the public sector learning to improve their process of procuring qualitative consultancy services?

This research question will be addressed by a qualitative investigation of contracting agents in the public sector using quality aspects and fictitious cases as evaluation methods for consultants. Furthermore, it will be addressed by a theoretical framework of organizational learning, procurements, relationships and roles of consultants.

1.3. Delimitations

This study is delimited to solely investigate the Swedish market and contracting agents which are subjects to the Public Procurement Act, PPA. The investigations are delimited to management consultants as an illuminating example for theoretical sampling. These cases are selected since they are suitable for extending logic and relationships among constructs (Eisenhardt and Graebner, 2007). For this type of consultancy the competence is important, but difficult to define, and therefore suitable for the research question. In this study we only investigate procurements from 2009 onward due to a change in the law in 2008 (Konkurrensverket, 2008). Furthermore, the evaluation methods used in the procurements were either quality aspects or fictitious cases. These methods have been used to capture management consultant's competence, and were therefore selected.

1.4. Clarifications and definitions

The Swedish public procurement act is called LOU, *Lagen om offentlig upphandling*. In this study the English definition will be used, the PPA, the Public Procurement Act. The public sector is compromised of all organizations which are subjects to the public procurement act. This implies they have to write and advertise their technical specifications in public, and define their need and how they will evaluate the suppliers in advance.

In the investigation the theoretical framework of organizational learning will be used to investigate if learning is important to organizations that use fictitious cases and quality to select suppliers. In this study, organizational learning is defined by Argote and Miron-Spektor's (2011) definition: "the change in the organization that occurs as the organization acquired experience". Moreover, experience is measured by a combination of three measurements with equal weight: (1) the amount of years with PPA and procurements, (2) the amount of procurements done, (3) whether the person interviewed had experience from the private sector or not.

Furthermore, procurements in the public sector will be investigated where the studied organizations are procuring management consultants. This will be studied in the form of development and a combination of the type of service and relationship. In this study the term *procurement* will be used to the greatest extent, except in the theory section where the term *purchase* is used. No weight will be placed on the differences of the terms. Since relationship is a common characteristic of management consultants, some theory of this relationship will be presented, as well as some roles consultants can take.

1.5. Structure of the paper

The remaining paper will be structured in the following:

In chapter 2, a literature review will be presented. To investigate the research question, we draw on the literature of organizational learning where the concepts of experience and multilevel organizational learning are presented. This chapter also presents literature about procurements, relationships between clients and consultants, and ends with consultant roles. In the next chapter, the methodology of the thesis is explained. In chapter 4, findings and analysis, the analysis of the findings and the theory will be presented. Thereafter, the discussion is presented. Finally, the conclusion, limitations, as well as future research and managerial implications can be found in chapter six.

2 Theory

In this section, the theory used for this thesis is discussed. It starts with the organizational learning theory. The organizational learning in this thesis is divided into two areas; experience and multilevel organizational learning (Argote and Miron-Spektor, 2011; Crossan et al., 1999). The more experience an organization has, the more it will learn. Furthermore, when the organization gains experience, more levels in the organization will learn (Argote and Miron-Spektor, 2011). This theory is used to help answer the research question focused on how organizations learn and gain new knowledge. It further gives an understanding of how organizations can be organized and how the new knowledge created is shared within the organization.

Moreover, theories in purchasing maturity theory will be presented since we investigated procurements in the public sector. Purchasing maturity is relevant for this thesis to understand the different development stages an organization can be in. The theory illustrates how purchasing develops over time as the organizations acquires more experience (van Weele, 2010) and what kind of relationship an organization should have with its suppliers depending on the type of service (Mäkelin and Vepsäläinen, 1989; Apte and Vepsäläinen 1993). Relationships are normally important in the management consultancy business and therefore, one theory about relationships and the purchasing process is presented. The theory section ends with some roles consultants can take on in the relationship (Schein, 1999). The relationship an organization should have with its suppliers, and the roles the consultant should have, are important factors when discussing a successful collaboration of a project in general, as well as when discussing how an organization can learn to deal with this issue in the future. Furthermore, relationship issues are especially interesting when discussing and studying the public sector, due to the PPA, where the organizations are unable to choose a supplier on the basis of a prior relationship. The subsequent result is that the organizations in the public sector must deal with the importance of relationship in a different way compared to the private sector that may choose freely.

2.1 Organizational learning

Organizational learning is the theory about how organizations learn and can be completed through knowledge, mental models, and adaptation of new technologies and shared experience (Sisaye et al., 2012). Sisaye et al. (2012) states that organizational learning refers to the study of how an organization responds and adapts to a changing and new environment. In the organizational learning theory one can find both recent and old theories because the subject matter has been studied for a long time and is still very relevant. One reason to explain this could be that organizational learning has been viewed as a source of competitive advantage that helps organizations respond to its changing environment and adapt to it, which can improve the organizations performance (Sisaye et al., 2012). Sisaye et al. (2012) is a relatively recent theory, which is relevant for this thesis because it gives an introduction to the topic, organizational learning, as a whole. This thesis will focus on two areas within organizational learning, which are: experience and multilevel organizational learning.

2.1.1 Experience and introduction to organizational learning

Organizational learning has many different definitions, and one common way to define organizational learning is “the change in the organization that occurs as the organization acquired experience*”* (Argote and Miron-Spektor, 2011). According to Taylor and Greve (2006), learning begins with experience and can be acquired via members or tasks.

Argote and Miron-Spektor (2011) introduce a framework for analyzing organizational learning, including three sub processes; creating, retaining and transferring knowledge. It aims to represent an ongoing cycle since organizational learning is a procedure occurring over time. Organizational learning occurs in a context that includes the organization such as its structure, strategy, incentives, and its environment; such as competitors, clients and relationships with other organizations (Glynn et al., 1994).

Knowledge creation “occurs when a unit generates knowledge that is new to it” (Argote and Miron-Spektor, 2011). Depending on the framing of the theory, experience can both enhance and limit creative thinking. Some authors state that experience can widen and increase new combination of knowledge and potential new paths (Amabile 1997; Rietzschel et al.; 2007; Shane 2000) and by that, performance increases with experience (Dutton and Thomas, 1984). On the other hand, authors argues that experience limits creative thinking due to the use of the ‘rule of thumb’ when solving a problem and familiar strategies (Audia and Goncalo 2007; Benner and Tushman 2003) which can lead organizations to draw inappropriate conclusions (Zollo and Reuer, 2010). It can therefore be seen that different direction within this theory exists, and that differing authors have come up with conflicting results.

The next level of sub processes mentioned above is *knowledge retention*, which examines what the organization remembers or forgets. Research explores if “knowledge acquired through organizational learning persists through time or whether it decays or depreciates” (Argote and Miron-Spektor, 2011). It has been found that knowledge decreases over time (Argote et al. 1990; Darr et al. 1995; Benkard 2000; Thompson 2007) but how much differs between different organizations.

The last sub process is *knowledge transfer*, and is more about how the organization learns and transfers the knowledge (Argote and Ingram, 2000). Theory states that organizations learn directly from their own experience as well as indirectly from others (Levitt and March, 1988). Furthermore, organizations learn via its members, as the individual members serve as knowledge repositories for organizations (Walsh and Ungson, 1991). One way to transfer knowledge in organizations is to move members from one division to another (Kane et al., 2005). Knowledge can also be embedded in tools; therefore another way to transfer knowledge is to move the tools from one unit to another (Argote and Ingram, 2000). Darr et al. (1995) further states that: “Task sequences or routines can also be knowledge repositories and serve as knowledge transfer mechanisms”.

Situations where the individuals feel psychologically safe (Edmondson, 1999) or trust each other (Levin and Cross, 2004) can promote organizational learning. For groups and organizations to learn, the individual learning is necessary, however, not sufficient. (Argote and Miron-Spektor, 2011). The knowledge the individuals acquire should be embedded in the organization so others can access it for learning to occur.

2.1.2 Multilevel organizational learning

There is a tension between learning new things and using what have already been learnt, called exploration and exploitation respectively. Both exploration and exploitation are important for organizations; however the resources are scarce between them. Exploration relates to 'forward looking', while exploitation relates to 'backward looking', and how institutionalized learning affects individuals and groups (March, 1991). This is used in this study to investigate whether a difference in organizations in the public sector balances these two views, or whether one is in focus.

Organizational learning is multilevel, including three levels; *individual, group,* and *organization,* which defines the structure of how organizational learning takes place (Crossan et al., 1999). The three levels identified are associated by psychological and social processes, known as the 4I: *intuiting, interpreting, integrating and institutionalizing*. The relationship between the levels and processes identified above is explained by Crossan et al. (1999:525):

> "The three learning levels define the structure through which organizational learning takes place. The processes form the glue that binds the structure together… Intuiting and interpreting occur at the individual level, interpreting and integrating occur at the group level, and integrating and institutionalizing occur at the organizational level."

In Figure 1 (below), the relationship between the levels and processes is illustrated.

Figure 1: Learning/Renewal in organizations: Four processes through three levels

Level	Process	Input/outcome
Individual Group Organizations	Intuiting	Experiences, images, metaphors
	Interpreting	Language, cognitive map, conversation/dialogue
	Integrating	Shared understandings, mutual adjustments, interactive systems
	Institutionalizing	Routines, diagnostic systems, rules and procedures

Mary M. Crossan et al. (1999) presents a "4I framework", where the first step is *intuiting*, including experiences. The second step in the framework is *interpreting* and is focused on explaining an insight. Individuals start to develop cognitive maps and their individual learning process begins in this step. The third step is *integrating* which occurs when the interpreting process moves from the individual to the workgroup; the process of developing shared understanding among individuals. A good visual illustration of this is one given from Isaacs (1993:25):

> "A flock of birds suddenly taking flight from a tree reveals the potential coordination of dialogue: this movement all at once, a wholeness and listening together that permits individual differences but is still highly interconnected."

The last step in the 4I framework is *institutionalizing* which involves the whole organization. Individuals may come and go, however for the organization to learn knowledge must be embedded in the organizations routines, system, strategies and structure. It takes time to convey the knowledge from individuals to groups and from groups to organizations. Furthermore, the surroundings changes resulting in a potential gap between what the organizations must do and what has been learned. As this gap grows, the organization must rely on the individual initiative and learning (Crossan et al., 1999).

An addition to Crossan et al.'s (1999) three levels of organizational learning is Miner and Mezias (1996) framework, where they have a fourth level; populations of organizations. On this level, organizations share experiences with each other, develop technological standards and get effects of varied copying rules. This level has generative learning as the key learning process. This means an active and creative discovery process.

2.1.3 Summary of organizational learning

Organizational learning is about something that is changing. Sisaye et al. (2012) explains organizational learning as a way to respond and adapt to the changing environment. Argote and Miron-Spektor (2011) on the other hand, explain it from a different perspective. However it is still about something that is changing. In Argote and Miron-Spektor's (2011) case they explain organizational learning as "the change that occurs as new experience is acquired". Therefore Sisaye et al. (2012) explain it via the change in the organizations environment and how organizations adapt to it, while Argote and Miron-Spektor (2011) instead discuss it as the change in the organization.

Argote and Miron-Spektor (2011) introduce a framework of how to analyze organizational learning where three processes are given. The first process described is knowledge creation, which can be related to Crossan et al. (1999) first level, individual. This is due to the creation of knowledge done by the individual and not by the organization as a whole. Argote's and Miron-Spektor's (2011) last process on the other hand can be related to Crossan et al.'s (1999) last level, the organization; the knowledge the individual acquires should be embedded in the organization so others can access it for learning to occur.

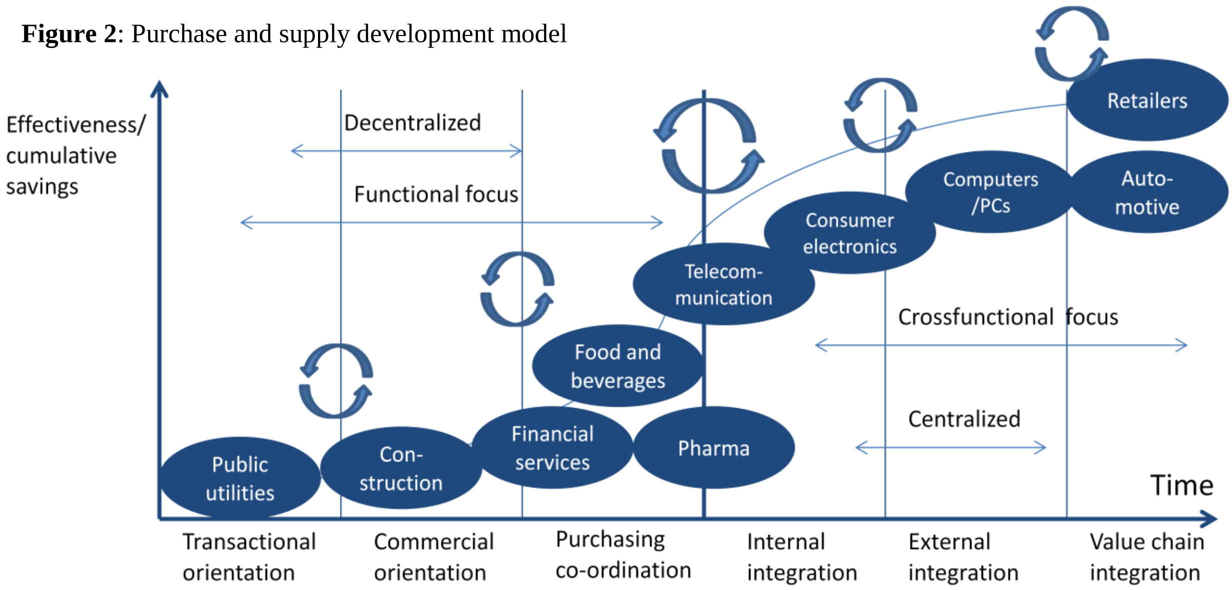
2.2 Procurement

2.2.1 How purchasing and supply management develops over time

Purchasing is part of organizations operations. Nowadays, purchase and supply management are considered more important than before (Chen et al., 2004). The importance and the development of purchasing and supply management differ between organizations and industries (van Weele, 2010). Van Weele (2010) explains the development is stage-wise and characterized by having an integrated final stage. In the final stage, the purchasing has a higher organizational status and is seen as having a strategic impact. Furthermore, organizations go from being reactive to proactive, and see purchase as something relational. In other words, they start to build relationships with suppliers. By developing the purchase and supply management, van Weele (2010) says supplier relationships become more common and organizations start to reduce the number of suppliers in order to have closer relationships. This stage-wise development has also been seen by Keough (1993), where the industry a firm operates within, and the development of purchasing, has a direct causal correlation.

Van Weele (2010:69) has developed a purchasing and supply development model, which is illustrated in Figure 2.

Figure 2: Purchase and supply development model

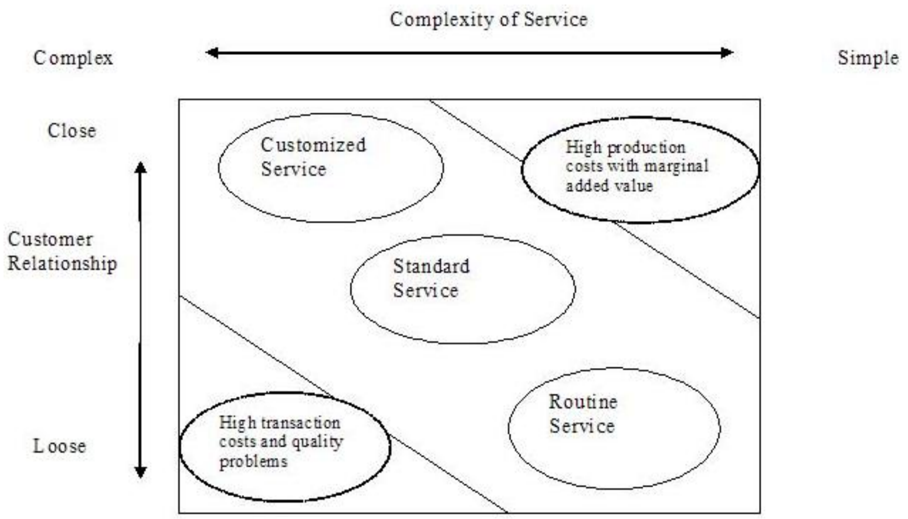


This model consists of six stages where the effectiveness of the organization increases over time. In the first stage, purchasing is transaction orientated, which moves to become commercial oriented, and then to co-ordinate orientation. After this stage, it develops to internal integration before external integration and finally integrates the whole value chain. This model indicates a development of professionalism within a company when it comes to purchasing and supply. In the development, the organization will go from having decentralized purchasing to more centralized purchasing. It will also move their focus from functional to cross-functional. The model illustrates industries with a low development as public utilities and construction, where retailers and the automotive industry are seen as having high developed purchasing and supply (van Weele, 2010). Furthermore, this model is developed to the private sector, but in this thesis it will be applied to the public sector. In this way, the relationships between the buyer and supplier will be viewed from what is allowed due to the PPA.

2.2.1 Different service – different relationship

The above model illustrates that when procuring is highly developed, companies usually have closer relations to their suppliers. Mäkelin and Vepsäläinen (1989), and Apte and Vepsäläinen (1993) have developed a matrix. This matrix is developed for services, compared to van Weele's model which is for both goods and services. The service matrix explains which relationship between the service provider and the buyer is most suitable for a specific service. This matrix is illustrated in Figure 3. The dimensions in the matrix are a complexity of service and customer relationship. There are three different types of services in the matrix; customized, standard and routine. For customized services, the complexity is high and a close relationship is favorable. It is the opposite for routine services with simple service, and therefore a loose customer relationship. For standard services, the complexity is neither complex nor simple and the relationship can be both close and loose. The service investigated in this thesis, management consultancy service, can be seen as a customized service in the matrix since the public sector has to specify what they need, as well as management consultancy are customized to some extent.

Figure 3: Service matrix (found in Hedlinger et al., 2005)



2.3 Client and consultant relationships

As mentioned in the introduction, the problems of finding qualitative consultants lie in the tacit knowledge. This knowledge is hard to find and hard to evaluate for the buyer. Therefore, relationships are common to capture this knowledge.

2.3.1 Purchasing process and personal relationships

Relationships can serve as risk reducing when it comes to services. Services, and especially professional services, are hard to evaluate objectively due to the intangibility, for example, and thereby being a high-risk purchase for organizations. This risk can be reduced by reliance on personal judgments as an ability to objectively evaluate the service and its quality (Lian and Liang, 2007). Lian and Liang (2007) found customization and relationship-specific investments to be critical to create a long-term relationship.

The purchasing process contributes to successful purchases for organizations (Lian and Liang, 2007). Javalgi et al. (1995) mentioned personal relationships as a key influence on the purchasing process. Wilson (1999) pointed out the importance of personal influence as well, but also mentioned the influence of the environment that the organizations operate within. To understand the dynamics of relationships, the purchasing process has to be critically examined. Halinen Kaila (1997) and O'Malley and Harris (1999) found relationships to have an increasingly critical role for services and especially professional services. Lian and Liang (2007) point out when procuring professional services, investments are in human capital rather than physical capital, which illustrate the importance of people for this type of service. Furthermore, personal relationships can increase service satisfaction even though the technical performance is sometimes lower than the standard level (Ennew and Ahmed, 1999).

When it comes to client consultant relationships, Dibben and Hogg (1998) found that a flexible relationship as a result of social interactions increases the possibility for the client to hire the consultant regardless of the consultant's specific competence. Therefore, the competence will not be that important when hiring a consultant if a good relationship is present. The most significant predictor of client satisfaction is personal relationships according to Wackman et al. (1986). Lian and Liang (2007) found that individuals are more important than the organizations they work for, which furthermore illustrates the importance of personal relationships.

2.4 Roles of the consultants

There is a vast literature about client and consultant relationship and what kind of role the consultants are expected to have. Tilles (1961) was one of the first authors who discussed the roles of consultants suggested three classifications of consultant's roles; seller of service, supplier of information and business doctor dispensing. Furthermore a more recent study of theorizing the client-consultant relationship is done by Mohe and Seidl (2011), who have explored a new perspective based on existing theory. In this thesis the focus will be on Schein's (1999) theory about different roles, where the consultant can play three different roles when they help a client. Schein's (1999) different roles were seen as a relevant and are a common used theory, which is the reason why it is used in this study.

Schein's (1999) theory of consultant's roles is from the consultant's perspective. Therefore, this theory puts the consultants in focus and what they need to know, what attitudes they need to have, and what skills need to be developed in order to have or create an effective helping relationship. Schein (1999) suggests that how things are done between people is more important than what is done, therefore this theory emphasizes on the process and presents three different models, which are described below.

2.4.1 Model 1 - The expert model

The expert model is also known as the “purchasing of information model” or “selling and telling”. This model implies that the client buys an expert service or information from the consultant. In this case, the manager of the organization who needs help knows what kind of service or information they are looking for. In the expert model, the consultant has the role of an expert. Thereby, the consultant provides the information (Schein, 1999).

Schein states some criteria for this model to work, which are, for instance, that the manager of the organization who needs help has diagnosed the need correctly. This is important since the expert model assumes that the manager of the organization who needs help knows what the organization need or what the problem is. Furthermore, the organization in need must think of the consequences of implementing possible changes that may be suggested, and the possible consequences of having a consultant who gather information (Schein, 1999).

2.4.2 Model 2 - The doctor-patient model

In this case, the consultant is brought into the organization to analyze the situation and find out what is wrong and find a solution to it, resulting in more power to the consultant. As the name of this model implies, the consultant and the organization in need have a relationship similar to a doctor-patient relationship, one where the doctor examines the patient and suggest a cure for whatever is wrong (Schein, 1999).

The criteria for this model to work are if the organization in need has identified which individual, group or department needs help accurately. The client or patient needs to be motivated to give correct and relevant information to the consultant. Furthermore, the client needs to believe and accept the diagnosis and recommended changes suggested to them. Further consequences of the recommendations must be understood and accepted in the organization. Lastly, the client or organizations that have received the help need to be able to make the recommended changes (Schein, 1999).

2.4.3 Model 3 - The process consultation model

The manager or organization in need is not assumed to know what they need or what is wrong in the process consultation model. In other words, the organization wants to improve its business but does not know how. The best tool to give organizations that need help in the process consultation model is the skills of how to diagnose and constructively intervene. If this is not done, the organizations are less likely to learn how to act in a similar situation that may occur in the future (Schein, 1999).

2.5 Summary of theories

The aim of the thesis research question is how organizations learn and improve their procurement of consultancy services. To answer the research question, organizational learning theory has been used as the main theory to investigate the issue of how organizations learn (Sisaye et al., 2012). Due to organization learning being the main theory used in this thesis, two parts of that theory is used; experience (Argote and

Miron-Spektor, 2011) and multilevel (Crossan et al., 1999). Furthermore, the research question has been limited to how to improve the procurement. This has resulted in the sub theories; procurement maturity and development (van Weele, 2010). Moreover, the research question and this study are limited to consultancy services, which motivate the last sub theories used; relationship and roles of consultants (Mäkelin and Vepsäläinen, 1989; Apte and Vepsäläinen 1993; Lian and Liang, 2007; Schein, 1999). This is due to relationship being vital when discussing consultancy services, and the success of it.

3 Method

This section aims to illustrate the methodology used for this study. The chosen methodology attempts to logically fit with the research question in the study, and thereby get a high trustworthiness (Sandberg, 2005).

3.1 Methodological fit

Throughout this study, we want to answer the research question of this thesis: *How are organizations in the public sector learning to improve their process of procuring qualitative consultancy services?* We want to get an understanding of this relatively new subject of using quality and fictitious cases as evaluation methods when procuring consultancy services in the public sector. To investigate the research gap we have adopted an abductive method for this explorative qualitative study. An abductive method implies successive development of the empiric scope, as well as adjustments and refines in theories (Alvesson and Sköldberg, 1994). In this way, the theory will be adjusted during the research process as new empirics are discovered. Alvesson and Sköldberg (1994) mentioned that this method includes understanding compared to other methods. This is due to the alternation between prior theory and empirics and the successive reanalyzing. It can be seen as the direction of the underlying pattern. We used this method because the subject is not studied to a great extent and is common for investigations based on case-studies (Alvesson and Sköldberg, 1994). In this way, we're not only focusing on the theory and therefore reducing the risk of being blind to it as well as reducing the risk of confirmation bias (Alvesson and Kärreman, 2007). We used semi-structured in-depth interviews to study organizations in the public sector. This form of qualitative interview is favorable when a moderately clear focus exists (Bryman and Bell, 2011) and increases the flexibility to adjust the interviews based on interviewees' responses (Gioia et al., 2012).

3.2 Research context

The research context for this study is the Swedish public sector. This sector had expenses of 1870 billion SEK, which is 51 % of the Swedish GDP in 2013 and indicates a high buying potential for organizations in the public sector. In recent years, consumption expenses in the public sector for procuring from organizations in the private sector have increased. In 2013, 14 % of municipalities and counties expenses came from the private sector, compared to 5 % for the Swedish state (Stadskontoret, 2014). In Sweden, organizations in the public sector have to follow the Public Procurement Act, PPA. These authorities are; government and municipal authorities, public controlled agencies, and associations formed by one or several authorities or one or more agencies (Konkurrensverket, 2014). The act was established in 1993 as a result of the EEA Agreement about the implementation of EC law. Furthermore, the PPA is based on several directives from EU.[1]

[1] EC Directive 93/36. http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1431069305898&uri=CELEX:31993L0036. 2015-05-08.

The purpose of public procurement is to optimize the utilization of tax funds and maintain good competition. In this way, the organization decides their need and what meets the need. For suppliers this means proportional requirements, equal conditions, as well as a predicted, clear and open process. Additionally, the PPA gives the opportunity to set requirements on suppliers' technical capability and competence (Konkurrensverket, 2014).

3.3 Data collection

In this thesis, both primary and secondary data have been used. Primary data was collected through interviews with organizations in the public sector, as well as with an expert in procurements. To get a better understanding of the topic and the procurement law, secondary data was used. For example, reports from the Swedish Competition Authority and the consultancy firm McKinsey. Secondary data have furthermore been used to find the interview objects.

3.3.1 Selection of interview objects

A pilot study was conducted to select potential interview objects. The pilot study consisted of reading tender documents and technical specifications from Swedish organizations in the public sector where they announced a need of management consultants in the years 2009-2013. The selected time period is due to a change in the law in 2008 (Konkurrensverket, 2008), making the act more flexible. These documents always consist of general description, qualification requirements and evaluation phase. We selected the specifications where the evaluation method was either quality or fictitious case. Furthermore, these documents have a contact person, which became our primary interview objects.

Some of the contact people from the documents thought we should contact another person in the organization with more knowledge. Other primary contacts had switched jobs, which led to either a new contact person or us discussing their previous role and procurement responsibilities with them. In some cases there were no persons specified in the documents, and thereby we had to contact the organizations to find a suitable interview object. In a few cases we've interviewed more than one person in the organization. Reasons to interview multiple persons were that they were responsible for different parts of the procurement or not being part of the whole process from making the tender document to the agreement expire. These tender documents gave a good starting point for discussion with the organizations, as well as a specific case to relate to in the interviews.

For this study, 15 persons were selected for interviews from 12 different organizations, see Appendix 1. These organizations operate in different areas in the public sector, for example, municipalities, advisory and media production.

3.4 Interview design

After selecting interview objects we contacted them via email asking them for an interview, where we briefly described our research topic. Since some organizations were located in Stockholm and others in other parts of Sweden we used both face to face and telephone interviews. Due to having semi-structured interviews, an interview guide was created in order to have some structure to follow during the interviews and increase the generalization of this study (Bryman and Bell, 2011), see Appendix 2. The guide made it easier with comparisons. The questions were general about the research topic in order to not ask the interviewee leading questions and letting them speak freely about the dilemma and PPA. In this way, we could give voice to the interviewees who we saw as knowledgeable agents (Gioia et al., 2012). The guide was also sent to the interviewees before the interview in order for them to be more prepared. For all the interviews, we were two interviewers in order to discuss afterwards as well as minimize bias. Every interview was recorded to increase the quality of the data and gave us the ability to go back to what and in what way things were said. The interviews endured from 40-100 minutes and all were conducted in a company-setting, both face-to-face and telephone interviews.

3.5 Method for analyzing and trustworthiness

To analyze the qualitative data, in the form of interviews, we've taken inspiration from content analysis which is a common qualitative research technique. In this way, "Research using qualitative content analysis focuses on the characteristics of language as communication with attention to the content or contextual meaning of the text" (Hsieh and Shannon, 2005:1278). Text data can for example be verbal and obtained from open-ended questions and interviews. There are several approaches and methods for content analysis, and in this study we've taken inspiration from conventional content analysis (Hsieh and Shannon, 2005).

Conventional content analysis is appropriate when existing research literature and theories are limited (Hsieh and Shannon, 2005), which is the case for this research. We started the analysis of data by going through the recorded interviews several times in order to obtain a sense of the whole (Tesch, 1990). In combination of listening to the records, we've read through the structured and revealing notes from the interviews and started to make initial analysis, impressions and thoughts. After going through the interviews to find fragments of texts and quotes to identify different categories and patterns, we could merge some of the different categories to main categories. In this way, large quantities of texts were organized into fever categories (Weber, 1990). While we listened to and read the interviews, we were open for new categories to come up since this is an abductive study. We also identified three different groups of the interviewees. These groups and the categories found will be described in the analysis section and these were also used to structure the results and analysis.

After finding the categories and relevant texts and quotes, these where analyzed and combined with theory. By presenting and analyzing alternately, we intend to illustrate the relationships between empirics and theory, as well as conducting qualitative research of high quality (Gioia et al., 2012). This way of analyzing data was inspired by how Corley and Gioia structured their data in a study in 2004, where they started with the interviewees' terms, thereafter theoretical levels of dimensions, and lastly aggregated dimensions. Furthermore, these categories were then combined and developed to a greater extent in the discussion. This generates knowledge based on the unique perspectives of the interviewees and is grounded in the actual data (Hsieh and Shannon, 2005).

Throughout the analysis, we focused on the ways the interviewees construct and understand their experiences (Gioia et al., 2012). Furthermore, by using quotes from the interviews when presenting and analyzing the data, the opportunities for finding new categories and concepts compared to confirming existing ones increased (Gioia et al., 2012).

In this study, concepts such as validity and reliability will not be used since these criteria are traditionally used in positivistic research. Instead, we will use the words ‘truth’ (Sandberg, 2005) and ‘trustworthiness’ (Habermas, 1990) which are more suitable for this study with an interpretive approach. Truth refers to “the specific meaning of the research object as it appears to the researcher” (Sandberg, 2005:9). Within interpretive approaches, interpretive awareness as criteria needs to be fulfilled to justify knowledge. This consists of communicative, pragmatic, and transgressive validity (Sandberg, 2005).

To increase the trustworthiness and communicative validity, we’ve had a dialog with the interview objects in order to create an understanding between us as the researchers, and the research participants about what they do (Apel, 1972). Communicative validity was also achieved through open-ended and follow-up questions during the interviews, as well as striving for coherent interpretations (Karlsson, 1993, Sandberg, 2005). To control for divergence between what the interviewees say and do, we saw to pragmatic validity (Sandberg, 2005). Pragmatic validity is about the responses to an interpretation (Kvale, 2007). This was done by asking for concrete examples when the interviewee explained their experiences. Furthermore, to control for possible contradictions we took into account transgressive validity, which can be seen as a reflection what is taken-for granted (Sandberg, 2005). This was done by having about the same amount of male versus female interview objects, as well as searching for differences in the interviews (Lather, 1993).

3.6 Reflexitivity

An interview can be regarded as a construction of the reality. The interviewees interpreting the interview situation, their business life and what they think others want them to say (Brown et al., 2008). Therefore, this can impact the results of the interviews and what the interviewees say. There is a risk that some interviewees did not want to be completely honest when it came to their opinions about the PPA or bad procurements due to not wanting to admit they did something wrong or are not comfortable with what others might think. We’ve tried to minimize this by pointing out that we won’t mention what a specific organization said, and also to make all organizations and quotes anonymous. This has been done by giving fictitious names to the interviewees and their organizations. These are only male names due to keeping the interviewees anonymous.

By having multiple interviewers we had discussions during the interviews. These interviews were more like dialogues than asking questions. However, we were aware of the risk of interviewees could find themselves intimidated and thereby not answering what was on their mind. On the other hand, this wasn't anything we felt during the interviews.

Moreover, we as authors will also make interpretations that will influence our analysis (Brown et al., 2008). This influence can, for example, alter how we understand and interpreting what the interviewees say, or if we misunderstand the interviewee. Furthermore, our own knowledge about theory can impact the analysis. We've tried to minimize this by being aware of the risk and focus on what the interviewees actually said.

4 Findings and analysis

In total 15 interviews were conducted with people working in the public sector, see Appendix 1. These interviews have been grouped into three different groups, depending on what was said during the interviews. The reason to why the interviews have been divided in different groups is to give a clearer view of the findings. This due to similarities between different interviews was found and groups could be created. As mentioned in the methodology, categories were found and will be used in this section to structure the findings and analysis. The main criteria used, when deciding which group each organization should be placed in is experience. Experience as the main criteria has been chosen due to being part of organizational learning theory, which is related to the research question. However, all organizations in each group seemed to be similar in all the categories used. The identified categories are; experience, multilevel organizations, public procurement, relationship and role of consultants.

The two first categories; experience and multilevel organizations, are both in the organizational learning theory, which results in some information being related to both areas. Furthermore, relationship was seen as being important and related to all the categories identifies. Roles of consultants are the last category presented and are one type of relationship a consultant and client can have.

4.1 Group 1

In total, three interviews ended up in this group, however two interviews were from the same organization. The interviews in group 1 are; organization A with Adam and Andy, as well as organization B with Brian.

4.1.1 Experience

The experiences among the responsible employees are limited in group 1 when it comes to procurements, PPA or both. Some in this group are positive to the PPA as a whole and can see that it brings some positive aspects to the organizations procurement. Such as, it forces the organization to make a tender document and think of what they need beforehand. The PPA however is generally seen in this group as a strict and inflexible framework, which makes it hard to use. Furthermore, the procurements often become literal interpretation by the consultants and the meaning as a whole is forgotten and not taken into account. This makes the PPA even more difficult for the ones writing the tender documents as can be illustrated with a quote from Brian, Organization B:

> "We live in a world where we have to rely on written documents, written inquiries and written replies, which mean that we have to define almost exactly what we mean by quality ... What problematize the use of the PPA in my opinion is an almost literal interpretation of what is written instead of looking at the whole purpose or context. When having quality as an evaluation criteria this can be very difficult to deal with. It requires you to be sure that, in situation marks, in order to do right you have to almost be able to define the smallest detail,. It goes without saying that it does not really work and that is where it can become problematic. To summarize, the application of the PPA is that it can cause problems because it makes too much literal interpretation."

The knowledge is created by the individual and it is only the individual who follows up the procurement by him or herself in group 1. This result in the individual gaining and creating the knowledge, and it's not retained in the organization. If the individual decides to change jobs, the knowledge is lost. In this case, the individual members serve as knowledge repositories for organizations which make the organizations vulnerable (Walsh and Ungson, 1991). This group follows up the least and therefore acquires the least amount of experience compared to the other two groups in this thesis, resulting in the organizations in group 1 learning less compared to the other groups.

Theories state that organizations may draw inappropriate conclusions with experience since no two situations are the same (Zollo and Reuer, 2010). Further knowledge creation occurs when new knowledge surfaces and can increase creativity due to increased understanding of potential new paths (Amabile 1997; Rietzschel et al. 2007; Shane 2000). Therefore, if organizations have little or irrelevant experience and make conclusions for the future, this can have severe effects. As Adam from organization A indicated the person responsible for a procurement done in the past made the decision based on little experience and resulted in a wrong focus in the qualification specification in the tender document.

Even though the experience is not embedded in the organizations, the individuals who were responsible for procurements had some lessons to share as Taylor and Greve (2006) mentioned that learning begins with experience. These lessons are not written down for anyone else to see in the organization and have not been discussed, as Brian mentions; "the lessons are not written down, but rather in the head of the individual". In some cases, the responsible person has talked to other people involved in the process to get a better picture, but again, it is not communicated or embedded in the organization.

The main lesson learnt by the procurers in this group has to do with the requirement specification. In one case, the requirements of the consultant were too high, resulting in competent consultants being excluded, while in another case the specification was wrong. In the latter case, the consultant had great experience in the area specified, however was not used to the organization's target group resulting in the gap between the customers and supplier being too big.

> "I was dissatisfied with the contract because of the outcome of the quality... We decided in the organization that we needed to procure consultants who were skilled in the area that the project was focused on. An area we were not so good at. But we were not good at formulating what kind of skills we needed because what happened was that the consultants were very good at the specified area but the audience was too basic, resulting in that the consultant was too specialized in their specialization." (Andy, Organization A)

The lesson learnt by the organizations has therefore been of the importance of prior knowledge prior to the procurement and decision making of the specifications needed. Furthermore, it is important for the organization to know what they want before sending out the tender documents, where specifications and evaluation criteria are given. It is therefore important that the consultants have the right competence and have an understanding of the company they are working for. This goes both ways, as mentioned above in the quote where the specification was wrong; it can also be that the qualification specified is too high which excludes competent consultants.

> "In terms of these contracts, we can say that in some cases we asked for high skills requirements that were unnecessarily high .... We had to exclude a number of suppliers that could have done the work required … "(Brian, Organization B)

Another experience from this group is to not sign contracts with too many suppliers, as this affects the relationship between the companies negatively. If suppliers have a framework agreement with an organization in the public sector, but never get any projects, they will get annoyed and therefore the relationship will suffer. As Brian further explains;

> "We chose to sign too many agreements, which resulted in some suppliers not getting any projects. Some of these suppliers complained that they had an agreement with us, but still didn't get any projects. This is something that is important to think of in advance."

As mentioned, there are no formal follow up in this group after procurements are done and if the person or people involved leaves the organization, the knowledge and experience from the particular procurement is lost. The learning is not written down, but rather in the individual's own mind. As mentioned above, this group creates the knowledge but does not retain nor transfer it. As a quote from Arogte and Miron-Spektor (2011, p.1126) can illustrate: "For learning to occur at these higher levels of analysis, the knowledge the individual acquired would have to be embedded in a supra individual repository so that others can access it."

4.1.2 Multilevel organizational learning

Group 1 is characterized by the person in charge of the procurement looking back at the process. This can be related to Crossan et al.'s (1999) individual level where the individual in an organization can use his or her own experience. This can be done in two different time periods; either by the person in charge thinking back directly after the procurement is done, or when it is time for a new procurement to take place. In both cases, the individual looks at what was good and what can be improved. One main disadvantage with the second one is if the previous procurement happened several years ago it can be difficult to remember the details. Even though this group is characterized by the individual doing the follow up by him or her, it can happen that the person asks other people whom have been involved in the procurement processes. Adam from Organization A mentioned that this was something they do; "I usually have a kind of concluding meeting with the supplier, discussing or asking them about the outcome of the project, in order to get their perspective of the project." It is important to note that this is only a question, not a formal meeting, and therefore the knowledge will stay with the individual doing the follow up. Group 1 only looks back at what have happened, and not necessarily into the future and this group can therefore be argued to only use exploitation (March, 1991).

Crossan et al. (1999) introduces a framework with four processes through three levels. The first level, the individual level, is the base to group 1 in this thesis. Organizations in group 1 use templates as Andy from Organization A stated; “we have templates for our procurement process as well as for the evaluation process. This makes me feel more comfortable when I do procurements.” The use of templates can be related to being part of Crossan et al.’s (1999) individual level, where experience, metaphors and images are used.

It could be argued that the organizations in this group have reached the intuiting process from Crossan et al.’s (1999) framework, such as experiences. However, an organization does not learn without its members and as Nonaka and Takeuchi (1995) and Simon (1991) mention, it is the individual who has the innovative ideas, which then can be transferred to the organizations. In group 1 it is only the individual who learns from the experience, and it is never transferred to the organizations. Therefore, if the person with the experience or knowledge quits or changes job, the lessons and experience is lost for the organization.

> “We learn something after each procurement we do, and when it is time for a new procurement we learn from what we did last time. But it is not something that is written down in a knowledge bank or something similar. It may be a flaw, the knowledge and lesson learnt is pretty much in the minds of the individuals who were involved in the previous procurement.” (Brian, Organization B)

4.1.3 Public procurement

The organizations in group 1 don’t have a clear structure of how they organize their procurements. For example, Adam, Organization A said: “We coordinate between different internal businesses.” What is true for all though is that it is a group with individuals who help each other in the procurement process. This group is characterized by having a functional focus as well as having decentralized procurements. As van Weele (2010) explained in his model as procurement and supply management develops, the procurement will become more centralized. Organization B is an example of an organization that has just started their development, as the procurer said: “The procurements are on the way to become fully centralized, but yet it has not been in that way so far”. To help some inexperienced employees in these organizations, they use templates, both in making the tender document as well as for the evaluation of suppliers. When formalizing the group for procurement, different qualifications and specialties of the personnel is an important factor. This was captured by Andy, Organization A;”... one was responsible for the economy and one was good with consultancy businesses…”

The organizations in group 1 saw the PPA as a challenge and the significance that the tender and procurements are done correct is important. When writing the tender, one must think of everything and it’s hard to know the need fully in advance. This was pointed out by Brian: “We have to define everything in every detail, which is not possible”. This makes it difficult to decide the evaluation criteria since once it’s written it cannot be changed. This becomes even more difficult for management consultancy services, which can be seen as a complex service, and the procurer is not allowed to change the evaluation criteria and method if something comes up in the process. Furthermore, it is not allowed to use personal relations when choosing a supplier as Andy explained: "you can't write personal characteristics". This problem contradicts Mäkelin and Vepsäläinen (1989), and Apte and Vepsäläinen (1993) way to work with complex and customized services, as management consultancy services. They say this kind of service should have a close relationship with customers. They see the relationship from a supplier perspective, and in this study the matrix is used from a buyer perspective and thereby resulting in relationship with suppliers. Relationship is not allowed according to the PPA and thereby the organizations have to use other methods to evaluate and capture the relations in form of a quality aspect. Relationship will be discussed more in detail in the next section. One way to put quality in focus is to set a fixed price and see what quality can be obtained at that price, said Andy. Another way that was used by Organization B was that the consultants had to leave CV, references and their hourly rate. In this case, Brian explained the procedure as the following:

> "First, we check whether the suppliers have the qualities that we require. That is, if at all, they are qualified; if they have the sufficient experience and expertise that we ask for… Secondly, if the base criteria are met, we look at the requirement specification document, to make sure that the supplier can live up to the jobs or projects they are supposed to do."

This group can be seen as an example of low development in van Weele's (2010) purchasing and supply development model, where public utilities traditionally are placed.

4.1.4 Relationship

For the organizations in group 1, relationships between the organization and the supplier are found to be important. This is in line with Javalgi et al. (1995) and Wilson (1999) findings. Andy and Adam from Organization A mentioned the supplier must be able to cooperate with the organization as well as be able to communicate with the organization's customers and clients. Adam explained this by saying the following:

> "I think it would be best if we could select some candidates and interview them so that we are really sure that those whom are ranked in first, second and third place work as partners for example. They are people that we will collaborate with for several years, and in addition, it is really important to us that they work with our clients."

If the relationship does not work, this could be a reason why procurements become a failure, mentioned by Adam. One way to minimize this risk is to use interviews as part of the evaluation process, where the organization meets the consultants that might be chosen in advance, which gives an indication on the kind of relationship that can be built. This was explained by Brian, Organization B and Adam, Organization A. In this way, they can evaluate the subjective service objectively and at the same time reduce the risk as Lian and Liang (2007) found in their study. However, the importance of relationship depends on which kind of work that should be done and whether it is something that the consultant will do on his/her own, or if collaboration with the organization is needed said Brian and Andy. Brian said for example:

> "... The consultants might do an investigation which they then present, and in these cases you don't have much to do with each other. On the other hand, if you are going to work close together, then the relationship becomes essential."

4.1.5 Role of consultants

In the public sector, procuring process consultants is difficult due to the PPA where the public organizations need to specify what they want in advance. Although the organizations in group 1 use process consultation to some extent they lack some knowledge and experience and therefore use this method since the problem and solution is unclear (Schein, 1999). If an organization doesn't have the knowledge of what or how to solve a problem, it can be costly and hurtful. For example, Andy, Organization A thought they knew what they wanted and needed, but in the end they didn't, which incited a lot of difficulty. This illustrates the importance of having prior knowledge and therefore being able to use methods other than process consultation.

4.2 Group 2

The next group identified is group 2, where six interviews were conducted. The interviews are; organization B with Bruce, organization C with Christophe, organization D with David, organization E with Eric, organization F with Felix and organization G with George.

4.2.1 Experience

In group 2, the persons have experiences when it comes to procurements, up to 20 years. The one with least experience had only been part of a few procurements. Furthermore, half of the interviewees mentioned they've worked in the private sector before going to the public sector; "I have not worked in the public sector for more than a couple of years so I've worked in the private sector until now..." (Christophe, Organization C).

In group 2, all organizations had a positive view of the PPA. The act facilitates and secures quality for procurements. The PPA is seen as an opportunity to get what the organizations need. However, the need to know everything in advance is seen as a problem. It is worth mentioning that the person with the most experience with PPA in this group saw the most problems with it, while the person with least experience in the public sector was more positive towards the procurement act, PPA. However, one reason to this could be that the person with the least experience with PPA has experience from the private sector instead. Another reason could be that the one with most experience with PPA saw most potential for improvement.

Organizations in group 1 only looked inside the organization for new ideas when a new procurement process was about to start. Group 2 on the other hand look both internally at what the organization has done previously and learn from it, as well as at procurements done by other organizations. As one interviewee said in an interview:

> "When we organized the procurement we did a lot of business intelligence and environmental scanning. We watched a lot what others had done and picked specifically the bits we thought were good and would fit our procurement." (Bruce, Organization B)

Looking at what various organizations have done enables other organizations to find the most recent and applicable cases for their specific procurement. Looking at a variety of organizations is possible since the public sector needs to publish the document in public. A problematic part with the requirement of publishing the tender documents for the public sector is that the external leakage increases. It is good for competitors, but bad for the organizations that do the procurement. In the private sector there may be a tension between facilitating internal knowledge and preventing external leakage (Kogut and Zander, 1992). This means that the public sector has less control over what the external environment can get. Competitors to the organization in the public sector can see what needs the organization have and can, to some extent, learn from the organizations successful or unsuccessful procurements.

The individual learning is necessary for organizations to learn, but not enough. For organizations to learn, the individual learning needs to be embedded in the organization, enabling other employees in the organization to access it. In group 2, some of the organizations have come to the next step in Argote and Miron-Spektor (2011) theory, which is knowledge retention; others however are still at the same level as group 1 and only create knowledge.

As mentioned above, the organizations in group 2 learn and gather information from the external environment. Some of these use external environment monitoring. This results in a better understanding and foundation of what is needed and should be demanded from a consultant according to Bruce, Organization B. Bruce explained this by the following; … "we do a bigger external environment monitoring and demand more… not only of the consultant, but also about the service." Others go to seminars, take courses, and are members in different organizations to obtain knowledge about public procurements. All interviewees mentioned the importance of using the internal knowledge in the organization when making new procurements, for example, from the procurement department or persons being part of other procurements.

From previous procurements, the majority of the organizations have learnt the importance of the personal aspect when it comes to consultants. Thereby, interviews are important when evaluating the tender. Christophe said it's the collaboration with the consultant that helps form the decision on whether the project will be successful or unsuccessful. To minimize the risk of a bad collaboration it could be noted in the contract that change of consultant can be done if the collaboration does not work between the organization and the consultant. This is something that for example Eric, Organization E usually incorporates in their agreements; "When the relationship or collaboration between the consultant and the organization is important, it is vital to write this in the contract to facilitate a change easier." The relationship aspect for group 2 will be discussed in more detail in section 4.2.4.

Another lesson learnt according to group 2 is the significance of knowing what you want and need, being over explicit to avoid misunderstandings, as well as having a good technical specification. If using fictitious cases, the cases have to be good and should be the base for the selection of supplier. Furthermore, it cannot be too much work as David, Organization D mentions; "the cases cannot be too much work for the consultant, at the same time, it must give enough information."

4.2.2 Multilevel organization learning

Group 2 can be related to the second level in Crossan et al.'s (1999) three levels, called the group level, and is in the interpreting process. Theory state that the group level can be on both interpreting and integrating level, which is partly true for group 2, who touches a bit on the integrating process. Interpreting is more the explanation of an insight and experience, and cognitive maps are developed. Furthermore, Crossan et al. (1999) mentions that the individual learning process begins in this group. Organizations in group 2 talk to each other within the organization and discuss their experiences and can learn from each other.

In addition to what group 1 does, group 2 also looks at how other organizations do their specifications or tender documents. In the public sector, all the tender documents are public and this makes it easier to find documents to look at.

> "When we have gone through what we need then we can check what others have done. It's more like a check point; this is something we could think of and this is something we have already thought of" (David, Organization D).

Furthermore, organizations in group 2 ask different suppliers, in order to get both sides of the collaboration to be able to improve in the future. Language is used to create the cognitive maps as Crossan et al. (1999) mention and to create a shared understanding, which is part of the next process in their framework: integrating. However, it takes time to convey the knowledge from individuals to groups.

> "When a program is implemented, we evaluate how the supplier has worked and how the participants have experienced the entire program... A self-evaluation document is done and saved including, what lessons we can draw from a completed assignment. If we have a supplier that the people involved perceives as not participating or delivering what was expected, we are not satisfied... Then we are a bit cautious about renewing a contract for the supplier and they might not have the same high scores when we make a renewed competition, since we use our self as reference if possible." (Felix, Organization F)

Group 1 is argued to look back at the history and what happened, which is also true for group 2. The difference between the groups in this aspect is that group 2 also starts to think about the future and therefore also uses exploration (March, 1991).

4.2.3 Public procurement

The procurement process is more structured in group 2 compared to group 1, with specific procurement officers in charge of the design of the technical specification. The procurement officers support the buyers with administrative and legal aspects. The knowledge and competence needed for the procurement and collaboration with the consultants depends on the project. Christophe explained that the person in charge has the authority to decide which people to involve in the process. Group 2 can be seen as having a more cross-functional focus rather than functional focus, as well as center-led compared to decentralize purchases, which group 1 was characterized by. According to van Weele (2010), this indicates that group 2 has a more developed purchase and supply management. This is apparent, as they are more comfortable with procurements and starting to see more benefits with the PPA. One reason for this can be an increase in the professionalism and more experience of public procurements, which is in line with van Weele (2010).

The organizations in group 2 learn from the internal and external environment, which is a characteristic of purchase development according to van Weele (2010). All organizations point out the importance of quality when it comes to consultants where some mentioned quality being more important than price. This was something that George, Organization G pointed out: “"We never solely do procurements on lowest price… Sometimes it is price combined with quality, and sometimes it's only quality.” Furthermore Organization D and Organization E use fictitious cases in order to have quality as an aspect when evaluating and choosing supplier. They think fictitious cases are good when it comes to quality, but it’s time-consuming for both the buyer and the potential supplier and require work from all parties. Other methods the organizations use to evaluate suppliers are references and physical presentations or interviews, such as a job interview Eric, Organization E explained. However, Eric mentioned references as something useless:

> “Sometimes you only use references ... but it's tricky with references. Tenderers often so to speak select their best references, and when we give them the choice, everyone gets their best references. If you only have references, you will select on price.”

Everyone in group 2 thought interviews were important in the evaluation, and especially in order to understand how the consultants act and think. The organizations can then get an understanding of the supplier relationship, and this will increase the probability of a successful procurement. In this way management consultancy services, as customized and complex services, can utilize closer supplier relationships compared to organizations in group 1. This will increase the positive outcome of the cooperation as Mäkelin and Vepsäläinen (1989), and Apte and Vepsäläinen (1993) illustrated. David and Bruce pointed out the difficulties for small and local firms to be selected as a supplier. However, depending on how the tender documents are written, it can be easier for small firms as a quote from David illustrates below.

> “Small businesses are not so familiar with submitting tender documents. When setting a fixed price, you deselect many big firms. In this way, small firms get a bigger change to get into the process since they are not so used to submit tender documents. And many small firms are very competent.”

Requiring physical presence in the collaboration could be another way to handle the difficulties for small firms to submit tender documents. This will be beneficial due to the time it takes to evaluate all tenders.

There are some challenges in the procurement process according to the interviewees. Finding quality as evaluation criteria is seen as the main challenge when it comes to a service, such as management consultants. Even though it's seen as a challenge, group 2 handles this problem by capturing the personal aspect in the form of interviews and thereby forming close relationships with suppliers, as Mäkelin and Vepsäläinen (1989), and Apte and Vepsäläinen (1993) explain are favorable for this type of service. Being objective rather than subjective is important when it comes to evaluating consultants and this is a challenge. Finding relevant cases and formulate the technical specification are seen as other challenges.

4.2.4 Relationship

Relationships are important for consultants and the clients as Dibben and Hogg (1998) and Wackman et al. (1986) explained. The relationship is also one of the foundations in consultant operations. In the public sector, this cannot be one of the foundations due to the PPA. However, all organizations in group 2, except Bruce and David saw the personal aspect, the relationship, as important. This is supported by Halinen Kaila (1997) and O'Malley and Harris (1999) as well as Wackman et al. (1986) who think relationships are important when creating professional services satisfaction. Furthermore, this was mentioned by Eric who said "If a good relationship arises, there are all possibilities for it to go well". By using physical presentations in the evaluation, they can get an understanding of the consultant's personalities and how the potential collaboration will work, said David, Eric and Christophe. This will also reduce the risk as Lian and Liang (2007) found. Furthermore, Lian and Liang (2007) found that individuals are more important than the organizations they work for. A similar finding was found in Organization C:

> "In poor consultant contracts, all requirements are on the company, but it says very little about the individuals that will be inside and solve the actual problem."

Organization D also focuses more on the individual than on the company. If the specific individual is important for the project, they will write in the agreement if collaboration problems occur, they are allowed to change the consultant. Moreover, Organization C expressed that when a project is done, the consultant will take the experience with them. Christophe said:

> "All businesses whether it is a business in the public sector or not it is about continuity. One should not hold on, tugging or pulling people too often. You can hire a consultant, who will work for you and acquire a lot of knowledge, then suddenly the consultant is fired or quit voluntarily, resulting in the person take the experience with him or her ... that's a problem."

Christophe saw personal relationships as important and sometimes more important than the consultant's technical performance, which was mentioned by Ennew and Ahmed

(1999). “It may be a person who has a tremendous CV, but this does not necessarily mean that it is a smart or nice person ... you have to have a person who is good.”

4.2.5 Role of consultants

Group 2 can be seen as using the doctor patient model. This means that the consultant works as a doctor where he or she needs to find a cure to the problem (Schein, 1999). Group 2 knows what they want and need, but not necessarily how to obtain it. This is illustrated by a quote from Bruce, in Organization B who mentioned they used this model for procuring knowledge in a specific area. “We had to implement [a new organization structure], but didn’t have the required knowledge. Therefore, we needed help in form of external knowledge.”

This model is good to use when an organization knows the problem, but not how to solve it. However there are some risks with using it, for example, if the organization discovers the “wrong” problem. The identified problem might not be the underlying problem and therefore the solution will not give the best and most effective result. This is also an obstacle in the public sector because they have to specify what they need before knowing what the consultant might recommend. Furthermore, the recommendation might not be allowed to be used in the evaluation process if it’s not included in the tender specification, which is a criterion for the model to work (Schein, 1999).

4.3 Group 3

The last group identified is group 3 and six interviews were obtained. The interviews in the group are; organization H with Howard, organization I with Ian, organization J with Jacob and Jack, organization K with Kevin and organization L with Leonard.

4.3.1 Experience

All organizations and interviewees in group 3 have much experience in both the public and private sector. Some of the organizations have not been a subject to the PPA until recent years. The organizations in group 3 have a positive view of the PPA. Some think the act has resulted in higher standard when it comes to procurements and gives a common view in the organization.

> “Before the PPA we did not have any processes of who to choose and the processes were very informal. Now with the PPA, it has become very formal. What I think is the point that has huge impact is that we really find out what we need and what we want in advance. What quality should we have when we're having a specific project, how should the consultants be... the process now is: we want this, we advertise, we get answers and then we already have made a requirement and qualification specification that is very clear, it is a pretty big process, but once we have these framework agreement in place it goes fast once we need to use the consultants... I think we have raised the standards thanks to the PPA. And we get a common view in the company of what we want.” (Howard, Organization H)

It is clear that group 3 has the most experience and is the organizations which take care of the experience, follow up and look at how to improve, and make sure they learn from the experience. They create knowledge and make sure that the experience is retained

(Argote and Miron-Spektor, 2011) in the organization. Once it is time for a new procurement the experience is used. The organizations in this group further learn indirectly from experiences of other units (Levitt and March 1988) and therefore, this group effectively transfers knowledge (Argote and Ingram, 2000).

Theories state that performance increases with experience (Dutton and Thomas, 1984), and this can be seen for group 3. Group 3 is interesting in a sense, since the experience is not necessarily experienced with the PPA, but rather experienced with procurement. For example, one of the organizations in this group have not been subject to the PPA for very long; “we have been subject to the PPA for about 5-6 years, maybe longer once it was clear that we should also be applying it” (Howard, Organization H). Most organizations in group 3 have also had experience from the private sector and thought that was an advantage because they are used to the process of procuring. Furthermore, they see advantages with the PPA and that it helps organizations to think in advance as well as consider what the organization actually needs. The PPA helps the person in charge to structure the process more.

The most effective way to buy consultancy services, according to interviewees in group 3, would be a combination from the private and public procurement process. With this said the PPA is a good framework and makes sure that the decision is not build on previous relationship. This helps the organization who is looking for a consultant to look broader and widen their perspectives. The PPA further helps to make sure that the process is fair. Another organization than the one above, that has gone from private to public, argues that it is a small difference between the two and said this in the interview:

> “I argue that if an organization has a serious purchasing function when it operates in the private sector, it will look quite similar when moving to the public sector. In both cases, it’s about making a good deal, you should still take a commercial account and you still want to use your available competitiveness and make smart procurements. The difference with the public sector is more that you need to ponder a bit more on how to accomplish it at the same time as you must adapt to the existing rules.” (Ian, Organization I)

However, the PPA is strict and inflexible and this is something that slows the effectiveness down. It takes a long time and if something is forgotten in the tender documents, they cannot use that factor, even if it is an important one. Furthermore, if a consultant comes up with a new idea, this cannot be used unless specified beforehand. Lastly, the PPA takes a lot of energy and is time consuming making the process even more ineffective. “It takes a long time to set the requirements and reach the right level and once that is done, then the evaluation process can begin.” (Jacob, Organization J)

A lesson learnt by the organizations in the public sector is that by following the PPA, you are forced to figure out your needs before going to the market. Some ways to improve the procurement in the public sector are analyzing the needs, meeting suppliers and getting knowledge about the market in advance. Some organizations mentioned when procurements go wrong, it was because they didn’t understand their needs fully. Kevin, Organization K pointed out the importance of being clear and explicit of which criteria the evaluation will be based on. Another organization, Jack, Organization J, said the following:

> "We do not want to only focus on the price; instead, we want to get the right quality at the right price… Those who evaluate the tender document must know what they're doing - making a fair assessment. The procurer does not do the assessment because they don't have the right skills."

If the competence isn't high enough, there is a risk at selecting supplier on lowest price, which is not always the most beneficial. Too many consultants can result in some suppliers not getting any projects, thereby creating dissatisfaction.

4.3.2 Multilevel organization learning

Theories agree that organizational learning is multilevel, however how many levels differ among different authors. Crossan et al. (1999) argues that organizational learning has three levels. The last level is the organization, including the integrating and institutionalizing processes, where the organization has a shared understanding and routines implemented. The integrating process started for the organizations in group 2, but is more developed for group 3. As mentioned, this group has gone to the next step in the framework: the institutionalizing process.

In addition to what group 2 has done, group 3 follows up the procurement formally in the organization. Some of the organizations in this group follow up all procurements after each project are done, while others only look at the bigger projects or have a few meetings each year instead where all projects are discussed. One organization however in this group does both.

> "Usually we have two follow up meeting per year, discussing the framework agreement. In addition to these two meetings each project have follow up meeting in their respective mission." (Kevin, Organization K)

No matter which projects or when they follow up, all organizations in this group look at how they can learn from their previous processes and procurements in order to improve for the future in a structural way, and are focused on the long term picture. In this group, the organizations have gone from the individual learning to a more shared understanding among the individuals. This group encounters the whole organizations as Crossan et al. (1999) mentioned is the last process, institutionalizing, and explains that the organization is much more than just the individuals. Theories state that individuals may come and go and it is therefore important for the organization to learn (Crossan et al., 1999). The organizations in this group have routines, systems and strategies implemented to make sure this is done, with formal meetings where projects are followed up and lessons learned are defined.

> "The procurement unit has a dialogue with the signatory parties as a part of the follow up procedure, but according to me we can become even more systematic and accurate." (Leonard, Organization L)

These dialogues are documented and implemented in the organization. The organizations become less vulnerable when it is documented, because if the person with the information quits, the knowledge is still within the organization and is not lost.

As mentioned in group 2, transferring knowledge takes time; this is the same for group 3 when knowledge is transferred from groups to organizations. Furthermore, group 3 looks backwards and examines how they can learn for the future. This means that group 3 has been able to balance both learning new things as well as using what has already been learnt in the past. This result is that group 3 manages to balance the tension between exploration and exploitation (March, 1991).

4.3.3 Public procurement

The organizations in group 3 have departments responsible for procurements, and thereby having more structured procurements than group 1 and 2. In the organizations the need occurs in a department which is in charge of the substance, e.g. specification of requirements. The procurement department on the other hand knows the process for public procurements and make sure the formal requirements are fulfilled. In this group, the purchasing has a higher organizational status, which van Weele (2010) mentioned is an indication of high purchase development.

In group 3, the procurement process is similar for all organizations. Organization H, Organization I, and Organization K follow some model or template when creating the technical specifications and work as a support in the whole process. All interviewees said they gather information from internal and external sources to get ideas to the technical specifications. These are, for example, industry organizations, educations, workshops within the organization. Furthermore, workshops with suppliers in the market, old procurements and experiences within the group are other examples to get ideas. Kevin pointed out the importance of making analysis preparatory for the specification. By integrating with the external environment, the organizations indicate an increase in the procurement development according to van Weele's (2010) model. All organizations use framework agreements in this group. In this way, they meet many needs in a broad way. Organization I and Organization J considered a disadvantage with these agreements, namely, they are purchased without a specific need. Ian expressed this in the following:

> "... You'll make a framework agreement, which might not exactly correspond to what you want. The need can for example be within a niche."

In this way, the organization will have to compromise between the quality of suppliers and the organization's needs. All organizations saw quality as an important aspect when it comes to management consultants. By setting a fixed price, it's easier to evaluate quality. If the quality is set, Kevin assumed that a more beneficial evaluation criterion is lowest price. Howard, Organization H pointed out the importance of quality by saying:

> "... We have price as one component, but we do not have lowest price because we know that there are companies who will stop at nothing and sell themselves at any price. Therefore, we usually have a minimum price level that the consultants can use."

In order to evaluate tenders quality, Organization K uses fictitious cases, where Organization H and Organization I use both fictitious cases and pitches. This can be seen as portfolios. Organization J explained that they don't use fictitious cases for management consultants because of the difficulties and costs. Interviews can also be used to capture quality. All interviewees mentioned the importance of follow up and continue to improve, which all organizations do. Ian mentioned they have start-up meetings before a new project as well as follow up after a project is done, as other organizations in group 3 do. Jack explained that they have a system for evaluation, where suppliers can express their thoughts, ask questions, etc. This is done both internally and externally, and the organization uses this system to make improvements for its future. They also pointed out the importance of follow up continuously. Even though the organizations are positive to the PPA, they saw some challenges with the act. Howard thought finding the right need is a challenge. They also mentioned the more creative and abstract the project is, the harder it is to find a consultant. Another challenge was evaluating quality. They handle this problem by meeting the suppliers in real life and demanding references from the suppliers. This is a way of starting the creation of closer supplier relationships, which Mäkelin and Vepsäläinen (1989), and Apte and Vepsäläinen (1993) explain as beneficial for customized services which are complex.

Furthermore, Ian mentioned the risk of being subjective, which is not allowed due to the PPA. The organization also talked about the difficulties with changes in the business context as well. Ian said:

> "If operating in a fast changing environment, you can't go back to old procurements due to the changing market. … When you crossed the finish line with a project, the need can be changed."

Ian mentioned the difficulties with building strategic relationships due to the short time of projects, while Leonard thought it was good with change and renewal.

Organization I, Organization J and Organization K explained the problems with framework agreements. Due to the lack of homogeneous groups of buyers, there will be some issues when finding the optimal consultant when a need arise. They also saw the process as time consuming, as mentioned above. The organizations succeeded in combining management consultancy services, which is a customized service with a framework agreement. A framework agreement would be more favorable to standardized services than a customized. This is the opposite of what Mäkelin and Vepsäläinen (1989), and Apte and Vepsäläinen (1993) matrix illustrates. Even though they make a standardized agreement with suppliers they succeeded in creating a supplier relationship and captured the complexity of the specific management consultancy service in the evaluation method, thereby making successful public procurements.

In group 3, compared to the other two groups, the supplier relationship becomes more important and the effectiveness has increased. This shows that group 3 has a more developed purchase and supply management, which is illustrated in van Weele's model (2010). Despite this, the organizations haven't decreased the numbers of suppliers. One reason could be that they use framework agreements where they procure several suppliers and have difficulties with having few suppliers when following the PPA. Group 3 has a more developed procurement than the other groups and according to Keough (1993), the development and the industry the firm operates in have a direct causal relationship. This is not true for group 3 because the public sector generally has a low development. Some reasons for developing more than the industry can be new ways of thinking and being more creative, for example, using pitches.

4.3.4 Relationship

When it comes to services, collaboration is important according to all organizations in group 3. All mentioned the importance of the specific consultant and his/her competence; it is the individual consultant who will perform the assignment and not the consultant firm. For example, Kevin, Organization K said:

> "In the quality phase, there are requirements on the companies that they must prove they have done in previous work. But we have also had requirements on the performance of the individual consultant. For example, they should have some training or some experience. It can be both requirements on the company and the consultant."

Kevin and Jacob mentioned that they have the right to change the consultant if the collaboration doesn't work as it is supposed to. Jacob explained this by saying:

> "... It can have a huge impact. Thus, you get a consultant who might be really good but does not work in the group in which they should accomplish the mission for; it can of course get giant consequences even if the consultant in itself is great. ... You have the option in the framework conditions to change; we have written that you can ask to change the consultant if we feel it does not work."

Howard pointed out that the consultant has to understand the organization he/she is going to work together with. Ian explained the importance of the individual by saying:

> "In many industries you know that it is not really this company you want to do business with, but rather a specific consultant... so you want to enter into an agreement with a company because consultant X works there, however, tomorrow consultant X may sit in another company and then the company is completely worthless."

Furthermore, Organization H invests in human capital rather than physical capital, which is common when procuring professional services (Lian and Liang, 2007). Howard explained they value quality much higher than price and said: "We have price as one component, but we do not have lowest price… Price has always been one factor and quality another one."

In order to be successful in the long run, relationship-specific investments are important to maintain and create a long-term relationship with a consultant as mentioned by Lian and Liang (2007). This is difficult for the public sector; since it is not allowed to select suppliers based on relationships and the contracts which they subscribe to have a time limit on the collaboration. Furthermore, the contracts can only be renewed a few times, when it has been renewed the maximum time allowed, the organizations in the public sector must start a new process, with new tender documents, and open up the possibility of other suppliers to enter. This makes it harder for organizations in the public sector to build strategic relationships which is illustrated by Ian, Organization I:

> “Sometimes it's very frustrating when you really want a specific supplier ... it's a problem because we are limited to four years ... and then, you cannot build too much strategic relationships …”

4.3.5 Role of consultants

The client and consultants can have different relationships depending on the project and knowledge of organizations in need. In the expert model, the organization is assumed to know what the problem is and what they want help with (Schein, 1999). Organizations in group 3 have analyzed what they need and specify this clearly in their tender documents.

> “We need to look at what we really need and what we want to have. If our qualification specification documents are clear, then we get good and high quality from the consultants.” (Howard, Organization H)

The theory focuses mainly on the private sector and there are some changes when organizations in the public sector procuring consultants, mainly the evaluation process. Since organizations in the public sector must specify in advance and then evaluate on what has already been written down, expert mode is one to prefer. This is because the organization in public sector must know what they need and what they want help with in order to be able to choose the right consultant for the topic. This is something that organizations in group 1 and 2 have mentioned when they look at what they would have liked to do differently. Below, a quote from a person in group 2 illustrating this issue:

> “I would have done differently today because I know more what we need now compared to before…. Today I would have looked at what is quality and what is it that should be done. I would have specified the issue more clearly and specific towards our area we wanted help in. I would have been more concrete… We got consultants who provided a setup, today I would have told them what I wanted and how.” (Bruce, Organization B, from group 2)

Bruce explains that he wished they had used the expert model without mentioning the theory. He explains what he would have done differently and in the quote above describe a relationship similar to Schein’s (1999) expert model, where the consultant comes in and work as an expert within an area which the organization lacks or is missing.

5 Discussion

This study aimed to answer the following research question:

How are organizations in the public sector learning to improve their process of procuring qualitative consultancy services?

In the previous section, *Findings and analysis*, the research question of this study has been addressed. In this chapter, a discussion of the results presented in the findings and analysis section will be done in the light of previous research.

5.1 Addressing the research question

In the study, innovative organizations which use new evaluation methods have been investigated. Despite the similarity between these innovative organizations, differences have been found. Three groups have been identified based on how they organize their organizational learning and transfer experiences within the organization. Group 1 is seen as only using the gained experience to a limited extent while group 3 have come further in the process and has integrated it more as well as transferred the knowledge into the organization. This means that organizations in the public sector deal with the thesis' dilemma differently depending on which group they are in. Furthermore, within each group, five categories have been identified which were presented in the previous chapter.

In this study, relationship has been found to be an important factor in the determination of success of the procurement and collaboration in the consultant projects. Therefore, it has been a subject incorporated in most categories. Below in Figure 4, the findings are summarized.

Figure 4: Summary of findings

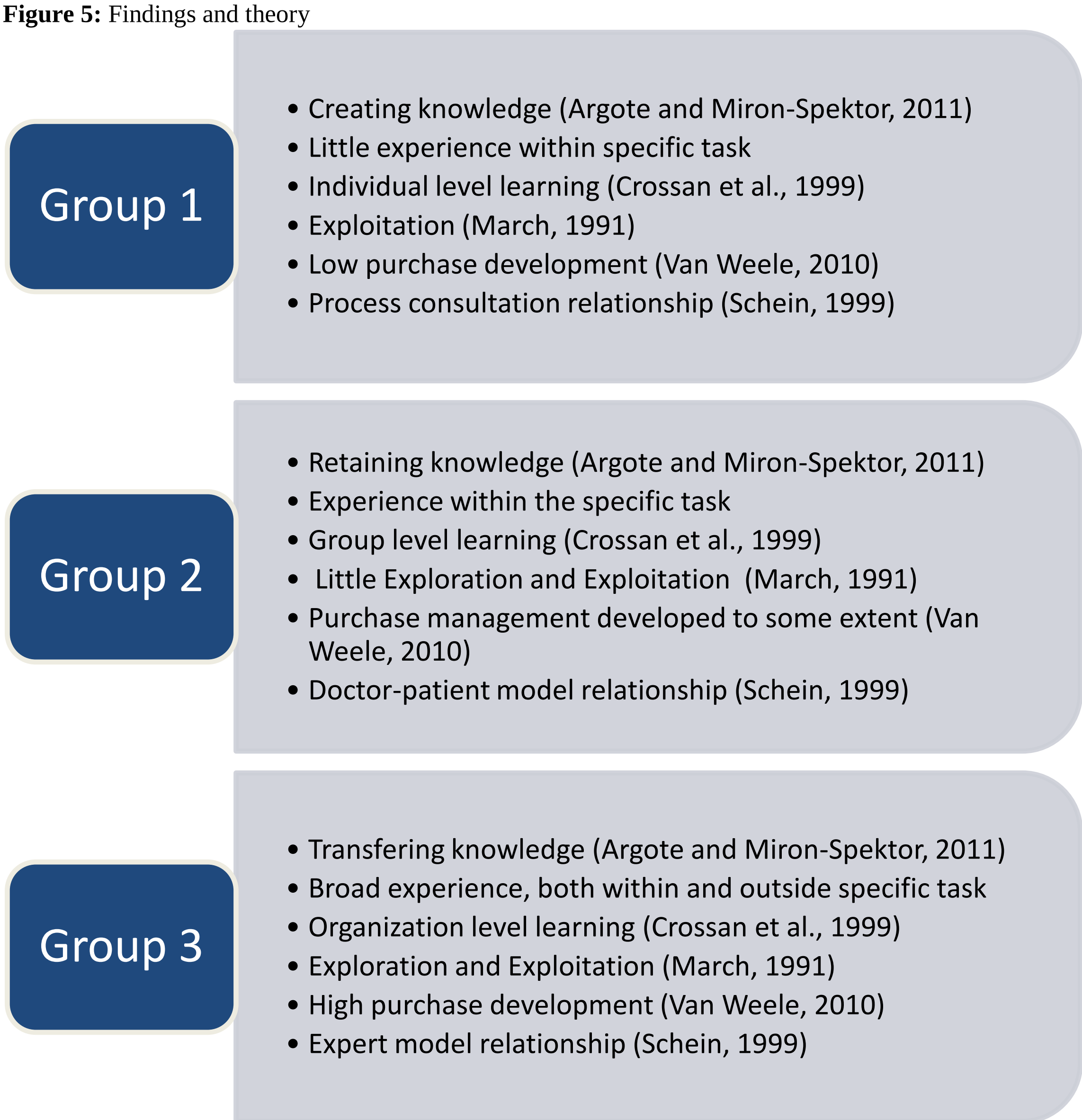
	Group 1	Group 2	Group 3
Experience	Creating	Retaining	Transferring
Multilevel	Individual	Group	Organization
Procurement	Low development	Developed to some extent	High development
Relationship	Interviews	Interviews, physical presentations	Interviews, physical presentations, relational aspects incorporated in the contract
Role of consultant	Process consultation	Doctor-patient	Expert

Group 1 creates knowledge while group 3 also transfers if. Furthermore, group 3 has a highly developed procurement process while group 2 has a procurement process that is only developed to some extent. It can also be seen how relationships are evaluated; group 1 uses interviews and group 2 uses both interviews and presentations.

To answer the research question, a model has been created where findings and theories are combined. This model facilitates the comparison of the different groups and how they find and procure consultancy services. The model is illustrated below in Figure 5. The model aims to illustrate that the more experiences an organization has when it comes to procuring consultancy services and dealing with the PPA, as well as spreading knowledge, the further down in the model they are.

Therefore, organizations which are presented in group 1 have the least experience and lowest procurement maturity when it comes to finding good and qualitative consultants. Whereas, group 3 has a system implemented in the organization and these organizations are the most experienced. However, organizations in group 1 can still find respectable, qualitative consultants.

Figure 5: Findings and theory



Below, a short summary of each group will be discussed in relation to the research question.

Group 1

Organizations in group 1 create knowledge, but the knowledge stays with the individual. It is the individual who is responsible for the procurement in question, who knows what he or she thinks was positive or negative, and what should be done if a similar procurement will be done in the future. The individual works as knowledge repository and the experience and the knowledge created in group 1 are therefore not transferred to others in the organization. Group 1 uses only exploitation, meaning only looking at the past. If the organizations characterized by being in group 1 would have operated in the private sector instead, it could be argued that they would have used Schein's (1999) process consultation relationship model. This is because the organizations don't know what they need exactly. Instead, they want to improve the organization, but it's unclear how it should be done. However, process consultation is difficult to use in the public sector due to the PPA, where the organization has to be specific in their requirement specification. Therefore, organizations in this group might find it hard to procure management consultants since they lack sufficient experience.

Group 2

Group 2 on the other hand does not only create knowledge, but also retain the knowledge that has been created. Furthermore, discussions between different employees are done to some extent, but are more common to examine what others have done in previous procurements, internally or externally, which results in them learning from each other. Organizations in group 2 have similarities with Crossan et al.'s (1999) level; groups. Furthermore, group 2 has more experience within a specific task compared to the group above and uses exploitation as well as moving on to exploration. This means that they look at history and try to apply it, to some extent, to the future. Lastly, the most fitting relationship between organizations in group 2 and consultants is Schein's (1999) doctor process relationship, where the problem is clear but not the solution.

Group 3

In group 3, the knowledge is not only created and retained, but also transferred. This group is characterized by organizations that have a shared understanding and mutual agreement of what is needed. The experience in group 3 is broader when it comes to different business contexts. For example, these organizations have much more experience from the private sector, which could give them a different view on procurements and what they should require from the supplier. Furthermore, organizations characterized as being in group 3 uses both exploration and exploitation and have found a balance between the two. Lastly, the most fitting relationship between organizations and consultants in group 3 was Schein's (1999) expert model.

Experience, effectiveness and the role of consultants

Dutton and Thomas (1984) mentioned that performance will increase with experience. This is in line with van Weele (2010) who states that the effectiveness increases over time as the organization develop professionalism in purchasing and supply. This can be seen in group 3. These organizations have got a lot of experience due to transferring knowledge to the whole organization. The experience and gained knowledge in the whole organization improve the procurements since they use what they learnt in the past when doing new procurements. In this way, the professionalism in procuring improves. Furthermore, the increased effectiveness of purchasing and supply management makes the organization more mature in purchasing. Therefore, experience is essential to improve the whole organization and should be prioritized to be successful.

In this study, it could be found that there are some problems with process consultation (Schein, 1999). As mentioned above, it is difficult for the public sector to use process consultation when procuring consultants. Therefore, the public sector could use the doctor-patient model or the expert model instead. As the study indicated, organizations also have to have a high purchasing maturity to succeed with the procurement. For example, if an organization lacks knowledge of procuring, they will not be able to define what they actually need or want. Therefore, they will not get the most suitable supplier to fulfil the underlying need. This can result in poor procurements.

A possible interpretation of the findings is that as organizations increase their organizational learning and gain more experiences, they move from group 1 towards group 2, and finally group 3. In this way, there is a dynamic movement where learning impacts procurement maturity and the use of consultants.

Based on this study it has been found that organizations learn in different ways to improve the process of procuring qualitative consultancy services. One way that organizations learn is by gaining internal knowledge, such as look at and follow up previous procurements. Another way to learn is to look at external public organizations and learn from their doing. A third way to learn is by discussing with the supplier how to improve similar processes in the future.

5.2 Beyond the research question

Lastly, it has long been argued that the public sector should learn from the private sector to become more efficient. (Lundvall et al., 2008) However, tendencies illustrate that the private sector has something to learn from the public sector as well. For example, the private sector can learn to investigate and specify what they need before going to the market to hire a consultant. In this way, the purchase will be more structured because it would force organizations in the private sector to and specify what they actually need.

In other words, it could be argued that the gap between the public and private sector has decreased, and that the public sector becomes more alike the private sector now in effectiveness and development compared to before.

6 Conclusion

In this thesis the procurement of qualitative consultancy services in the public sector has been investigated. This study intended to answer to the following research question:

How are organizations in the public sector learning to improve their process of procuring qualitative consultancy services?

In this study it has been found that organizations within the public sector differ when it comes to organizational learning in form of experiences and multilevel organizations. The organizations with low experiences only create experiences on the individual level. The more experiences the organizations gets, the more knowledge it can retain and transfer to groups within the organization, and finally to the whole organization. As the organizations gain experience over time they develop their procurement and supply management, which increases the effectiveness of the organizations. This maturity in procurements implies more cross-functional focus, as well as centre-led procuring.

It has also been found that relationships are important when procuring management consultants in the public sector. To capture relationship aspects, organizations use interviews, physical presentations, and incorporate these factors in the contractual agreements with consultants. Furthermore, these consultants can take different roles and the suitable role depends on the experiences and prior knowledge of the organizations.

This study has found that organizations learn in different ways to improve the process of procuring qualitative consultancy services, where three main findings have been identified. 1) By gaining internal knowledge, such as follow up previous procurements as well as look internally. 2) By looking externally at similar organizations procurements and learn from their doing. 3) By discussing with suppliers how to improve similar processes in the future.

This thesis makes a contribution by combining organizational learning with procurement maturity and roles of consultants. More experience gives higher procurement maturity, which increases the professionalism in procuring.

6.1 Limitations and future research

One limitation is the number of organizations interviewed. To get a more trustworthy result, more organizations could have been interviewed as well as multiple employees from each organization. This could give a better view and a wider perspective to get specific results. This was not possible due to time and resources. Furthermore, only the Swedish market has been investigated. Therefore, it would be interesting to study organizations in other countries to see if the results are similar or differ. Another limitation could be that only one procurement per organization was in focus, except when asking about positive and negative experiences of procurements. This can influence the result since it will be dependent on a specific procurement and may not be that generalized for the organization as a whole. The broad spectrum of different organizations can have some impacts on the results. Organizations differ in multiple ways and thereby their procurement departments. Some have many procurers, while another only has a few, and others produce framework agreements compared to only direct procurements. It would be beneficial for future studies to examine if the findings differ between different types of organizations in the public sector. Furthermore, investigate similarities and differences between organizations with different sizes are other aspects that need further research.

6.2 Managerial implications

This research has investigated procurements of management consultants in the public sector. It has been found that experience and learning are important for organizations in the public sector to succeed and develop when it comes to procuring qualitative and complex services. This can be done by following-up the procurements in a structural way, both during and after each project. This increases the learning and transfer of individually gained knowledge to other people in the whole organization. It is important that the knowledge is transferred to other people and the whole organization. The organizations can manage to develop more when it comes to purchasing compared to the industry they operate in. As mentioned in the analysis, reasons for why some organizations develop faster than its industry include utilizing new ways of thinking and being more creative. For example, using pitches is one way to be creative. Moreover, the follow-up should be the foundation to look both backward, as well as forward, when making procurements. Public organizations should also integrate with the internal and the external environment to gain experience.

Furthermore, relationship is another important factor. To capture the relational aspects with suppliers, organizations in the public sector can use new and creative methods to evaluate suppliers. Some of these methods are interviews and presentations. It is also important for public organizations to have enough experience and knowledge to procure different types of consultants. Since it is the consultant who will do the performance, organizations have to see the individual consultant and not only to the consultancy firm in specific procurements.

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8 Appendix

8.1 Interview objects and organizations

Anonymized name	Anonymized organization	Identified group
Adam	A	1
Andy	A	1
Brian	B	1
Bruce	B	2
Christophe	C	2
David	D	2
Eric	E	2
Felix	F	2
George	G	2
Howard	H	3
Ian	I	3
Jacob	J	3
Jack	J	3
Kevin	K	3
Leonard	L	3

8.2 Interview guide

Important to notice: The interviews were conducted in Swedish and this interview guide has been translated to English. Therefore, differences can be found due to the translation.

The aim of the thesis is to investigate how the public sector procuring management consultancy services. In particular, we want to investigate how fictitious cases, interviews, quality etc. started to being used as evaluation criteria and what lessons have been learnt?

1. The person's background, past and present roles.

2. How are the procurements organized? Who does what and why?

3. How was the current procurement done? Try to cover the whole stage.

    a. How did the need occur? Who decided that consultants would be hired and why?
    b. Who organized the procurement (wrote specifications, contract documents, etc.)?
    c. How did you decide to use fictitious cases or similar?
        i. Where did the idea come from?
        ii. Was it difficult to implement?
    d. How was the procurement conducted? Were there any particular challenges?
    e. What happened after?
        i. How did it go with the project?
        ii. Did you learn anything from the procurement?
        iii. How did you take care of the experience? (For example, what will we do next time?)
4. Differences between procuring different types of knowledge intensive services? (Advertising, law, PR etc.)?
    a. Which and why? How to handle?
5. Challenges with procuring consultancy services? Regarding the PPA?
6. Which areas/trends do you see as interesting to develop further?
    a. Who are the drivers of the development?
    b. Where do you learn new methods?
7. Give an example when it went good/bad. Why did it go in this way?
8. Have you learnt anything after procuring consultancy services that you are using today?
9. How important do you see relationship to be? Why?