Masters of Science in Business Process and Supply Chain Management

Purchasing Process of Services

A Study of the Purchasing Process of Human Resource (HR) Services

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Abstract

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Title: Purchasing Process of Services: A Study of the Purchasing Process of Human Resource (HR) services

Background: The rise in competition among organizations continues to increase. The rise in globalization, outsourcing and continuous pressure from customers have been the source for the increase in competition. Additionally, the instability in various industries is leading to high competition among firms. The purchasing of professional services is vital to organizations. Contemporary organizations spend a huge portion of their resources on the purchasing of professional services. The proper purchase of professional services can lead to cost saving and competitive advantage for companies or organizations.

Research Questions:
- How can the various purchasing models be used to develop a process for professional HR service purchasing?
- What are the factors involved in developing a process for the purchasing of professional HR services

Purpose: The purpose of this thesis is to develop a purchasing process for the purchasing of professional HR services. It takes into consideration the various classifications models of purchasing and the factors involved in the purchasing of services in order to develop a purchasing process for professional HR services.

Method: Through a qualitative case study, the thesis gathered empirical data and used the deductive scientific approach to building a foundation of theory. Additionally, pattern matching was used to analyze both the theory and empirical data.

Conclusion: The thesis developed a new classification model for HR services which resulted in the development of a new purchasing process that takes into consideration the classification of services and integrates the effects of the classification in the purchasing process. Additionally, the thesis discovered that personal relationship, clarity of problem and solution, specification of supplier’s inputs, specification of supplier’s throughputs or processes, specification of supplier’s output and specification of supplier’s outcome and the characteristics of service are factors involved in the development of a purchasing process for HR Services.

Keywords: Professional Human Resource Services, Categorization of service, Purchasing Models, Service Purchasing Process
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1. Introduction

This chapter presents a foundation for professional services, especially human resource service. It goes further to describing the importance of the purchasing of professional services for organizations and how it contributes to organizational performance. Additionally, it identifies the problems and limitations within the purchasing of professional service and indicates the area in service purchasing where authors recommend future research. Moreover, this chapter describes the disposition of the research.

1.1 Background

The rise in competition among organizations continues to increase. The rise in globalization, outsourcing and continuous pressure from customers have been the source for the increase in competition. Additionally, the instability in various industries is leading to high competition among firms. The instability range from simple to complex, stable to unstable and friendly to hostile markets (Gebauer, Gustafsson and Witell, 2011; Zheng, Knight, Harland, Humby and James, 2007; Monczka, Handfield, Giunipero and Patterson, 2009). Purchasing is held responsible for the raw materials, components, and services that are purchased. Additionally, it is also responsible for the kind of supplier that is selected for the supplying of purchased materials, services and the timely delivery of products to customers (Lee and Drake, 2010; Van Poucke, Matthyssens and Weeren, 2016).

The purchasing of professional services is vital to organizations. Contemporary organizations spend a huge portion of their resources on the purchasing of professional services (Van der Valk and Wynstra, 2012). Additionally, Tate, Ellram, Bals, Hartmann and Van der Valk (2009) assert that the amount spent on the purchasing of professional services is 50% or more. Moreover, Van der Valk and Rozemeijer (2009) also stress the importance of the purchasing of professional services in that it accounts for a major amount of a company’s total acquisition. Furthermore, when the process of purchasing services is implemented properly, it tends to increase profit and reduce cost thus helping to improve the company’s performance (Stradford and Tiura, 2003; Tate et al., 2009).
Due to the importance for companies to stay competitive, they tend to improve various internal business processes (Monczka, Handfield, Giunipero and Patterson, 2009). Consequently, the improvement or formalization of processes for the purchasing of professional services is also an element of the improvement of internal business processes.

Although service purchasing is not fully researched and still considered a non-strategic function of purchasing, the formalization of purchasing routines is attributed to the transition from the traditional purchasing function to a strategic function. Additionally, even with the transition of purchasing to a more strategic function, the focus is mainly on the purchasing of tangible goods instead of professional services (Pemer, Werr and Bianchi, 2014).

Professional services represent one of the fastest-growing sectors with 7% in value of world trade 2013 (World Trade Organization, 2014) and are considered as one of the main engines for future growth within the European Union (European Commission, 2007). Purchasing professional services is becoming an activity increasingly common in companies. This is in line with the general outsourcing trend according to which the value that stems from the supply chain, accounts for approximately 80% in many industries with an outsourcing ratio for companies which often surpasses 90% (Johnsen, Howard and Miemczyk, 2014, in D’Antone and Santos, 2016).

Prior to the evolution of the purchasing profession, it was a mere operative function. It was a supplementary activity for other departments without any consideration of the vital role it plays in strategy formulation and implementation (Úbeda, Alsua, and Carrasco, 2015). The purchasing function was considered as a low-level function that had no effect on the company’s performance or competitive advantage (Foerstl, Hartmann, Wynstra and Moser, 2013). In his 1985 book “Competitive Advantage: Creating and Sustaining Superior Performance” Porter’s reference to procurement within the support activities of the Generic Value Chain speaks volume to the traditional nature that the purchasing field found itself. In as much he indicates the importance of procurement, the author mentions that procurement was dispersed or decentralized throughout the various departments in companies. Purchasing was done by the traditional department and also by other departments of companies. This speaks to how disconnected or disorganized the purchasing function was implemented.
(Porter, 1985). At this point, all categories of purchasing including the purchasing of goods and services were decentralized and relevance was not given to the purchase function.

However, the role of purchasing changed drastically in the early 1980s since the declaration from Kraljic for the transition of purchasing into supply management. The stiff competition in the global market which requires companies to focus on product innovation, faster delivery, cost reductions and customers’ demand has forced organizations to transition from treating purchasing as a mere supportive function to a more strategic function. This means that purchasing has become one of the main elements in a company’s strategy formulation and implementation (Úbeda et al., 2015). With the importance of improving the value of customers through organizational performance, organizations have realized the contribution that purchasing offers to organizational performance (Monczka, Handfield, Giunipero and Patterson, 2009). Even with the focus on purchasing and involving the purchasing department into the decision-making process in terms strategy formulation and implementation, attention is usually paid to the purchasing of tangible goods. Additionally, in many companies, the purchasing of services is more decentralized instead of being centralized whereas the purchasing responsibility is supposed to be implemented by the purchasing department. Other departments within companies are involved with the direct purchasing of services. The issue of services is being perceived as a non-strategic function (Smeltzer and Ogden, 2002). Additionally, in comparison to the purchasing of tangible goods, the purchasing of professional services has received less attention in academia (Day and Barksdale, 1994; Sieweke et al., 2012). On the other hand, Tate et al. (2009) assert that in as much attention on the purchasing of business or professional services is increasing, but it is still under-researched.

The purchasing of goods or materials is fully formalized with well-defined routines. Unlike the purchasing of professional services, there is no defined or formalized process. Due to this gap, researchers have recommended that researchers and academicians within the purchasing field focus on the purchasing process of services (Day and Barksdale, 1994). The formalization process involves the establishment of policies which include written guidelines and standards that speak to the process involved in making purchases and the implementing contracts (Sieweke et al., 2012).
Professional services or KIBS (Knowledge Intensive Business Services) are used to provide professional judgment and/or deliver new knowledge, technologies, products and services to customers (He and Wong, 2009; Hertog, 2000). According to Koschhatzky and Zenker (1999), professional services can take a variety of forms but could be classified into two different fields. The first field is advisory services such as legal, book-keeping and auditing activities, market research, business, and management activities. The second field is described as technical services such as computer-related, engineering and architectural activities, technical testing and analysis.

In previous years, much of the human resource (HR) functions were performed in-house with less regard for outsourcing. However, in recent years, there has been a change of phenomenon with much of the HR activities being outsourced while the internal HR team focuses its attention on strategy (Klaas, 2008). Glaister (2014) asserts that the main reason for HR outsourcing is due to cost savings. HR outsourcing is widely implemented in western countries including Europe, Canada and North America (Chiang, Chow and Birtch, 2010). Additionally, the HR professional service market continues to be on the rise. It is estimated that the professional HR service global market is $199.6 billion in 2017 (Bodimeade, 2012 in Siew-Chen and Seow-Voon, 2016). There are many HR services or functions that are outsourced or purchased. Among the many HR services, recruitment and selection and training are the most purchased or outsourced functions (Klaas, McClendon and Gainey; 2001 Belcourt, 2006; Ordanini and Silvestri, 2008). Consequently, this thesis bases the HR services on recruitment and selection and training due to the fact of they are highly outsourced or purchase HR services.
Figure 1.1 summarizes the visualized path of the choices of HR services. It breaks down professional services into various parts and also goes further to depict what type of service HR services fall under.

**Figure 1.1 Visualized path to the choice of professional HR services (own figure)**

The purchasing process can vary from one organization to another, but there are some key elements in the process that are constant. Van Weele (2014) describes six major steps in the purchasing process. In the first step, the organization needs to identify and specify the demand. In the second step, the organization ensures it chooses the right supplier for the purchasing of goods and services. Additionally, in the third step, agreements are established. The fourth step entails the establishment and development of routines for ordering. In continuation, the fifth step consists of the process of creating and developing routines to expedite the orders. The final step is the evaluation of the supplier.

**Figure 1.2 describes the sequence or process through which the purchase of product is implemented.**

**Figure 1.2f Purchasing Process (Van Weele, 2014)**

### 1.1.1 Various Purchasing Model for HR Service Purchasing Process

Kraljic Purchasing Portfolio Model is a notable model used within the purchasing profession especially for the purchasing of tangible goods or materials (Gelderman and Van Weele, 2003). Kraljic (1983) proposes four procurement focus area (Strategic, Bottleneck, Leverage
and Non-critical items) which are purchase items and classifies them two dimensions, profit impact and supply risk (high and low). Additionally, the author proposes approaches to each of the items depending on the profit impact and supply risk. Moreover, the purchasing process consists of four phases which include classification, market analysis, strategic positioning and action plans.

The model is not actually focused on the purchasing of professional services (Krajlic, 1985). It has been successful with its huge acceptance. It is used by purchasing professionals and also in purchasing literature (Pagell, Wu and Wasserman, 2010; Gelderman and Van Weele, 2003). With the success in the use of the model especially for the purchasing of materials, it is of essence to find out whether the model in connection with other models can be used in developing a purchasing process of HR professional services.

The Supply Management Involvement in Service Model is designed by Ellram and Tate (2015). This model is concerned with the supply management or purchasing department involvement in the purchasing of service. The researchers assert that supply management involvement in service purchasing does not occur naturally. The supply management or purchasing department must be invited to the process by budget holders based on their views that supply management involvement will lead to positive outcomes.

Silvestro, Fitzgerald, John and Voss’s (1992) Types of Service Process is another service purchasing model that introduces three types of services (professional, mass services and service shops). The model deals with various management issues. Additionally, Silvestro et al. (1992) state that there are differences between the three types of services in terms of service strategy, control and performance measurement.

Wynstra, Axelsson and Van der Valk’s (2006) Service Classification also classifies service. It consists of four types of services (major instrumental services, major semi-structured services, major consumption services and major component services). In relation to the different exchange of business services, the model explains the differentiated buyer-seller interaction. It also describes the impact of the various kinds of service on internal users and customers.
Van Weele’s (2014) classification of service model classifies service as business-critical and non-business-critical services. The author asserts that the manner through which service is purchased is dependent on the strategy of the business, the organization of the organization and the internal customer that consume the service.

### 1.1.2 Factors involved in developing a Purchasing Process for HR services

In regards the purchasing of services, Van Weele (2014) highlights some factors that influence the purchasing process of professional services and stresses the importance of these factors in relations to the professional service. The author points out personal relationship between the buyer/internal users and the supplier/provider of service, clarity of problem and solution, specification of inputs that the supplier will use, specification of throughput or processes and specification of outputs and outcomes that is generated by the supplier and clarifying the expertise, capacity and quality of staff of the supplier.

In the purchase of professional service, there is a high degree of personal relationship between the buyer and seller. This relationship can even result in a situation wherein internal users of the service build a close relationship with the supplier of the service. This can lead to the internal users not being objective in regards to the performance of the supplier. In the purchasing process, it is essential that the cause of the problem for which the professional service is been purchased and the solution to the service is clear before the supplier is contacted. The specification of throughput or processes includes how the activities or goals of the service will be achieved. Due to the intangibility of service, it is sometimes difficult to clarify the problem and solution. Like other processes, the professional service purchasing process also has inputs, outputs and outcomes. It is vital to the service that purchasers are conversant with the inputs and the expected outcome or output in order to measure the performance of the supplier. Additionally, expertise, capacity, and quality of staff of the service providers need to be known by the purchaser of the service. This information can have the purchaser knowledgeable as to the competence of the service supplier in relations to the provision of the service (Van Weele, 2014).

Van Weele (2014) asserts that these factors are important to be analyzed from the perspective of the professional purchaser. If these factors are not thoroughly considered in
collaboration with the various characteristics of professional service, the delivery of service in the right quality, and at the place and time might not be possible.

1.2 Problem Discussion
Many authors are in agreement with the enormous importance of the purchasing of services for organizations (Hallikas, Immonen, Pynnönen and Mikkonen, 2014). Stradford and Tiura (2003) and Tate et al. (2009) assert that the proper purchasing of services can lead to cost efficiency and maximization of profit. Purchasing of goods and services constitute over 80% of companies’ cost structure (Van Weele and Van der Vossen, 1998 in Hallikas, 2014). Moreover, Tate et al. (2009) aver that the purchasing of professional services amount to over 50% of cost. Consequently, the training of purchasing professionals responsible for contracts and external services suppliers can improve cost management and reduce risk thus improving the overall supply management. Fearon and Bales (1995 in Zheng et al., 2007) even aver that the purchasing of service is more important than the purchasing of goods due to its ability to increase profits.

In terms of the purchasing of professional services, it is more difficult to define a service than a product, because of the intangible characteristics of service (Smeltzer and Ogden, 2002). Service is more common for the creation of personal relations between the buyer and the supplier than with products. It is not uncommon for these personal relationships to eventually evolve into a partnership between organizations. However, it is unclear if a deeper relationship with a professional service supplier gives the same advantages as a partnership with a product or a component supplier. It is not certain that partnership yields any benefits (Lian and Laing, 2007). There are different views on how purchasing professional services are viewed. Often managers describe it as a personal or organizational relationship. On the other hand, the purchasing department views the purchasing of professional services as a transaction. These two different views on the purchasing of professional services can result in conflict within the company since it might make it tougher to maintain a personal relationship with the service provider (Pemer and Skjølsvik, 2016). The providers of services are human beings who create the exchange of ideas, skills and capabilities. Therefore, it is difficult to consistently measure professional service’s characteristics and quality since the factors of exchange (ideas skills and capabilities)
fluctuate. Moreover, the evaluation of professional services before and after the purchase is difficult due to its abstract and intangible characteristics, and dependence on the buyer and supplier interaction. The supplier selection in service purchasing is difficult due to the difficulties in evaluating professional services before they are purchased. Additionally, services are difficult to cost or price. Furthermore, value gained from the service is hard to compare or measure against the price or cost of purchasing the service (Axelsson and Wynstra, 2002).

In as much there have been contributions to the field of professional service purchasing, there are still limitations. Van der Valk and Rozemeijer (2009) and Selviaridis et al. (2011) agree that there are limitations within the area of service purchasing and recommend further research in the purchasing process and the implementation of a structural process. Even though Tate et al. (2009) indicate that there is an increase in service purchasing research, they are also in consonant with other researchers who assert that there are still limitations. In addition to academia, the researchers also stress that there is limited supply management involvement when it comes to services. Moreover, Holmlund, Kowalkowski and Biggemann (2016) also point out the less attention given to service purchasing. Even though there are numerous studies concerned with the purchasing of professional services but it is important to find patterns and similarities in purchasing various types of professional services (Day and Barksdale, 1994). The purchasing of service is important and contributes to organizational performance. Unfortunately, it is still under-researched especially within the definition of the purchasing process. Therefore, it is paramount for research to look into the purchasing process of professional services and this thesis opts to develop a process.

1.3 Purpose of the Thesis
The purpose of this thesis is to develop a purchasing process for the purchasing of professional HR services. It takes into consideration the various classifications models of purchasing and the factors involved in the purchasing of services in order to develop a purchasing process for professional HR services.

1.4 Research Questions
- How can the various purchasing models be used to develop a process for professional HR service purchasing?
- What are the factors involved in developing a process for the purchasing of professional HR services

1.5 Disposition of the Thesis

*Figure 1.3 represents the deposition. It summarizes the pattern or sequence through which the thesis is written and followed.*

*Figure 1.3 Disposition (own figure)*
2. Research Methodology

This chapter presents a descriptive foundation of the research methodology. It describes the scientific perspective, scientific approach, research and sampling methods, data collection, analysis method, scientific credibility and ethical consideration. Additionally, this chapter provides the research methodological choices of the thesis and reasons for those choices.

2.1 Summary of the Thesis Methodology

Figure 1.5 summarizes the research methodical choices of the thesis. The methodical choices do align with the type of thesis.

<table>
<thead>
<tr>
<th>Scientific Perspective</th>
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<tr>
<td>Scientific Approach</td>
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<td>Research Method</td>
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<td>• Case Study</td>
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<td>Sampling Method</td>
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<td>• Primary Data</td>
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<td>• Secondary Data</td>
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<td>Analysis Method</td>
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<td>Scientific Credibility</td>
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<td>Ethical Considerations</td>
<td>• Protect privacy</td>
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<tr>
<td></td>
<td>• No deception</td>
</tr>
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<td>• Participants are informed</td>
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Figure 1.5: Summary of the Thesis Methodology (own figure)
2.2 Research Perspective

2.2.1 Hermeneutics
With its roots from theology, hermeneutics is concerned with the accurate understanding of human interpretation (Thomas, 2004). It is the interpretation of human actions which draws a line between the interpretation and the understanding of human behavior (Saunders, Lewis and Thornhill, 2016). Additionally, this research perspective is used in qualitative research especially in the social sciences (Kakkori, 2009). Moreover, its main focus is the interpretation of text and enhances understanding through the process of interpretation but the certainty of situations cannot be actualized through the hermeneutics perspective.

2.2.2 Positivism
The field of philosophy is the foundation of positivism. In research, it is concerned with the philosophical view of natural scientists who consider the observation of social realities (Saunders et al., 2016). Positivists assert that people and things are similar and therefore, they should be studied in the same manner. Furthermore, the major ideology of positivists is the concentration on knowledge through observation (Thomas, 2004). A positivist researcher might use existing theory in order to develop hypothesis. The hypothesis can then be tested, confirmed or fully or partially discarded thus leading to more theory which can be tested via further research. On the other hand, this does not indicate that it is compulsory that a positivist researcher begins with theory (Saunders et al., 2016). This speaks to the fact that positivism contains both the deductive and inductive approaches. This is because hypothesis can be tested based on theory and on the other hand, data can be collected through observation without regard to theory (Bryman and Bell, 2015).

2.2.3 Thesis’ Research Perspective
The thesis focuses on the positivistic perspective. The reason for this selection is that the thesis observes human interactions. Through the observation of human interactions, knowledge is gathered. In addition to the observation of human interaction, interviews are also used as a means of human interaction to gather information on the professional HR purchasing process.
2.3 Scientific Approach

2.3.1 Deduction
Deduction involves the development of theories that are tested through the gathering of data (Saunders, Lewis and Thornhill, 2016). The main focus of this approach is its foundation on theory and involves obtaining experiential consequences through theory. Additionally, it contributes to the conceptual understanding of empirical fact. Moreover, through deduction, it is possible to orderly and critically test empirical evidence (Åsvoll, 2014). Bergdahl and Berterö (2015) assert that a research is deductive when the research question is based on theory. Additionally, a deductive method is aimed at critically testing theory, empirically or logically testing results or hypothesis resulting from the theory.

2.3.2 Induction
Unlike deductive research, a research is considered inductive when the theoretical explanation is formed through the collection and analysis of data. Thomas (2006) describes deduction as the process of using raw data through detailed reading in order to derive concepts and models. The actual focus is that the data is firstly collected and on the basis of the analysis of the data, the theory is formulated in relation to the empirical data (Saunders, Lewis and Thornhill, 2016).

2.3.3 Scientific Approach of the Thesis
The thesis used the deductive research approach. Since the deductive approach uses theory in order to test empirical evidence, this thesis likewise based its foundation on professional HR purchasing process through the use of theoretical frameworks to analyze data. The thesis used various purchasing model and Van Weele (2014) purchasing process to develop a formal purchasing process for professional human resource services. Additionally, it uses theories from various purchasing models and Van Weele purchasing process to create a professional HR service purchasing process.

2.4 Research Method

2.4.1 Qualitative Research Method
The major focus of the qualitative research is that it is concerned with words (Bryman and Bell, 2015). Qualitative research contributes to the creation of theory and also affords researchers the opportunity to analyze processes in management or organizations (Doz,
Through empirical data collection, this research method investigates the meaning of people’s actions and situations and interprets the facts and meaning of those actions. Additionally, qualitative research method usually makes use of interviews as a means of data collection (Devadas, 2016). Qualitative research can be termed as both inductive and deductive. When the findings of a research are established without the use of theory, that qualitative research is considered inductive. Thereafter, the data can be used to develop the theory. On the other hand, if results of the research are gathered through theory and empirical data are used to validate the theory, the research is considered deductive (Bendassolli, 2013).

2.4.2 Quantitative Research Method
In contrast to qualitative research, quantitative research uses measurement to explain results (Bryman and Bell, 2015). The collection and analysis of data in this research method are based on mathematical methods. It underpins the gathering of mathematical or numerical data and generalizing the data over a group of people (Almalki, 2016). Quantitative research gathers a bigger sample size and statistically tests and measures the connections between the different samples (Lock and Seele, 2015).

2.4.3 The Thesis’ Research Method
The thesis implemented the qualitative research method. The reason behind this decision is that the thesis analyzed and understood the HR professional service purchasing and also developed a professional HR service purchasing process. With reference to the theory of the thesis, this research used interviews to collect empirical data that was analyzed in order to answer the research questions. Additionally, via the interviews, this paper gathered non-numerical empirical data and also tested and analyzed results through non-statistical means.

2.4.4 Case Study
A case study is a process of creating or having a detailed understanding of a single or small number of cases in a real-life situation. It creates a novel knowledge about real life and the world behavior and learning. In order to use case study as a research method, there are three important factors that must be considered. The first factor is the kind of research questions that are involved with the research. The research question must be descriptive (what is happening or has happened) or explanatory (why and how something happened). The second
factor is that the research must study a situation that is within a real-world context. Furthermore, the third factor considers the research that is related to conducting evaluations (Yin, 2012).

Bryman and Bell (2015) aver that case study is differentiated from other research methods due to the fact that it focuses on a bounded situation or system. It tends to pay keen attention to an institution that has a purpose and parts or departments that are functioning. Moreover, through a rigorous manner, it analyzes a setting. Additionally, it usually uses models of research designs that align with qualitative research. It uses participant observation and unstructured interviews. These components or models of research design are implemented in order to give a detail and rigorous analysis or examination of the case.

The main analysis of case study is the study of relationship. Additionally, the study of a single or small number of entities provides large qualitative data that paints a picture of the situation (Easton, 2010).

2.4.5 The Thesis Case Study Selection
The thesis uses case study as part of its research design. This research analyzes real life situation from the perspective of the companies involved in the research. In order to develop an HR purchasing process, the research analyzed the HR professional purchasing process of the researched companies thus implementing explanatory case study. Since the research is qualitative, case study is prudent for this research. Case study is closely aligned with qualitative research due to the fact it uses models (participants observation and unstructured interviews) that are related to qualitative research.

2.5 Sampling Method
A researcher will need to figure out where to collect information for research. One of the means to gathering information from the public is through sampling (Saunders et al., 2016). Population, in this case, refers to people, firms, products and others. Due to the constraints of time and money, it is extremely difficult to collect information from an entire population. The procedure of sample is divided into two main categories: Probability and Non-probability samples (Ghauri and Grønhaug, 2005)
Probability sampling is usually used in survey research strategies. In order to answer the research question through this sampling, the conclusion from the research sample about the population must be made. In the selection of the appropriate sample size, there are four probability samples: simple random, systematic random, stratified random, cluster and multi-stage samples (Saunders et al., 2016). The main logic with simple random sampling is that all units in the population have the same chance of being selected. Systematic random sampling involves the selection of a sample at a regular interval from the sampling frame. Stratified random sampling is like another form of simple random sampling that divides the population into two or more mutually exclusive and exhaustive subsets and a simple random sample of units is chosen independently from the subsets. Similar to stratified random sampling, cluster sampling also divides the target population into mutually exclusive subsets. Additionally, in the cluster sampling, one-stage cluster sampling is created when the researcher analyzes the units in the selected cluster. Furthermore, a two-stage cluster that is formed is a sample of units and is selected through probability from the selected subsets.

The non-probability sample is not representative. There are two samples (Convenience Judgement and Quota Samples) within the non-probability sample. In regards to inconvenience samples, units that are considered convenient are selected. For instance, the researchers of the thesis could decide to choose to interview the Purchasing Manager of all researched companies. The judgment sample is meant to get a sample that represents the population of the study. Researchers select units that they think represent the population. Quota samples are used in survey research with structured interviews. It ensures that certain subsets of the units are represented in the sample. Subsets can be small, medium-size and large firms.

In qualitative research, researchers usually use theoretical sampling as a means of purposive sampling which determines the variability of the research. Additionally, it also finds categories and properties and suggests the relationship between the categories, properties and theory. When the researchers get pieces of information in the theory of the study that is important to answering the research question, it then looks for a population that suits the theory.
2.5.1 Thesis’ Sampling Method

This thesis selected non-probability sampling. This sampling method was chosen because the thesis selected manufacturing companies with the same size, purchasing departments and also because they purchase HR services. Additionally, the thesis chose Company A and B due to the fact that they are companies with over 250 employees and an annual turnover of over 50 Million Euros.

In non-probability sampling, the researcher has the freedom to select a unit that he/she thinks represent the population. The thesis thinks that the above-mentioned frame of the selected companies represents the studied population.

2.6 Data Collection

There are two types of data collection. They are primary data and secondary data (Saunders et al., 2016). Primary data are collected for a specific problem. When primary data are collected, there is always a new data that is added. The data, therefore, becomes part of a reservoir of knowledge. The knowledge is available for reuse by researchers which then becomes secondary data. On the other hand, secondary data is collected for a different use other than a specific research problem but it is used by researchers to fit a specific research problem (Hox, and Boeije, 2005).

Primary data collection involves observation, interviews, and questionnaires. Observation involves watching, recording, analyzing and interpreting how people behave. Interview involves structured, semi-structured and unstructured interviews and can be conducted face-to-face, via telephone and other internet sources. In a structured interview, each participant of the research is questioned using the same wordings and pattern. A structured interview reduces the researcher’s bias and the researcher has the power of controlling the format of the interview thus making it easy to code. This is suitable for quantitative research. Unlike structured interviews, semi-structured interviews involve open-ended questions with a broad perspective and subsequent questions are asked depending on the response from the respondent (Doody and Noonan, 2013). Semi-structured interviews are unstandardized and the researcher covers a list of topics and some important questions. Depending on the nature and progression of the interview, some questions can be omitted or added (Saunders et al., 2016). Semi-structured interviews are usually used in qualitative research (Kallio, Pietilä,
Johnson, and Kangasniemi, 2016). On the other hand, in unstructured interviews, there are no lists of predetermined questions to be asked but the researcher needs to possess a clearer thought of the aspects. It is generally an informal conversation about events and behavior in connection with the topic of the research (Saunders et al. 2016). Furthermore, Saunders et al. (2016) consider questionnaire as a data collection method through which each interviewee answers to a predetermined set of questions. It can be done both face-to-face and via telephone and in situations wherein the researcher or interviewer is absent.

According to Saunders et al. (2016), there are Document, Survey-Based and Multi-Source Secondary Data. The Document Secondary Data includes text and non-text materials. Text materials consist of books, journals and magazine articles, newspapers, emails, meeting minutes, administrative and public records and transcript of speeches and conversations. On the other hand, Non-text Materials include pictures, voice and video recordings, drawings, films, and television program. Additionally, qualitative and quantitative research can use both the text and non-text materials. The survey-based data are existing data gathered through survey (usually questionnaires) but meant for another purpose. Multiple-source data is derived from the document or survey-based secondary data. The importance of this data is that it makes use of the two types of data.

2.6.1 Thesis’ Data Collection
The thesis used both primary and secondary data collection. In terms of primary data collection, the thesis conducted semi-structured interviews in order to gather detail information. The interviews were done through face-to-face and telephone. Additionally, the researcher visited the procurement or purchasing departments of the companies in order to get a real-life experience of the purchasing process for professional HR services. In relations to secondary data, the thesis used scientific articles from peer-reviewed journals and books in order to build a theoretical foundation for the entire paper and also to give an analytic basis of the analysis chapter. The interviews were conducted with the purchasers or the purchasing managers responsible for the purchasing of HR services. The reason for not only interviewing managers is that in one of the organizations where the interviews were conducted, there was not a manager responsible for the purchasing of HR services, instead, there was a purchaser responsible for purchasing HR services with whom the interview was
conducted. Therefore, this case study consists of organizations where HR professional services are purchased.

### 2.6.1.1 Interviewees

The interviewee of Company A is a strategic purchasing category manager responsible for the purchasing of professional services within the organization. HR service is one of the services the manager is responsible for. The reason for interviewing the strategic purchasing manager was to acquire an overall picture of the purchasing process of the HR services in Company A. In Company B, the interviews were conducted with two purchasers, one responsible of the HR-services and one responsible for the sustainable purchasing in Company B. The reason for conducting interviews with several purchasers was to get a correct picture of the purchasing of HR services.

### 2.7 Analysis Methodology

Yin (2014) proposes four strategies (Relying on theoretical propositions, working your data from the “ground up”, Developing a case study and examining plausible rival explanations for case study analysis) for case study analysis. Relying on theoretical propositions is concerned with the analysis which is based on the theoretical propositions of the study. The theoretical propositions involve the research questions, literature reviews and hypothesis or propositions. Working data from the “ground up” uses inductive strategy wherein the data is first reviewed and patterns are noticed. It varies from relying on theoretical propositions in that it is concerned with the propositions of the study. The third strategy which is “developing a base description”, deals with the organization of the case study in relations to some descriptive framework. In this strategy, data is collected without any research question or proposition. The fourth strategy, “examining plausible rival explanations”, is concerned with the definition and testing of plausible rival explanations. This strategy connects to the previous strategies in that “relying on theoretical propositions” may have rival hypothesis, working data from “the ground up” may create rival inductive framework and “developing a case study” might have alternative description of the case.

There are five case study analytic techniques (Pattern Matching, Explanation Building, Time Series Analysis and Logic Model) that Yin (2014) suggests. Pattern Matching is basically comparing the empirical data pattern from the results of the study with the predicted results.
that were created prior to the findings of the research. Additionally, this technique is widely used in case study research. The Explanation Building is another and special form of the Pattern Matching technique which requires more attention due to the difficulty in implementing it. Explanation Building is conducted through the analysis of the case study by building explanation about the case. It actually creates hypothesis but does not conclude the study. It is a foundation for the suggestion of further research. The main logic with the Time Series technique is that it connects the empirical data to any of the following. Theoretical foundation built before the case investigation or some rival trends indicated prior to the investigation of the case. The Logic Model analyzes local trend or pattern of occurrences over a long period of time. The patterns of occurrence are repeated in a casual pattern. The Logic model also connects or balances the empirically based events to the theoretical foundation of the study.

Bryman and Bell (2015) suggest two major tools used for the analysis of qualitative research data. They pointed out Grounded Theory and Analytic Induction. Grounded theory which is the widely used tool for qualitative research is concerned with many tools including theoretical sampling, coding, theoretical saturation, and constant comparison. Theoretical Sampling deals with the process of collecting data in order to create a theory. In this process, the data is collected, coded, and analyzed. After this process, if there is a need for further data collection, the researcher discovers where to find additional data so as to develop more theory. In support of the theoretical sampling process, the coding process divides or breaks down data into component parts and codes them with names. Theoretical saturation relates to two phases in grounded theory. It connects the coding process wherein a point is reached to the level that it is not reasonable to further review the data in order to see whether they fit the concept or categories. The last tool in grounded theory is the constant comparison which explains the constant comparison of the data collected and the conceptualization in order to maintain the connection between the concepts and categories.

2.7.1 Thesis’ Analysis Methodology
In terms of the analysis of the case, the thesis uses Pattern Matching as a tool for analysis. This is because the thesis compares and connects the theoretical foundation or framework of the research with the empirical data collected from the companies. This method gives a
clearer picture as to what is done in the researched companies in connection to what the theory entails.

2.8 Scientific Credibility

2.8.1 Validity
Validiy is concerned with the integrity or trustworthiness of the research’s conclusion. There are three main types of validity. They are construct validity, internal validity and external validity.

2.8.2 Construct Validity
Construct validity is concerned with the right operational measure that reflects the concept being studied (Yin, 2014). Additionally, in construct validity, researchers gather hypothesis from the theory which is important to the concept (Bryman and Bell, 2015).

2.8.3 The Thesis’ Construct Validity
The thesis has high construct validity in that it deduced the research questions from theory. In order to study the purchasing process of professional HR services, the theoretical deduction is based on the various purchasing models and the Van Weele (2014) purchasing process.

2.8.4 Internal Validity
Internal validity is mainly concerned with cause and effect relationship. It uncovers whether there is a true causal relationship between two variables. For instance, if there is a claim that x leads to y, is it a fact that x actually leads to y or is there another variable that is producing the causal effect between x and y? Therefore, there should be no assumptions of cause and effect relationships between variables (Yin, 2014; Bryman and Bell, 2015).

2.8.5 Thesis’ Internal Validity
There is a high internal validity of the thesis. Specifically, to the second research questions, there is a cause and effect relationship between the factors of purchasing and the creation of a professional HR purchasing process for service. Additionally, the thesis analyzed the effects of the various purchasing models on the creation of a purchasing process for HR service.
2.8.6 External Validity
External validity is concerned with the issue of whether results from a study can be generalized beyond the immediate study regardless of the research methods that is implemented.

2.8.7 Thesis’ External Validity
The thesis tried as much as possible to avoid assumptions. It took into consideration patterns within the empirical data and theory in order emerge with its findings. Not all companies implement the exact process of purchasing professional HR service but there is a general process that is implemented in companies. Therefore, this research can be generalized beyond a specific research context with the inclusion of similar companies.

2.8.8 Reliability
Reliability is concerned with the issue of whether the findings from a study can be replicated. The issue is if the same procedure or process is done by researchers, they will arrive at the same findings of the previous research. Researchers should be able to arrive at the same finding. Therefore, it is important to reduce the errors and bias as much as possible and record the procedure of the study. Without documentation of the study, it is impossible for other researchers to replicate the research (Yin, 2014).

2.8.9 Reliability of the Thesis
The thesis can be replicated. The purchasing of professional HR services and the various purchasing models are standard even though the thesis developed a model and process for the purchasing of professional HR services. Moreover, the procedure or process in conducting this research is documented. In replicating this study, there might be variances in response to interview questions if the same interviewees are not questioned.

2.9 Ethical Considerations
Diener and Crandall (1978, in Bryman and Bell, 2015) divide ethical issues into four main areas. The first ethical issue is related to whether there is any harm to participants within the research. According to Bryman and Bell (2015), harm entails psychical harm, harm to participants’ development or self-esteem, career prospects or future employment. If
participating in the study will cause any form of harm, it is possible to make participants anonymous.

The second ethical issue Diener and Crandall (1978, in Bryman and Bell, 2015) describe is whether there is a lack of informed consent. Bryman and Bell (2015) explain that the principle of informed consent means that the prospective research participants should be given as much information as needed to make an informed decision about whether or not they wish to participate in the study.

Additionally, Diener and Crandall (1978, in Bryman and Bell, 2015) mention the third ethical issues in regard to whether there is any kind of invasion of privacy. According to Bryman and Bell (2015), ethical concern relates to the degree at which invasions of privacy can be condoned. The right to privacy is an issue that many people care about, and transgressions of their right are not acceptable even if it is in the name of research. There are considerations by offering participants anonymity in order to protect their privacy. If the participants are offered anonymity, it is more likely the participant will answer more truly during the interview. On the other hand, in some situations, the participants’ name, working position or status would bring more validity to the study (Bryman and Bell, 2015).

The fourth and last ethical issue that Diener and Crandall (1978, in Bryman and Bell, 2015) mention is whether or not deception is involved. Bryman and Bell (2015) describe that deceptions occur when researchers represent their research as something other than what it is. Deception in various degrees is probably quite widespread in much research because researchers often want to limit participants’ understanding of what the research is about so they respond more naturally to the questions.

2.9.1 Thesis’ Ethical Consideration

The participants in this study received the interview schedule including an explanation of what the material would be used for. They received the interview schedule two days before the interviews and got the finished report for revision and approval before publication of the thesis. This is in line with Bryman and Bell (2015) suggestions regarding informed consent and deception.
Furthermore, all the case companies as well as the participants’ names, are made anonymous in the thesis. The companies are referred to as Company A and B and the interviewees by their position in the company. Hence, the privacy and anonymity of both individuals and companies were protected. This is also in line with what Bryman and Bell (2015) suggest in order to protect the participants from any harm and protect their privacy.
3. Literature Review

The literature review presents the theoretical foundation of the thesis. It begins with the description of topics related to the first research question. It involves theories on the purchase or outsourced HR services and classification of services using various classification models. Furthermore, the theory also presents topics under the second research question. It consists of factors involved in the purchasing process and the implications for service. The various topics were selected based on theories related to the research questions and additionally, the selected topics are essential in answering the research questions.

Overview of the Literature Review

Figure 1.6 gives an overview of the various major topics under each of the research question. It depicts the topics that are essential to building a theoretical base for the thesis.
3.1 Research Question 1: How can various purchasing models be used to develop a process for professional HR service purchasing?

3.1.1 Human Resource Services
Traditionally, HR activities have been done internally within organizations. But in recent years, the outsourcing of HR services has been on the increase (Ordanini and Silvestri, 2008). The first thing to consider prior to the outsourcing of HR service is the decision of whether to make or buy. The decision to buy involves a third-party service provider which establishes the basis for outsourcing (Klaas et al., 2001). Additionally, if an organization should decide to outsource its services, the cost of producing the service by an external party should be lower than the cost of producing the service in-house (Ordanini and Silvestri, 2008). Some executives perceive outsourcing as a permanent decision to buy services or materials as compare to sub-contracting which is view as a temporary decision to produce services or materials which can then be produced in-house in the future (Greer, Youngblood and Gray, 1999). Greer et al. (1999) define outsourcing in regard to HR as the performance of HR services by an external party that would have been performed in-house by the purchasing or outsourcing organization. There are various reasons why HR services are outsourced. The reasons range from cost saving, downsizing, globalization, stiff competition, restructuring, focus on strategy, improvement of value added activities, improvement the quality of purchasing organization’s human capital to the creation of a foundation or resources and capabilities in increasing competitive advantage (Greer et al.,1999; Ordanini and Silvestri, 2008 Klaas et al., 2001; Belcourt, 2006).

There are several HR services or functions that are outsourced. The HR functions include temporary staffing, payroll, training, recruitment and selection, benefits administration, performance appraisal and others. On the other hand, recruitment and selection and training are the most popular outsourced or purchased HR services (Greer et al., 1999; Ordanini and Silvestri, 2008 Klaas et al., 2001; Belcourt, 2006; Banfield and Kay, 2008).
3.1.2 Classification of Services

3.1.2.1 Kraljic Purchasing Portfolio Model

Figure 1.7, the Kraljic Purchasing portfolio model is a model used to classify products in relations to supply risk and profit impact.

![Kraljic Purchasing Portfolio Model](image)

Kraljic (1983) divides the procurement into four different categories. The classification of products is based on the factors of the perceived supply risk and the potential profit impact. The idea behind the portfolio model is to determine which strategy approach is the most beneficial for each different category.

The first step in the process of categorizing products is to analyze the potential profits and purchasing costs of the products. Kraljic (1983) proposes the use of the purchasing volume, purchasing costs or the percentage of the total purchasing costs to assess the profit impact. To define the supply risk, the first thing an organization should do is to define the demand for a product but also assess the availability of the product on the market.

From the two variables (profit and supply risk), it is possible to categorize every product in terms of profit and supply risk level. When it comes to the strategic items or products, the proposed approach is to engage into a partnership with the supplier to ensure the continuous supply of products. This is because of the high profit and high supply risk involved with
strategic items. Kraljic (1983) proposes that the buying organization in the long-term should continue to search for alternative suppliers to improve the power balance in favor of the organization. Another approach could be to integrate backward in producing the product.

Leverage products are products with high profit impact but with a low supply risk. Kraljic (1983) asserts that the buying organization, in this case, should use its position to leverage the suppliers into a beneficial deal for the buying organization. It is possible for the organization to capitalize on the low supply risk and get the best possible terms with the chosen supplier.

When it comes to what Kraljic (1983) defines as non-critical items, the product has low profit impact and low supply risk focus. Kraljic (1983) proposes that purchasing managers should focus on making the procurement process and the routines smooth and cheap as possible. The organization will benefit more from the cheap and smooth routines than focusing on lowering the purchasing cost.

The last category, bottleneck-items, is the category wherein the profit impact is low but has a high supply risk. The purchasing strategy that Kraljic (1983) proposes, in this case, securing the delivery of the items and keep on looking for a replacement of the supplier(s). The goal is to ensure that the products can be purchased even though the costs might be high. The remedy for the price can be implemented by constantly working on replacing high-cost suppliers.

However, Terpend, Krause and Dooley (2011) argue that it is not possible to act from a preset strategy. According to Terpend, et al. (2011), the purchasing strategy might have to be adjusted after the shift in conditions. The main reason for this is that the purchasing environment often is much more complex than what Kraljic (1983) describes in his portfolio matrix. One of the complexities that Terpend et al. (2011) mention is that a certain product might not fit into more than one of the categories in the matrix. Terpend, et al. (2011) assert that it is impossible for an organization to determine a purchasing strategy solely on the perceived category of the product. This is because a single product can fit into several of the categories of the Kraljic matrix. Therefore, there should be an adjustable strategy for each supplier and disregard a single set strategy for each category.
3.1.2.2 Critique against the Kraljic Purchasing Portfolio

If the Kraljic Portfolio matrix cannot be the single tool to form a purchasing strategy; it is an important tool to evaluate viable approaches to purchasing different types of products. Terpend et al. (2011) argue that the matrix could serve as a basis for decisions of the purchasing strategy. Additionally, relationship with each supplier within the categories also plays a big part in forming a purchasing strategy. Dubois and Pedersen (2002) agree with Terpend, et al. (2011) and argue that the Kraljic Portfolio Model is not sufficient to decide the strategy approach for purchasing products. Instead of dividing the purchasing into four different categories, Terpend et al. (2011) and Dubois and Pedersen (2002) state that there are two different approaches when it comes to the purchasing of products, either there is a short term transactional relationship, or the relationship will focus on a deeper long-term partnership.

Virgil and Ionel (2013) agree that the Kraljic portfolio matrix is insufficient in evaluating and forming the purchasing strategy. The researchers agree with Terpend, et al. (2011) in that not all types of products can be included in the matrix. The main type of products that is beneficial to use in the matrix is the strategic and non-critical products (Virgil and Ionel, 2013).
3.1.2.3 Supply Management Involvement in Services Model (Ellram and Tate, 2015)

Figure 1.8 is a model used to classify services. It classifies services in terms of complexity and on-going value of the service.

![Supply Management Involvement in Services Model](image)

*Figure 1.8 Supply Management Involvement in Services Model (Ellram and Tate, 2015)*

Similar to the Kraljic (1983) portfolio purchasing model, Ellram and Tate (2015) design a model that categorizes service and stresses supply management involvement in service purchasing. Services are categorized in terms of complexity and on-going value. The complexity determines the level of difficulty of the service and the on-going value refers to the value of the service. The researchers divide services into four different categories (Guide, Consultant, Primary Owners and Process Owners).

Primary Owners have low complexity and low on-going value. This category of service is easy to specify and has low value. Additionally, it is used across the entire organization. Ellram and Tate (2015) describe it as “insignificant many” meaning that they are in bulk but insignificant to the main competence of the company. Supply management or purchasing professionals have full control of the purchasing and management of this category of service but some problems may erupt if this category of service is not well managed.

The second category is the “Guide” which has high complexity and low on-going value. In regards to the entire organization, the value is low but has high complexity because it is specific and important to a certain department. Services in this category are more user-specific and complex. The involvement of purchasing professionals in this category is
through guidance which involves supplier identification, selection and contracting. Ellram and Tate (2015) assert that the purchasing professional guidance of this category of service purchasing process is important in that without the guidance of the purchasing professional, the entire process might collapse.

The third category, Consultant, has both high complexity and value level. Services in this category are complex due to their specified nature. Additionally, the budget holders attach high value to these services and consequently have some emotional value attached. This category has a significant impact on the customers and revenue of the organization and a large amount of it is spent on these services. Therefore, they contain high value. In this category, there are often rifts between the budget holder and the purchasing professionals in terms of who should manage the process. The budget owners do not relinquish the managerial role in this category. They often give the supplier selection and contract negotiation role to the purchasing professional.

The Process Owner is the last category. It has low complexity and high value. In this category, the low complexity emerges from the straightforwardness of the specification of services. On the other hand, it is of high value because they cut across the entire organization including business units and/or functional areas of the organization and can sometimes have some impact on external customers. The purchasing professionals own and manage the entire process in this category.

Ellram and Tate (2015) state that supplier management is often underutilized of purchasing services. However, supplier management can be advantageous in the purchasing of services, even though the role of supplier management will be different when it comes to the purchase of tangible products. To further improve the purchase of service, the supplier should be involved earlier in the process of the purchase. Additionally, it is critical to constantly evaluate the supplier and potential new suppliers to control the service quality and ensure the service brings value to the organization. Ellram and Tate (2015) further assert that it is important that the users of the service are involved in the purchase, however, it is critical for the purchasing department to be involved due to its ability to save cost and improve the overall service quality. This is because the purchasing department can control the suppliers
and use economies of scale to reduce the costs of the service and constantly evaluate the impact of the service.

### 3.1.2.4 Silvestro, Fitzgerald, Johnston and Voss (1992) Types of Service Process

*Figure 1.9 is another service classification model that classifies services according to contact time, customization and discretion.*

From an intense study of companies’ service processes, Silvestro et al (1992) created three types of service processes. The services are classified as professional services, mass services and service shops. The professional services have high specifications which explain their high customization. Additionally, these services have long contact time with internal users of the service, high value added to the entire organization, few transactions and judgment in meeting the needs of customers is discreetly done. Unlike the professional services, mass services involve many transactions with customers but with less contact time with internal users and their specification or customization is less complex. Additionally, these types of services are product oriented with less value added and little judgment as compare to professional services. Service shops, on the other hand, fall between the professional services and mass services (Silvestro et al., 1992).
3.1.2.5 Wynstra, Axelsson and Van der Valk (2006)’s Service Classification

Figure 1.10 is also a service classification model that classifies service in terms of impact on internal users and the customers of the company.

![Figure 1.10 Wynstra et al. (2006)’s Service Classification](image)

Wynstra et al. (2006) classified services into four categories which include major Instrumental Services, Major Semi-manufactured Services, Major Component Services, Major Consumption services and minor services.

The Component and Semi-structured Services have a large impact on the purchasing organization’ customers or the purchasing organization. This means that they have high-value proposition across the entire organization (Wynstra et al., 2006). On the other hand, Instrumental and Consumption services have an impact on the internal users. The model connects other models that have focused on the level of supply risk or impact by creating a distinction between the impact between the internal users of the service and customers of the purchasing company.

3.1.2.6 Van Weele Classification of Service

Van Weele (2014) classifies services into two major categories (Business-critical and Non-business-critical Services) and asserts that one service classification is not important or better than the other. What is essential is the manner through which companies classify services. A company classification of service will impact decision-making and also affect
the operational phase after contract closure. In relation to the Business-critical service, the supplier or service provider is a part of the company’s value proposition and also has inputs on how the service is delivered to the final customer. Additionally, it has more parties involved in the purchasing process. Non-critical-business service is the opposite of the previously mentioned service. It has fewer parties involved in the purchasing process and has no direct or significant impact on the final customers of the service.

3.1.3 Purchasing Process
There are six major steps in the purchasing process of products. Van Weele (2014) lists specification, supplier selection, contract agreement, ordering, expediting and evaluation. Within the six steps of the purchasing process, the specification stage is the most important stage for the purchasing of professional service. The proper implementation of the specification stage determines the course of the rest of the other stages (Van der Valk and Rozemeijer, 2009).

3.1.3.1 Specification
The specification phase involves the company deciding whether it should make the product within the company or purchase it from a supplier. When the decision is made by the company to purchase or outsource the product from a supplier, it starts to create specification for the product that will be purchased. Fitzsimmons, Noh and Thies (1998) describe the specification phase as needs assessment wherein the problem for which the product is being purchased is defined. Additionally, in Van Weele’s (2014) purchasing process, the decision to make or buy is determined and all parties involved with the purchasing of the product are included in the decision-making process and the specification of the product is then developed.

Specification is divided into two main parts (functional and technical specifications). The functional specification determines the function that the product must possess and the technical specification gives the detail description of the characteristics and functions of the product and what activities should the supplier perform (Van Weele, 2014). In the purchase of professional service, determination or definition of the functional and technical specifications is difficult but very essential to the right implementation of the subsequent steps or phases. Additionally, the specification stage as a whole is also time-consuming and
managers feel reluctant to thoroughly implement this process. Consequently, the specification stage is usually incomplete (Van der Valk and Rozemeijer, 2009).

3.1.3.2 Implications for Service in the Specification Stage
The intangibility of service makes the specification stage more difficult. Additionally, it is difficult to determine the inputs of service (Fitzsimmons et al., 1998). Due to this reason, Van Weele (2014) stresses the clarification of service. The author stresses that the problem for which the service is been purchase should be determined. Additionally, there should be a prediction of the possible solutions to the problem. In regards to the inputs (capabilities and resources) that the service provider will use, it must also be clearly specified in order for the purchaser to have a clear picture of the outcome.

Van der Valk and Rozemeijer (2009), suggest that companies must ensure that specification of services are complete and accurate and companies need to contact potential suppliers and use the acquired information as a foundation for creating the specification. The author also recommends the creation of a relationship between the purchaser and the potential suppliers early in the process in order to compare different solutions and include the suppliers’ ideas in the specification process.

3.1.3.3 Selection and Assessment of Supplier
Van Weele (2014) explains four major steps related to supplier selection and assessment (determining the subcontracting method, preliminary qualification of supplier and developing the bidder’ list, preparation of request for quotation and analysis of the bids that are received and selection of the supplier). Additionally, in terms of service, the author stresses the post-contractual stage. In these processes, it is vital that the purchaser of service determines whether it want a turnkey or partial subcontracting service. In as much partial subcontracting contributes to cost savings but the coordination of the various suppliers rest on the shoulders of the buyer. Additionally, the buyer must ensure that the various contracts that are been implemented by various suppliers must be connected. Another element to consider is the payment structure. There must be a determination as to whether the contract is fixed or cost-reimbursement.

Based on the purchase order specification which includes the functional and technical specifications, the bidders’ long list is created. It includes potential suppliers who have met
the specification that the purchaser has created. Thereafter, background checks as to the previous contract, capabilities and other audits are completed. In line with the audits or background checks, the suitable potential suppliers are placed on a shortlist. Furthermore, they are contacted to send a request for quotation (RFQ). The main element in the RFQ is the price that is tendered by the supplier. In connection with the price of the bid, the specifications are also evaluated by purchaser’s parties involved in the process and the supplier that meets the requirements set by the purchasing company is selected as the preferred supplier.

3.1.3.4 Implications for Service in the Selection and Assessment of Supplier Stage
Considering all of the processes in this stage, clarifying the expertise, capacity and quality of staff of the supplier is an essential factor to the purchase of professional service (Van Weele, 2014). One of the attributes of service is that it is provided by humans (Van der Valk and Rozemeijer, 2009). Therefore, in order to ensure that the quality service is provided at the right place and the right time, the people involved in providing the service must be thoroughly audited or checked. This can involve auditing their past contracts, expertise, capacity and quality (Van Weele, 2014).

Axelsson and Wynstra (2002) propose four steps (1. Business System 2. Processes 3. Resources and 4. Supplier Position) to selecting and evaluating supplier of professional services. The first step “Business” asks four major questions (“for whom?” “what” and supported by whom?) that should be answered. These questions address the problems that the suppliers will solve through the makeup of the service in terms of its specifications, values, capabilities and external resources of the supplier in terms of the supplier’s supplier. The second step “Process” is concerned with the internal process of the supplier. In as much service providers are not manufacturing institutions; they have processes that produce the services that they sell. It is important for the purchasing company to be aware of the administrative and organizational, strategic and development processes. This step is similarly gear towards determining the competence and capability of the supplier. The evaluation of the processes paints a picture as to whether or not the supplier is capable of offering quality service. The third step “Resources” evaluates the financial, material, human and immaterial resources. The supplier position is evaluating the supplier’s financial
resources and assessing its competence through the Strength, Weakness, Opportunity and Threat (SWOT) analysis.

3.1.3.5 Negotiation and Contracting
When the supplier is selected, there comes the negotiations and drawing up of the contract. Basically, the same process for the purchase of materials at this stage applies to the purchase of service. It involves setting the prices and terms of delivery, terms of payment and penalty clauses and warranty conditions (Van Weele, 2014).

There are four major kinds of prices: fixed-price plus incentive fee contract, cost-plus contract, cost-reimbursable contract and agreement with price-adjustment. As the name depicts, the fixed-price plus incentive fee contract entails a fixed price and an additional incentive for performing above standard. The performance above standards can range from cost reductions, quality performance, timely and better delivery and others. In a situation where it is difficult to specify the work, the cost-plus contract is used. It involves cost-plus with percentage fee, cost-plus with a fixed fee and cost-plus with a guaranteed maximum. The cost-reimbursement contract is based on a fixed labor and machines hour. But without incentive or penalty within the contract, this type of contract is likely to increase hours of labor and other costs. The agreement price-adjustment is simply the changes in cost due to some external factors that influence the material, labor or other costs. The terms of payment is concerned with the various terms through which payments are made to suppliers. The preferred method is the one tied to the performance of the supplier. Penalty clauses and warranty conditions deal with a guarantee of the delivery of service. This entails that the supplier ensures that the service is in accordance with the specifications, agreed quality, and all that were agreed within the contract (Van Weele, 2014).

3.1.3.6 Post Contractual Stage
Van Weele (2014) describes this stage as the most important stage. At this stage, the relationship between the internal users and the supplier is tested. It is a usual case wherein the supplier is not conversant with the internal norms or operations of the purchasing company. Therefore, the supplier employs procedures that sometimes do not align with the internal users. This is usually a basis for conflict and disturbs the implementation of the
service. This usually occurs wherein the internal users have constant interaction or contact with the supplier.

3.1.3.7 Implication of Post-contractual Stage on Service
At this stage, it is important to deeply acquaint the supplier with the norms of the purchasing company. Additionally, purchasing managers have the responsibility to ensure that there is a continuation of the relationship between the internal users and the supplier even though there is a natural establishment of a relationship between the two parties. Van Weele (2014) points out personal relationship as a factor that influences the professional service purchasing process and at this stage. It is important that purchasing managers and parties involved with the process pay keen attention to the relationship between the internal users and suppliers (Van Weele, 2014).

3.1.3.8 Order Processing and Expediting
This stage is concerned with requisition of order and testing of the material or service. The purchase order is usually requested through purchase order requisition or material requisition. Additionally, acceptance checks are conducted first at the supplier site and additional checks are done at the purchaser site in order to ensure that the product is in compliance with the agreed contract (Van Weele, 2014).

3.1.3.9 Implications for Order Processing and Expediting
Service is intangible. Therefore, there is no physical material or product involved in order to conduct acceptance checks. This is the reason the specification is important in this process. It helps to ensure that the supplier has the right specification and serves as a foundation upon which the purchasing company can judge performance. Additionally, the evaluation phase is also important in regard to measuring performance against agreed requirements and specifications (Van der Valk and Rozemeijer, 2009; Van Weele 2014).

3.1.3.10 Follow-up and Evaluation of the Purchasing Process
This stage of the purchasing process is concerned with settling warranty claims and penalty clauses. Additionally, it helps in the documentation of the purchasing process. This also helps the purchasing company to review its purchasing process for further improvements in another or subsequent process (Kakouris, Polychronopoulos and Binioris, 2006; Van Weele 2014).
3.1.3.11 Implication of the Follow-up and Evaluation of the Buying Process
Since it is difficult to do acceptance test within the process of ordering and expediting, the purchaser can try to measure the performance of the supplier in regards to service against the service that is offered by the supplier in the follow-up and evaluation of the buying process. Additionally, in order to conduct a good performance evaluation or measurement, the specification and requirement that was previously created must have been done properly. It is difficult to measure performance against a specification or requirement that is not prepared properly (Van Weele, 2014; Axelsson and Wynstra, 2002).

3.2 Research Question 2: What are the factors involved in creating a process for the purchasing of professional HR services?

3.2.1 Characteristics of Service
Researchers have stressed the importance of differentiating between the purchase of service and products. Additionally, the difference in characteristics between the two kinds of product (tangible and intangible) should be established. As was indicated previously, the measure of the quality of service is difficult. It is intangible, heterogeneous and is performed by human beings. In addition, it cannot be stored, and difficult to evaluate prior to purchase. Additionally, the competence of the service supplier should be considered (Van der Valk and Rozemeijer, 2009). In connection with other researchers, Van Weele (2014) describes four main characteristics (intangibility, perishability, heterogeneity, and simultaneity) involved with services. Intangibility indicates that service cannot be touched. Perishability implies that service cannot be produced or stocked. Additionally, heterogeneity speaks to the uniqueness of service due to the unique nature of people providing the service and simultaneity indicates that service is both produced and consumed at the same time. Moreover, there are calls for more emphasis to be placed on the purchase of services (Selviaridis, Agndal and Axelsson, 2011). Van Weele (2014) also proposes a purchasing process which can be a starting point for the creation of a process for service. Additionally, the mentioned characteristics can be considered in structuring the service purchasing process.
3.2.2 Factors of the Purchasing Process

3.2.2.1 Personal Relationship
In the buying of professional service, personal relationship is increasingly built between the purchaser and/or internal users of the service and the service providers (Van Weele, 2014). The understanding of personal relationship is a catalyst for the management of the professional purchasing process (Lian and Laing, 2007). Usually, the personal relationship becomes intensive to the point that it overshadows the economic exchange for the service (Richter and Niewiem, 2009). There are lots of benefits that come with building personal relationships. Richter and Niewiem (2009) argue that personal relationship helps with the fight against opportunistic behavior. Furthermore, Van Weele (2014) asserts that personal relationship helps in cost savings. Additionally, through personal relationship, there becomes trust which can lead to reduction in cost and increase service quality.

Axelsson and Wynstra (2002) point out two main approaches of purchasing behavior (Transactional and Relational Approaches). The transactional approach mainly fosters competition among suppliers. It takes into consideration many alternatives suppliers, exploits the potential of competition, short term and arm’s length relationship and chooses the most efficient supplier at any time. Additionally, this approach is mainly used for the purchase of products and acquires favorable prices with well-defined products. On the other hand, the relational approach is mainly concerned with building relationships between the supplier and the purchasing company. It takes into consideration one or few alternative suppliers, exploits the potential of cooperation, long-term relationship with tough demands and joint development. Moreover, it is usually used for the purchase of services and it is favorable for the reduction of cost and creation of new values. The relational approach is related to personal relationship.

Even though personal relationship has a lot of advantages in the purchase of professional services, it does also come with its drawbacks. One of the main drawbacks of personal relation erupts when the relationship between the internal users and the supplier of services becomes very close. In this situation, the objectivity of the internal users in regards to the performance of the supplier becomes a challenge (Van Weele, 2014). Additionally, this kind of relationship tends to sideline the purchaser (purchasing department). It has
evidently been proven that purchasing professionals rarely engage in the purchasing process of professional services and they do not follow a defined process in the purchase of services. (Lian and Laing, 2007; Werr and Pemer, 2007).

### 3.2.2.2 Clarity of Problem and Solution

Another factor that influences the purchasing process of professional service is the clarity of the problem for which the service is being purchased and the solution to that problem. If the right problem is not found by the purchasing company, the specification and all other phases of the process will be flawed. Additionally, a flawed problem determination is a foundation for not finding the right solution. If the right problem is clarified in relation to the needs of the purchasing company, there should also be an attempt in preempting what the possible solutions to the problem will be. This is the only means through which the purchaser of service can measure the performance of the supplier. This can also be enhanced with the creation of key performance indicators (KPIs) (Werr and Pemer, 2007; Van Weele, 2014; Axelsson and Wynstra, 2002)

### 3.2.2.3 Specification of Supplier’s Inputs

Axelsson and Wynstra (2002) describe inputs as the resources that should be spent in order for the supplier/service provider to perform the service. Van Weele (2014) further describes the assertion of Axelsson and Wynstra (2002) in that inputs entails the resources and capabilities that the supplier employs in producing the service. These resources and capabilities include person-hours etc. Additionally, it also specifies the quality of the resources or capabilities of the supplier.

### 3.2.2.3 Specification of Throughputs or Processes

This is the specification of throughputs or processes that the service provider must implement in order to produce the service. This includes how the activities or goals of the service will be achieved. It is basically the production of the service. For this factor to be strengthened, both the service provider and the purchaser must agree on the activities to be performed (Van Weele 2014; Axelsson and Wynstra, 2002).

### 3.2.2.3 Specification of Output

The output is concerned with the expected result or function that will be achieved through the supply of the service (Axelsson and Wynstra, 2002). The output is a conduit through
which the performance of the service can be measured and is very important to the overall purchase of service. In this factor, the functionality is the main issue and it is against which the KPIs are observed (Van Weele, 2014).

3.2.2.4 Specification of Outcome
The outcome is concerned with the economic or financial value that is accrued from the purchase of the service. This indicates that if the performance of the supplier is of quality, there should be some economic gains for the purchasing company. On the other hand, there are lots of factors that play in the low performance of the supplier. Lack of communication and information, unclear instructions and poor preparation from the purchaser can lead to the poor performance of the supplier (Van Weele, 2014; Axelsson and Wynstra, 2002).
3.3 Summary of Theories as per Research Questions

Figure 1.11 summarizes the various topics that help to theoretically build a foundation for the thesis. Each of the topics under the various research questions has major points that are highlighted which give relevance to the major topic.

**Human Resources Services**
- The decision to outsource or produce inhouse
- Recruitment and training are the most popular purhased HR services
- cost savings, downsizing, globalization, stiff competition, restructuring, strategy focus, improvement of value added activities, capabilities in increasing competitive advantage are reasons for the outsourced of HR Services.

**Classification of Services**
There are various classification of services but the thesis chose the below service classification model in order to classify services
- Kraljic Purchasing Portfolio
- Supply Managements Involvement in Services Model
- Wynstra, Axelson Van de Valk’s Service Classification
- Van Weele Classification of service

**Factors of the Purchasing Process**
The purchasing process has factors that influence every stage of the process. The below are those factors
- Personal Relationship
- Clarity of Problem and Solution
- Specification of Supplier Inputs
- Specification of Throughput and Processes
- Specification of Output
- Specification of Outcome

**Characteristics of Service**
There is a difference in characteristics between service and goods. Therefore, in the purchasing of service, it is important to highlight its characteristics
- Intangible
- heterogeneity
- perishability
- simultaneity

**Purchasing Process**
The purchasing process involves the process in the purchase of product and implications on the purchase of HR services.
- Specification and implication for service in the specification stage
- Selection and assessment of supplier and implication for service in the selection and assessment of Supplier Stage
- Negotiation and contracting
- Post contractual stage and implication of Post contractual stage on Service
- Order processing and expediting and implications for order processing and expediting
- Follow-up and evaluation, implications of the Follow-up and Evaluation of the Buying Process

*Figure 1.11 Summary of theory per research questions (own figure)*
4. Empirical Data

The chapter on empiricism presents empirical data from companies A and B in regards to the thesis’ theoretical foundation. The empirical data is structured in such a way that data are provided to each research questions and the sub-topics under those research questions.

4.1 Company A

Company A is a global technical manufacturer that has 140 factories or sales offices in more than 30 countries but is represented in more than 130 countries by resellers and around 50,000 employees worldwide. Company A has both original equipment manufacturers and sub-suppliers in its customer base but does not supply the end consumers. The organization has its foundation in innovation and supplier in 40 different industries. Additionally, its mission is to increase quality and at the same time work to increase sustainability. The interviewee of Company A works as a Strategic Purchasing Category Manager for professional services and was interviewed on 2017-05-08.

4.1.1 HR Services

Company A averred that the purchasing of HR service is not yet matured but it still purchases professional HR services. There are two main categories of its professional HR services. One of the categories is compensation, benefits, and membership which includes rental cars for employees, health insurance, international relocation services and gifts. The other category is professional services which include accounting tax and audit, engineering consulting, financial service, legal, recruitment and selection, training and temporary labor. The core of HR services is recruitment and selection, training and temporary labor (Category Manager A, 2017-05-08).

4.1.2 Categorization of Services

Company A uses the Krajlic model and also has its own model for the classification of services. Besides recruitment and training, the other services are classified according to the reduction in risk and cost. In terms of recruitment and training, they are classified as strategic, the value of the service to the company, outcome of the project and return on investment. For example, it is difficult to find the right competence for labor. If the cost is
100 or 120 SEK per hour, it does not matter. The outcome or the performance of the employees is essential to the company. Additionally, Company A also asserted that it is more difficult to classify services than product (Category Manager A, 2017-05-08).

There is coordination between the purchasing department and other departments of Company A especially when it comes to the need for which the service is being purchased. On the other hand, the purchasing of recruitment services and temporary labor is a repetitive process and therefore, there is not a lot of interaction between the purchasing department and other departments. The purchasing department usually handles that kind of purchasing of service alone. But it was mentioned that there is need to set the process in collaboration with other departments. In the purchasing of temporary labor, there is a steering committee developed which is chaired by the HR Director. Other members of the committee are HR directors and procurement officers. The decision making is done by the steering committee. Additionally, when there is a new strategy being developed by the procurement department, there is a collaboration with the HR department to develop strategy. There are quarterly meeting with the HR department in order to align strategies (Category Manager A, 2017-05-08).

4.1.3 Purchasing Process of Company A

4.1.3.1 Specification
In relations to specification, the technical specification is the matter of how the service is implemented and the functional is more about defining the result of the service. In regards to management consulting, the specification is done in regards to the desired result of the service. In the future, the goal is to purchase only result instead of how the service is performed. This will optimize supplier innovation and performance. In terms of labor, there is a candidate requirement wherein responsibilities and needed qualifications of the would-be employee(s) are established. This goes for both internal and external recruitment functions. When engineering service project like the development of components is purchased, it is more about the result of the project than how the project is implemented. In terms of training services, the first specification is done in relations to the output of the service. Then the potential suppliers are informed to provide solutions. Through the
provided specifications from the potential suppliers, the purchasing department develops its specification (Category Manager A, 2017-05-08).

Potential suppliers participate in the specification process. Usually, if the company is not well conversant with the preparation of the specification, through the request for proposal (RFQ), specifications from various potential suppliers are gathered. This gives Company A the opportunity to combine all the best specifications and solutions into one specification and solution. This exercise fosters competition and gathers the innovation from all suppliers in the process (Category Manager A, 2017-05-08).

4.1.3.2 Selection and Assessment of Suppliers
The collection and checking of the most relevant references of suppliers are one of the major ways to assess suppliers. Another means is to open a request for proposals. This gives suppliers the opportunity to propose solutions to the problem for which the service is being purchased. The quality of the suppliers’ proposals is evaluated by the company and the best proposal is selected (Category Manager A, 2017-05-08).

4.1.3.3 Negotiation and Contracting:
The most common term of payment is fee paid per unit. In management consulting, output or performance is purchased. Due to the performance or result base payment, incentives are given in relations to cost reduction. In recruitment and selection, 1/3 is paid at the start of the contract. Another 1/3 is paid when the potential candidate is presented and when the candidate is recruited or the contract is signed, the last payment is made. For example, in research and development projects, maturity and detail specifications are done in order to adopt the fixed price project. If not, the project will take a longer time through the redefinition of specifications and other bottlenecks will increase the price of the project (Category Manager A, 2017-05-08).

4.1.3.4 Post Contractual Stage
There is still room for improvement in the evaluation or suppliers and relationships between suppliers and internal users. Even though there is still room for improvements, after the service is performed especially for training services, the trainees who are the internal users,
fill in surveys in relations to the success and flaws of the training (Category Manager A, 2017-05-08).

4.1.4 Factors of Purchasing process

4.1.4.1 Personal Relationship
Relationship is built with suppliers through the request for information and quotation (Category Manager A, 2017-05-08).

4.1.4.2 Clarity of problem and solution
The desired result is usually specified and Company A finds out under which circumstances the result needs to be created (Category Manager A, 2017-05-08).

4.1.4.3 Specification of Throughtput
It is very rare to observe the production process of suppliers, especially for HR service purchasing. Face to face observation is rarely conducted. But in order to ensure that suppliers are working in an ethical faction, Company A ensures that the supplier abides by its code of conduct. There are checks as to whether the supplier has collective bargaining agreement for salary regulations and certifications are checked (Category Manager A, 2017-05-08).

4.1.4.4 Specification of inputs
In addition to the desired result and circumstances for which the result is created, target groups are identified. The location of the target group is identified and the inputs also depend on what Company A is buying (Category Manager A, 2017-05-08).

4.1.4.5 Specification of outcomes
In management consulting contracts, the outcomes which are economic gains are estimated, but in services like training, it is difficult to estimate the economic gains. But the kind of knowledge that Company A is interested in and in what group or category is predicted (Category Manager A, 2017-05-08).
4.2 Company B
Company B is a privately-owned company within the manufacturing industry and is located in Sweden. The company manufactures and sells products to customers within Sweden as well as internationally. The company has as a vision to work for the next generation and be leading a leading enterprise within sustainability at the same time stay profitable. In Company B, we interviewed two purchasers within Sustainability (Purchaser A) and HR services (Purchaser B).

4.2.1 HR Services
Company B buys a variety of HR-services such as company healthcare, education, recruitment and temporary labor, HR-systems (consultants) and company insurance, banking and pensions. All the HR-services are being purchased centrally by Company B. Of these services, the biggest category regarding finance spend is in the educational area since Company B strives to be a leader within organizational learning. The main categories of purchased HR-services are services in relations to recruitment. Company B just started a pilot project within this area wherein recruiters from external recruitment firms are working in-house with recruitments strictly for Company B (Purchaser A, 2017-05-15).

4.2.2 Categorization of Services
The HR-services bought are categorized in sub-categories to be able to track the spending and the statistics from the categories and the suppliers. Company B uses the Krajlic matrix for classification of HR services purchased. The sub-categories of HR-services already mentioned are healthcare, education, recruitment and temporary labor, HR-systems (consultants), insurance and banking and pensions. There is an ongoing work within Company B to keep the categories of services updated. The classification of services is being performed by Company B by assessing the supply risk and the profit impact of the service (Purchaser B, 2017-05-15).

When it comes to the involvement of the purchasing department in the purchasing process of services, it is mainly involved in the negotiation and contracting stage. In the daily operations, the department purchasing the service and the service provider are the main parties involved. However, in the purchasing process, both the purchasing department and the department in need of the service are involved. The collaboration among the various
departments within the purchasing process is meant to ensure that the different departments of Company B strive toward the same goal.

4.2.3 Purchasing Process of Company B
The general purchasing process of Company B is used for the purchasing of all types of items. It has its base in the operational plan developed for the entire organization. It contains the introductory phase, mapping, RFQ, negotiation and realization. In the purchasing process, there are checkup meetings between the introductory and mapping phases, the mapping and RFQ phases and the RFQ and the negotiation phases. These meetings are meant to ensure that the purchases are coherent with the current operational plan (Purchaser A, 2017-05-15).

4.2.3.1 Specification
There is a committee set up by the departments involved in the purchase of the service in order to determine the specification for the service. The specification phase remains the same regarding services as it is for tangible products. In the specification phase, it is determined exactly what Company B is purchasing and the resources needed to fulfill the purchase. Additionally, marketing analysis is also conducted in order to research what possible suppliers there are in the market and an estimation of the costs for purchasing the service. Even though the estimation of costs is primarily done for tangible products, but Company B also tries doing the estimation for HR-Services. After the RFQ phase, there is a meeting to determine which suppliers will be invited for further negotiations. This meeting consists of the same participants as the first meeting when the purchasing process is started (Purchaser A, 2017-05-15).

4.2.3.2 Selection and Assessment of Suppliers
This activity is performed in the RFQ phase. There are RFQs sent out for possible solutions from the different suppliers. With response from suppliers, there is an analysis performed on the submitted bills and the suitable suppliers are chosen. If the supplier has been previously contracted by Company B, it conducts internal reference checks to determine if the suppliers fulfill the standards set. If the supplier is new to the company, there are background checks conducted in relations to the financial status and the required certifications especially within
sustainability but also the expected quality of the service is also assessed. However, there are no external reference checks when purchasing a service (Purchaser A, 2017-05-15).

### 4.2.3.3 Negotiation and Contracting

In the negotiation and contraction phase, there are negotiations with the possible suppliers. The main criteria for selecting the suppliers are the cost and quality that can be provided. In regards to payment terms of HR services, it depends on the type of service. This is because both fixed and flexible payment terms are used within Company B. One of the most common ways that Company B buys services is through fixed cost with additional incentive depending on the service and additional usage of the service. However, in regards to the recruitment of personnel, this is generally handled on hourly pay, but payment of recruitment for managers or other high impact jobs are incentive based (Purchaser B, 2017-05-15). The contract template used for the purchase of services is the same contract template that is used when purchasing tangible products (Purchaser A, 2017-05-15).

### 4.2.3.4 Post Contractual Stage

In the last stage of the purchasing process of HR-services in Company B, the main task for the purchasing department is to ensure that the services purchased are being purchased from the approved suppliers and that the supplier fulfills the agreement in the contract. The main evaluation of the purchase is the comparison of the specification against the outcome of the service. (Purchaser A, 2017-05-15).

The purchasing process is evaluated centrally in the organization and is not evaluated after each purchase. The last time it was evaluated was 2012-2013. However, the suppliers are evaluated on an ongoing basis through the involvement of managers who departments are affected by the purchase. This evaluation is done especially when it comes to recruitment or temporary labor. Other suppliers are constantly being evaluated by Company B, the HR department of Company B uses benchmarking to evaluate suppliers (Purchaser B, 2017-05-15).

### 4.2.4 Factors of Purchasing Process Company B

#### 4.3.4.1 Personal Relationship

The relationship between Company B and its suppliers of HR-services is built around the RFQ and the business communication between the companies (Purchaser B, 2017-05-15).
4.3.4.2 Clarity of problem and solution
When it comes to defining the problem and solution, Company B defines the service and it
details the possible result of the service (Purchaser B, 2017-05-15).

4.3.4.3 Specification of Throughput
Company B does ensure that companies fulfill the code of conduct and sustainability
demands that are required by Company B (Purchaser B, 2017-05-15).

4.3.4.4 Specification of inputs
In terms of the resources needed, most of the estimations are on the supplier. However, IT
resources and HRs are estimated by Company B (Purchaser B, 2017-05-15).

4.3.4.5 Specification of outcomes
The financial gain of a service is estimated by Company B, other specifications of outcomes
are to save time in administrative tasks (Purchaser B, 2017-05-15).
5. Analysis

In this chapter, collected empirical data from Company A and Company B is analyzed with the selected models and theories in order to answer the research questions of the thesis. The analysis is based on different perspectives such as human resources services, purchasing process and factors of the purchasing process.

5.1 How can the various purchasing models be used to develop a process for professional HR service purchasing?

5.1.1 Human Resource Services
There are many HR services that are purchased by companies or organizations. Some of the HR services are temporary staffing, payroll, training, recruitment and selection, benefits administration and performance appraisal (Greer et al., 1999; Ordanini and Silvestri, 2008 Klaas et al., 2001). The empirical evidence reveals that the companies purchase similar HR services. The empirical data lists HR services like compensation, benefits and memberships, recruitment and selection, training or organizational learning, temporary labor (Category Manager A, 2017-05-08; Purchaser A, 2017-05-15). Additionally, there are two major purchased HR services which include recruitment and selection and training (Greer et al., 1999; Ordanini and Silvestri, 2008 Klaas et al., 2001; Belcourt, 2006; Banfield and Kay, 2008). Company A and B also consent with researchers that the most popular outsourced HR services are recruitment and selection and training (Category A Manager, 2017-05-08; Purchaser A, 2017-05-15). This indicates that in as much there are many HR services which are purchased by companies or organization, recruitment and selection and training are frequently purchased HR services.

5.1.2 Classification of Services
There are many purchasing models used for the classification of services ranging from the Kraljic purchasing portfolio model (Kraljic, 1983), supply management involvement in services model (Ellram and Tate, 2015), Silvestro, Fitzgerald, Johnson and Voss’ Types of service process (Silvestro et al., 1992), Wynstra, Axelsson and Van der Valk’s Service Classification (Wynstra et al., 2006) to Van Weele Classification of Service (Van Weele, 2014). Company A and B classifies services using the Kraljic model. Additionally, in as
much Company A utilizes the Kraljic model, it also formulates its own classification model. Since company B solely relies on the Kraljic model, it classifies its HR services in terms of supply risk and profit impact of the service (Category A Manager, 2017-05-08; Purchaser A, 2017-05-15). On the other hand, Company A classifies other HR services in relations to supply risk and profit impact but in regards to recruitment and selection and training, the classification is conducted on the basis of the value of the service to the company, outcome of the service or project, performance of employees and return on investment (Category A Manager, 2017-05-08). In regards to the value of the service to the company and return on investment, Company A somehow aligns with the supply management involvement in services model (Ellram and Tate, 2015) which also classifies services on the basis of ongoing value to the company. From an analytical standpoint, the classification of service in regards to the value to the company and return on investment fall under the Kraljic model which also classifies service in terms of profit impact. Value to the company and return on investment are all elements of profit. Although Company A somehow aligns with the supply management involvement in services model, it does not classify service in terms of complexity or difficulty of the service.

From the thorough analysis of the two researched companies, it can be noticed that their main source of service classification is through the Kraljic model. There have been criticisms in relations to the Kraljic model in regards to service. The Model was created especially for the classification of items or tangible products but not for service (Kraljic, 1983). Additionally, one of the characteristics of service is intangibility. Other researchers criticized the Kraljic model in that certain product might not fit in just one of the categories and it is insufficient in evaluating and forming a purchasing strategy (Terpend et al., 2011; Virgil and Ionel, 2013). The popularity of the Kraljic purchasing portfolio model in the purchasing of tangible products within the purchasing profession (Gelderman and Van Weele, 2003) does not mean it is entirely suitable for the purchase of HR services. The characteristics of service like intangibility, perishability, heterogeneity, simultaneity, and difficulties in measuring quality prior to purchase (Van der Valk and Rozemeijer, 2009; Van Weele, 2014) should be considered as compared to tangible products.
The other models mentioned (Ellram and Tate, 2015; Silvestro et al., 1992; Wynstra et al., 2006; Van Weele, 2014) also offer some forms of classification of service that are also essential. When classifying service, one of the issues that is important to consider is the characteristics of service (Van Weele, 2014). For example, one of the criteria for the supply management involvement in services model of the classification of service is complexity. Van der Valk and Rozemeijer (2009) mention that the quality of service is difficult to measure and the evaluation of service prior to purchase is also difficult. Additionally, Silvestro, Fitzgerald, Johnson and Voss’ Types of service process (Silvestro et al., 1992) takes into consideration customization which explains high or difficulties in specifications of the service. This model also considers classification of service in connection with the transaction between the service provider and the internal users of the service and customers through contact time. Similarly, Wynstra, Axelsson and Van der Valk’s Service Classification (Wynstra et al., 2006) also classifies service in terms of the impact on internal users and the impact on downstream customers. Connectively, with the Kraljic purchasing portfolio model, supply management involvement in services model and the Van Weele classification of service all classify service in connection to the value of the service to the company or organization which leads to the profit impact.

With the analysis of the mentioned models, there is a red thread of commonality of classification among the models. There are four major classifications of service. They are 1. the profit impact, 2. level of specification 3. the impact on internal users and 4. impact on customers. Therefore, it is important not to just use one model to classify service. It is essential that the commonalities of classification among the various models be considered in the classification of service.

Ellram and Tate (2015) stress the importance of the purchasing department or purchasing professionals in the purchasing of service. The researchers assert that without the involvement of the purchasing department in the purchasing of service for the guidance of the process, the process might collapse. Company A and B purchasing departments or purchasing professionals are all involved in the purchasing process. Usually, there are collaborations between the department which needs the service and the purchasing department. This collaboration is meant for the development of specifications of the service.
Ellram and Tate (2015) stress that the purchasing department should be the central player of all purchases and also foster the argument for the centralization of purchasing. Additionally, the researchers assert that the purchasing department is well positioned to steer the purchasing process due to its expert knowledge. In as much the purchasing department cannot effectively perform without the involvement of other departments, especially in the gathering of needs and specification development, it beneficial for the process if the purchasing department leads the process of any purchase of HR service due to its deep knowledge of the entire process.

5.1.3 Purchasing Process

5.1.3.1 Specification Stage
The specification stage is one of the most important stages of the purchasing process. The determination of functional and technical specification is difficult but very important in order to proceed to the subsequent stages. It is usually time-consuming and managers are reluctant to effectively complete this stage (Van der Valk and Rozemeijer, 2009). To effectively implement this stage, the problem for which the service is needed should be thoroughly defined and there should be predictions of the possible solutions (Van Weele, 2014). In the specification of service, Company A treats technical specification in terms of how the service will be implemented and functional specification is done by defining the result of the service. In relations to recruitment of employees, specifications in terms of responsibilities and qualifications of would-be employees are developed. In regards to services that involve training, the expected output of the service is the basis for specification. Moreover, for difficult specifications, potential suppliers are asked to send information in regards to the service through the RFQ. The company combines all the best specifications that suit the service and creates an updated specification (Category Manager A, 2017-05-08; Purchaser B, 2017-05-15).
On the other hand, Company B treats the specification of service in the same manner as the specification of tangible products (Purchaser A, 2017-05-15).

Van der Valk and Rozemeijer (2009) stress the difficulties in the specification of service. Therefore, the purchasing department needs to spend a lot of time in this phase in order to ensure that the right specification is developed. If the right specification is not developed, in as much there might be other factors involved, the desired result will not be achieved. Additionally, in no circumstance, the same procedure for the purchase of tangible product should be used for the purchasing of services. The characteristics of the tangible products and services are very different. At this stage, there is a need for strong collaboration in the formulation of the specification among the department from which the need arises, the HR and the purchasing departments. Additionally, the request for specification from potential suppliers through the RFQ is important. This gives the purchasing department leverage in taking bit and pieces from all of the specifications from potential suppliers in drawing up its own inclusive specification. Additionally, it is important to distinguish between the functional and technical specification in order to have a clearer picture of the function of the service and characteristics. Furthermore, predictions of the possible inputs and solutions to the problem are means to properly develop the right specification.

5.1.3.2 Selection and Assessment of Supplier

In the selection and assessment phase, background checks are important for the thorough assessment and subsequent selection of the best supplier. Background checks involve investigating the expertise, capacity, quality of staff of the supplier, past contracts, external resources (supplier’s supplier), administrative and organizing processes, strategic and development process, financial and material resources. Additionally, it is important to analyze the payment terms of the price of the bid in conjunction with the service quality and decide whether it is a turnkey or partial sub-contracting service (Van Weele, 2014; Axelsson and Wynstra, 2002).

Company A implements this stage by reference checking of potential suppliers. Another means it uses to evaluate supplier is by calling for a request for proposal. The quality of the various proposals is evaluated and the best proposal is selected. This affords Company A the opportunity to have a reservoir of solutions to choose from (Category A Manager, 2017-05-08).
Company B also uses similar means for the evaluation and selection of suppliers. It calls for RFQ from potential suppliers and selects the best from the various solutions. Additionally, if the supplier is new to providing HR service, it conducts financial, certification and internal checks of the potential supplier. But it does not conduct external background checks (Purchaser A, 2017-05-15).

It is positive to request for proposal or quotations from potential supplier and selects the best proposal or solution but just selecting the best proposal does not clearly explain the capability, administrative and organizing processes, strategic and development process, financial and material resources of the supplier. Additionally, the proposal does not explain the previous contracts of the supplier that was incomplete and the reasons for the incompleteness. It does not give a clear picture as to the expertise of the supplier. The proposal will definitely produce bid price, inputs and the kind of contracts but does not explicitly explain the latter. Therefore, it is important to conduct thorough background checks in relations to the classification of the service. The checks can be detail or less detail depending on the HR service classification. The checks can range from expertise, capacity, quality of staff of the supplier, past contracts, external resources (supplier’s supplier), administrative and organizing processes, strategic and development process to financial and material resources.

5.1.3.3 Negotiation and Contracting

The negotiation stage involves setting prices, terms of delivery and payment, penalty clauses and warranty conditions. At this stage, there is not much difference between the purchasing of service and the purchasing of tangible products (Van Weele, 2014).

Company A and B draw up their payment terms in relations to the type of service that is being purchased. For example, in management consulting, the payment term is performance base wherein incentives are added in connection with cost reduction from the supplier or service provider (Category Manager A, 2017-05-08). This type of payment term resonates with the fixed-price incentive fee contract (Van Weele, 2014). If it is purchasing HR services like recruitment and selection, it pays one-third of the total cost at the start of the contract, another one-third when the candidate is presented and the last payment when the candidate is recruited or the contract is signed (Category Manager A, 2017-05-08).
Company B usually pays its suppliers in fixed price but can do additional payment depending on additional usage of the service. In regards to recruitment and selection, the payment is done hourly but if the recruitment is conducted for managers or major positions, the payment is done with incentives (Purchaser A, 2017-05-15).

The type of payment terms should be based on the type of HR service that is provided. General payment terms might not suit all services. Again, the payment term will depend on the classification of the service. There should also be penalty clauses drawn up in consultation with the supplier especially in regards to the level of quality of the service. It should also be noted that some services like training are difficult to measure.

### 5.1.3.4 Post Contractual Stage
The post-contractual stage involves the relationships that exist between the service provider and the internal users of the service. Usually, the service provider is not well conversant with the norms and cultures of the company and therefore, do not effectively connect or align with the internal users. In this situation, the purchasing department has a responsibility to ensure that the service provider is aware of the purchasing company’s norms and cultures. Additionally, the purchasing department must ensure that there exists a good relationship between the service provider and internal users (Van Weele, 2014).

Company A and B are still in the improvement process of this stage. The both companies do not have a set routine through which they can ensure the cordial relationship between internal users and service providers (Purchaser B, 2017-05-15; Category Manager A, 2017-05-08). But what Company A does is to ensure that trainees fill up surveys in regards to the success and failure of the training. But this is actually the evaluation stage (Category Manager A, 2017-05-08).

At this stage, the role of the purchasing, HR and the department from which the internal users are from, should be involved in this stage. These departments can play a major role in acquainting the service provider with the norms, cultures, and procedures of the purchasing company so as to be able to suitably relate to the internal users of the service. If there is no effective synergy between the internal users and the service provider, the end result of the
service might have some problems. This is also important for HR services that have more contact time with internal users.

5.1.3.5 Order Processing and Expediting
Order Processing and Expediting is concerned with the requisition of order and testing of the service. It is also concerned with acceptance check (Van Weele, 2014).

Company A and B do not consider acceptance checks since HR service is intangible. They tend to focus more on the evaluation and follow-up stage in terms of evaluating the service (Category Manager, 2017-05-08; Purchaser B, 2017-05-15).

This stage is not actually relevant to the purchasing of HR service except for the requisition of order. The reason is that HR service is intangible therefore checks can only be conducted in terms of the overall capability of the service provider and after the service has been provided. Van der Valk and Rozemeijer (2009) stress that it is so difficult to measure service prior to its purchase. Therefore, services are checked after they are provided.

5.1.3.6 Follow-up and Evaluation of the Purchasing Process
In the last stage of the purchasing process, it is important for purchasing companies to determine if the service is satisfactory or if it is insufficient. The main use of resources in the evaluation process is to evaluate the purchasing process so as to find out if the process can be improved. If there is a need for improvement, the quality of the services can be improved. (Kakouris, Polychronopoulos and Binnoris, 2006; Van Weele, 2014). However, to determine the performance of a service, it is also beneficial to compare the delivered service to the specification that is developed in the specification stage. In that case, it is important that the specification stage is performed correctly (Van Weele, 2014, Axelsson and Wynstra, 2002).

According to Category Manager A (2017-05-08), there is no real evaluation of the process in Company A. As already stated, there is an evaluation of the service, mostly internal training service. The main evaluation uses surveys to determine the success of the training. In Company B, after each purchase, there is no evaluation of the purchasing process. However, during the years 2012-2013, there was a central evaluation and updating of the process. In the evaluation of services in Company A, the main technique used is benchmarking the service against the result and specification of the service (Purchaser B, 2017-05-15).
Neither Company A nor Company B does continually evaluate the purchasing process. This causes problems in determining if the HR-services purchased by the organizations are implemented and gives the intended result. Kakouris, Polychronopoulos and Binioris (2006) and Van Weele (2014) state that it is possible to compare the result of the service with the specification that is developed. However, since it is critical that the specification is developed correctly, it is also crucial to evaluate the purchasing process. Additionally, the evaluation of the process learning exercise that helps to improve the process of the next service. Neither Company A nor Company B evaluates the purchasing process which becomes a challenge in improving the next purchasing process of the service. Even if Company A does perform surveys to measure the level of knowledge acquired, it is difficult to determine the actual result if the specification does not state the exact goals of the training. Purchaser B (2017-05-15) states that Company B uses benchmarking in evaluating services, but this is not enough to uncover the flaws in the process and also compare the service against the desired result.

5.2 What are the factors involved in developing a process for the purchasing of professional HR services

5.2.1 Factors of the Purchasing Process

5.2.1.1 Personal relationships
Lian and Laing, (2007) assert that personal relationship can contribute to cost savings within the purchasing process. However, it is not uncommon that the personal relationship might overshadow the cost and result of the service. In as much personal relationship contribute to cost reduction, but when the relationship between the service provider and the internal users grows stronger, it overshadows the objectivity of the internal users in regards to the service provider’s performance (Van Weele, 2014). Axelsson and Wynstra (2002) point out that there are two approaches in purchasing of services, transactional and relational. The transactional approach is built on the competition of the suppliers, generally used in short term relationships and often used for easily specified products. The relational approach is a long-term commitment with close communication with the supplier. Often this kind of
relationship results in the purchasing department being left out of the purchasing process of the services (Lian and Laing, 2007; Werr and Pemer, 2007)

Category Manager A (2017-05-08) states that the communication and sourcing of the suppliers in Company A are handled by the purchasing department. The relationship between Company A and its suppliers is strictly handled through the requests for information and Quotation. Also in Company B, the communication is mainly handled with the business communication and the requests for information and quotations (Purchaser B, 2017-05-15).

Both Company A and Company B handle the purchasing of HR-services through the purchasing department of the companies. Both companies deal with the main communication with the suppliers through the RFIs and RFQs (Category Manager A, 2017-05-08; Purchaser B, 2017-05-15). Therefore, there is an assumption that the purchasing departments of each company do have some inputs in the choice of suppliers. This could mean that the negative effects of a close personal relationship between suppliers and the internal users can be mitigated with the strong involvement of the purchasing department in the three parties relationship. The purchasing department must ensure that the relationship between the service provider and internal users does not get to a level that hinders the objectivity of the internal users. The relationship should be maintained to the point that it contributes to collaboration on innovation and cost savings for the purchaser.

5.2.1.2 Clarity of problem and solution
When it comes to the specification of the service, clarity of the problem and solution is important in order to follow up on the service. If the problem is not clearly described, it is difficult if not impossible to purchase a service that will solve the problem for which the service is being purchased. However, companies should determine KPIs to be able to measure the performance of suppliers before a service is purchased (Werr and Pemer, 2007; Van Weele, 2014; Axelsson and Wynstra, 2002).

Company A specifies the desired result and under which situation, the desired results need to be created (Category Manager A, 2017-05-15). Company B defines the services and details possible result of the service (Purchaser B, 2017-05-15). Both of the companies define
some form of clarity of the problem and solution which is important in the specification and evaluation of the service after it has been performed.

5.2.1.3 Specification of Inputs
Axelsson and Wynstra (2002) assert that the purchasing department of the purchasing company should specify what kind of resources is needed by the supplier to provide the service. Company A does not actually conduct estimation of the supplier’s inputs. On the other hand, Company B does some form of estimation of the supplier’s inputs. It estimates IT and HRs inputs that the supplier will employ (Category Manager A, 2017-05-08; Purchaser B, 2017-05-15).

It is vital to the purchasing process that the purchaser of HR services estimates the inputs that the supplier will employ. This exercise will acquaint the purchaser with the estimated cost of the services and the necessary resources needed to provide a better service. When this estimation is done, and the supplier does not fall within the range of the estimation, the purchaser becomes aware of whether or not the supplier is capable of supplying the right service.

5.2.1.4 Specification of Throughputs or Processes
Specification of throughputs is concerned with the processes that the supplier goes through to provide the service. Both the supplier and purchaser must agree on the activities that will be performed by the supplier of the service (Van Weele, 2014; Axelsson and Wynstra, 2002). This means the purchasing department has to clearly state the goal of the service and then agree with the supplier on how the service should be implemented.

Category Manager A (2017-05-08) states that Company A rarely conducts an evaluation of the production process of the suppliers. Additionally, face-to-face observation is rarely done. On the hand, it ensures that suppliers work in an ethical manner through the implementation of the collective bargaining agreement, code of conduct and the checking of certification. Similarly, Company B also ensures that its suppliers abide by the code of conduct and checks for sustainability compliance (Purchaser B, 2017-05-15).

Neither Company A or B conducts an evaluation of the supplier’s service throughput (production processes). It is of the essence to conduct an evaluation of the suppliers’
production processes in order to weigh the strength of the supplier in regards to providing the service. Ensuring that companies abide by the code of conduct and sustainability requirement is not sufficient to know the capability of the supplier.

5.2.1.5 Specification of Output
The output is the means through which performance of the service is measured. The main focus of the measures should be the functionality of the service (Van Weele, 2014; Axelsson and Wynstra, 2002).

In as much the two companies stress that it is difficult to measure the performance of service but some of their evaluation methods are through surveys that the internal users complete. The intangible nature of service makes it difficult to measure. However, Company A does strictly focus on the non-financial outputs since they do believe it is hard or close to impossible to actually state the financial gain of a service. Company B makes an estimation of the financial gain which according to the literature is beneficial in the specification of service (Category Manager A, 2017-05-08; Purchaser B, 2017-05-15).

The specification of output (non-financial performance) is important for the purchaser because it informs the purchaser of the gains and improvement that the purchase of service brings to the company. Companies should try to measure the output of the service.

5.2.1.6 Specification of Outcome
Specification of outcome is strictly concerned with the financial gain or value of the service. It is the measurement of the performance of the service through financial terms. (Van Weele, 2014; Axelsson and Wynstra, 2002).

Company A estimates some forms of financial gains of the services in regards to other HR services but indicates the difficulty in measuring the financial value of training. Company B does estimate the financial gain of a service when purchasing a new service (Purchaser B, 2017-05-15; Purchaser A, 2017-05-08).

The specification of outcomes is important in order to know the financial value that the company accrues from purchasing the service. If the estimation of the financial value is not conducted, it is even difficult to classify the service.
5.3 Development of New model and Purchasing Process for the Purchasing of HR Services (In relation to Research Question 1)

There are various purchasing models presented within the thesis. In order to develop a new model for the classification of HR services and also develop a new purchasing process, the thesis considered the commonalities among the various models. The commonalities among the various models resulted in four classifications (1. The profit impact, 2. Level of specification 3. The impact of on internal users and 4. Impact on customers). These classifications were used to develop a new model for the classification of service. The model also leads to a new purchasing process for HR services.

![Figure 1.12 Developed HR Purchasing Classification Model (own figure)](image)

**Profit Impact:** This classification is the measure of the level of profit the company can accrue from the purchase of HR service. The classification of service is termed “expensive” when the profit impact of the service is high. When the classification is termed “cheap”, that means the profit impact of the service is low. This classification has effects on four stages (specification, selection and assessment of supplier, negotiation and contracting and follow-up and evaluation) of the purchasing process. When the service is classified as “expensive” that means in the specification stage, there should be a detail specification of the service. There must be a deep collaboration between the purchasing department and other
departments involved in the purchasing process for the development of the right and detail specification. In this form of collaboration, the purchasing department should lead the proceedings. Additionally, if the company or organization is less knowledgeable of the specification, there should be request for information from potential suppliers for the provision of information regarding the service. Furthermore, it is important to have a clear distinction between the functional and technical characteristics. Predictions of the possible inputs and solutions to the problem should also be established. On the other hand, when the service is considered “cheap”, there should be less time spent on the creation of the specification so that the administrative cost does not surpass the expected profit.

In regards to the selection and assessment stage, there should be intense background checks when the service is termed as “expensive”. The background checks should involve expertise, capacity, quality of staff of the supplier, past contracts, external resources (supplier’s supplier), administrative and organizing processes, strategic and development process and financial and material resources. If the service is classified as “cheap”, the background checks can be less intense as compared to the latter.

In relations to negotiation and contracting stage, the purchasing company should be very stringent on the penalty and warranty clauses when it comes to delivery time and performance of the service. In regards to “cheap”, the payment term is usually based on fixed payment and the penalties should be less stringent.

In the follow-up and evaluation stage, there should be thorough evaluation in connection with the expected solution or result if the classification is termed “expensive”. Additionally, evaluation should be in line with the penalty clauses and payment terms. On the other hand, if the service is classified as “cheap”, evaluation should also be conducted but not as thorough as the latter classification.

**Level of Specification:** This classification measures the level of specification. When the service level of specification is high, it is classified as “hard”. This means there is a high degree of specification of the service. “Easy” indicates that the level of specification is low. This classification is essential for the specification stage.
When the classification of the service is considered as “hard”, it indicates that the specification or customization is difficult and is of high level. Additionally, it is also considered “hard”, when the specification is difficult, becomes expensive and has some high level of profit impact. In such situation, the same process that is implemented for the classification of service when the profit impact is high (expensive), can be the same process that is implemented for this phase.

When the classification is considered “easy” it means that the level of specification is low. Therefore, the service is not considered “expensive” or have a high-profit impact. Consequently, although there is involvement from other departments in the purchasing process, the specification process is not intense as compared to when the service is classified as “hard”. Managers of the process should also try to preempt the required inputs and solutions to the problem.

5.3.1 Impact on Internal Users
This classification classifies service in relations to the impact of the service on internal users of the service. Services are classified as “close” and “Wide”. When the service is “close”, that means it has a high impact on internal users through the contact between the service provider and the internal user. This is the opposite for “wide”. In the “wide” classification, the impact on internal users is low and therefore means that the contact between the internal users and service provider is low. This classification is mainly applicable to the post-contractual stage.

In the post-contractual stage, when the service is classified as “close”, that means that all departments involved in the purchasing process should ensure that the service provider is aware of the norms, culture and procedure of the company so as to effectively relate to the internal users. The internal users should also be informed of the importance of effectively relating or connecting to the service provider. If the service is “close”, there should be some form of enlightenment of the service provider of the norms, culture and procedure of the company but it should be less intense due to the less contact of the service provider with the internal users.
5.3.2 Impact on Customers

Base on the impact on the customers of the purchasing company, this classification is considered as “thick” and “thin”. The service is classified as “thick” when the contact of the service provider with the customers of the purchasing company is high meaning. There is frequent contact between the two parties. Unlike “thin”, the contact between the two parties is low and less frequent. This classification is mainly concerned with the selection and assessment phase.

In the selection and assessment phase, if the service is considered “thick” that means in the assessment and selection of supplier, the company must be thorough. It must select suppliers that will portray the values and standards of the purchasing company. Customers will not differentiate between the service providers and the company. In their mind, they consider the service provider as the purchasing company. Therefore, the supplier must exhibit all the values and standards of the purchasing company. Additionally, the purchasing department and other departments in the company should manage the relationship between the supplier and customers. The company should try to avoid the situation wherein the involvement of the purchasing company in the three-party’s relationship is non-existence. The purchasing company should always maintain its involvement and ensure that the supplier does not overshadow the relationship.

![Figure 1.13 New Purchasing Process for HR services (own figure)](image)

The new purchasing process was developed base on the new model for the classification of service. This purchasing process presents some difference from the original model developed by Van Weele (2010) (see figure 1.2 process of purchasing). The new model takes into consideration the classification of services and integrates the effects of the classification in the purchasing process. For example, in the specification stage, when the
classification is termed “expensive”, there must be predictions of the possible inputs and solutions to the problem. Moreover, this purchasing process is more specific to the purchasing of services especially HR services than the previous model which analyzes purchasing from both tangible products and service. The new purchasing process excluded “Establish Order Routines and Expediting Orders” that were included in the previous model by Van Weele (2010). This does not indicate that these stages are not essential but in regards to the purchase of service, due to its intangible nature but these phases do not suit the classification.
6. Conclusion

In this conclusion chapter, the answers to the two research questions are presented. Additionally, the thesis also suggested proposals for further research and indicated the criticisms to the thesis.

6.1 Answer to Research Question 1: How can the various purchasing models be used to develop a process for professional HR service purchasing?
With the analysis of theory and empirical evidence, the thesis discovered that training and recruitment and selection are the most purchased HR services. Additionally, the thesis discovered four commonalities of classification which are 1. The profit impact, 2. Level of Specification 3. The impact of on internal users and 4. Impact on customers. With this discovery, the thesis proposes a new model for the classification of service which leads to the new purchasing process exhibited in Figure 1.13-New Purchasing Process for HR services. The new purchasing process presents some difference from the original model developed by Van Weele (2010) (figure 1.2 process of purchasing) in that it takes into consideration the classification of services and integrates the effects of the classification in the purchasing process.

6.2 Answer to Research Question 2: What are the factors involved in developing a process for the purchasing of professional HR services?
The factors involved in the development of a process for the purchasing of HR services are the personal relationship, clarity of problem and solution, specification of inputs, specification of supplier’s throughputs or processes, specification of output and specification of supplier’s outcome. Additionally, the characteristics of service are another important element or factor to consider when developing an HR purchasing process.
The characteristics of service play a major role in many of the stages especially the specification, assessment and selection and follow-up and evaluation stages. It is important to define the characteristics of service when planning the stages of the purchasing process.
6.3 Connection between the two Research Questions

The two research questions interact in that the various purchasing models are used to develop a professional HR service purchasing process and the factors involved in the purchasing of professional HR service is also highlighted. This indicates that both the models and factors that affect the purchasing process are essential in developing a purchasing process for professional HR Services.

6.4 Societal Implications

The thesis proposes a detail specification and background checks of companies in relation to the purchase of services. One of those background checks relates to sustainability. Therefore, the thesis contributes to the sustainability. Additionally, this thesis helps in bridging the literature gap in the purchase of services especially HR services. Moreover, it suggests some solutions to managers purchasing services or HR services.

6.5 Further Research

In order to confirm the findings of this thesis, it is recommended that further research is done in the purchasing of services especially within HR services. As was indicated by the researched companies and the theory of this thesis, the purchasing of service is a field that is still under-researched. Therefore, it is paramount that further research is done in his field. Additionally, it is essential that researchers go further in researching the impact of the characteristics of service on the classification of service and the purchasing process.

6.6 Criticism of the Thesis

The thesis is aware that the empirical data is not very deep, but it complemented the empirical data with rich theory in order to thoroughly answer the research questions. These limitations came as the result of the less availability of companies and purchasing managers for interviews. In as much the empirical data is not very deep, but strong theoretical foundation coupled with the empiricism makes the authors satisfied with the results of the thesis.
6.7 Generalization of the Thesis
The thesis researched large companies with more than 250 employees and over €50 Million over in turnover. Therefore, this thesis can be generalized with other large organizations with the use of similar research methods.
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Appendix I

Questionnaires for the Empirical Data

Research Question 1: How can the various purchasing models be used to develop a process for professional HR service purchasing?

Questions for HR Services

What kind of HR services do you purchase?
What are the frequently outsource HR Services?
How do you categorize services?

Categorization of Services

How are services categorized?

- Are they categorized in terms of profit and risk impact?
- Are they categorized in terms of value of the service and complexity of specification?
- Are they categorized in terms on the level of impact in the customers of your company?

What is the level of contact or relationship of the service provider with the internal users of the service?

What is the level of contact and relationship of the service provider and the purchasing department?

What is the level of coordination between other departments of your organization and the purchasing department in the purchasing of services?

Is there a situation where the purchasing department is given less responsibility in the purchasing of services?

Purchasing Process

How can you describe the purchasing process of services of your company?

Specification: What kind of specification do you do for services (functional and technical)?

What is the amount of time you spend in the specification stage?

What are the departments involved in the creation of specification?
Are potential suppliers involved in the development of specification?

In the specification stage, what kind of predictions does the purchasing department make in terms of the solutions to problem?

**Selection and Assessment of Suppliers:** What do you require from the supplier in terms of turnkey or partial sub-contracting contract?

How do you negotiate the payment structure in terms of fixed cost and cost-reimbursement?

What kind of background checks or audits (*expertise, capacity and quality of staff, past contracts, internal process of suppliers, financial, material, human and immaterial resources*) of potential suppliers are done?

**Negotiation and contracting:** In relations to paying the supplier, what terms of payment do you negotiate for (*fixed-price plus incentive fee contract, cost-plus contract, cost-reimbursable contract and agreement with price-adjustment*)?

Are there any penalty clauses and warranty conditions your company negotiate for?

**Post Contractual Stage:** With services that involve the service provider working within your company or have close contact with internal users, how do you ensure that the service provider is acquainted with the internal norms and operations of your company?

How does the purchasing department evaluate the relationship between the service provider and the internal users of the service?

**Order Processing and Expediting:**

How do you implement acceptance checks of the service?

Follow-up and Evaluation of the Buying Process: How do you do performance measurement of the suppliers?

How do you evaluate the entire process so as to be able to improve the next purchase process?

**Research Question 2:** What are the factors involved in developing a process for the purchasing of professional HR services

**Factors of the Purchasing Process**

**Personal relationship:** What kind of relationship do you build with the selected supplier?

**Clarity of problem and solution:** How do you clarify the problem and solution for which the service is purchased?
**Specification of inputs:** How do you predict or estimate the level of input (*resources, capabilities*) that the supplier will employ?

**Specification of throughputs:** How do you predict or estimate the activities or the production of service the supplier will implement?

**Specification of Output:** How do you predict the expected output or performance after the service has been performed?

**Specification of Outcomes:** How do you estimate the expected economic gain to your company after the service has been performed?