

# Building social capital in client-PSF relationships: the role of service complexity and Procurement involvement

Jas Kalra ([J.Kalra@bath.ac.uk](mailto:J.Kalra@bath.ac.uk))

*HPC Supply Chain Innovation Lab, School of Management, University of Bath, Bath, UK*

Paul D. Cousins

*School of Economics, Finance and Management, University of Bristol, Bristol, UK*

Michael A. Lewis

*Information, Decisions and Operations Division, School of Management, University of Bath, Bath, UK*

## Abstract

The issue of social capital development in buyer-supplier relationships is increasingly of interest to supply chain management scholars. Most of our understanding, however, has been developed from the manufacturing context, where the Procurement function plays an active role. In contrast, Procurement's role in the procurement and management of services remains unexplored. This is interesting because in case of professional services, unlike goods procurement, the client is dependent on the service-provider for its specialised expertise. We address this gap by exploring the role of Procurement in developing social capital in client-PSF relationship through a multiple, embedded-case study design.

**Keywords:** Buyer-supplier relationships, Procurement involvement, Professional services

## Introduction

Professional services, which are traditionally characterised by the close relationships between service-users and professional service firms (PSFs), have become significant part of organisational spend. This has led to increasingly high levels of involvement of procurement professionals (Ellram and Tate, 2015; Lonsdale et al., 2017). Within the literature there is discourse on the value added by procurement professionals within this relationship beyond the level of establishing the base contract. Some scholars are even concerned that the involvement of procurement in any stage of the process may negatively affect the client-PSF interaction (O'Mahoney et al., 2013). While on the other side of the debate others argue that procurement has a significant potential to add substantial value not only in developing robust contracts but also in managing and developing the ongoing client-PSF relationship (Pemer et al., 2014). There is, however, a lack of empirical work which specifically explores these social bonds between the client and the PSF in any level of detail (Lonsdale et al., 2017). Our research seeks to address this problem by posing the exploratory research question: "*how does the level of procurement involvement in the procurement of professional services of varying complexity influences the social capital between the client firm and the PSF?*" Keeping in view the theory-building and exploratory nature of the research question, this research examines the procurement and ongoing management of professional services of varying levels of complexity within the context of a single client firm.

## Literature review

### *Professional services and their complexity*

Within the operations management literature, professional services is a broad category of service operations, composed of higher degrees of customisation, interaction between the client and the professional, and labour intensity (Schmenner, 1986). In his review of the field, Von Nordenflycht (2010) defined professional services as services characterised by high knowledge intensity, low capital intensity and professionalised workforce. Recent studies, however, have reported an aspect of contingency to these idealised characteristics (Brandon-Jones et al., 2016; Lewis and Brown, 2012). In particular, scholars are called for more contingent research in professional service operations and comparing different contexts (Lewis and Brown, 2012; Von Nordenflycht, 2010). This research seeks to address this call by exploring the procurement of a range of simple and complex services.

Service complexity is a construct that has been defined in the discourse in a variety of ways. For example, building on their review of the literature, Benedettini and Neely (2012) argued that there are two types of service complexity: complicatedness and difficulty. While complicatedness is the degree of multiplicity and inter-relatedness of the tasks required to perform the service, difficulty of the service referred to the amount and intensity required to deliver a sophisticated outcome. Tien (2008), on the other hand, referred to service complexity as the degree of interaction between the service stakeholders. Finally, Badinelli et al. (2012) defined the complexity of service as its ‘open’ and dynamic nature and the adaptation required to perform it. Following on Kreye et al. (2015), we adopt a more service-centric definition of complexity, defined as “*the number and intricacy of the steps required to perform it*” (Shostack, 1987: p35). Extending this definition of service complexity into the context of professional services, we define professional service complexity as the increasing occurrence of treatment, diagnosis and inference tasks in the service (Abbott, 1998; Harvey et al., 2016).

### *Procurement of professional services*

Similar to the research on professional service operations, the area of services procurement has been under-developed. A recent practitioner study from *Spend Matters* reported that, “*management of services procurement and supply chains is at least 20 years behind direct materials processes and a decade or greater behind indirect materials*” (Busch and Mitchell, 2015: p1). Although scholars have begun to focus on the issue of services procurement and supply management (for e.g, Lonsdale et al., 2017; Wynstra et al., 2017), the management of service supply relationships has remained under-researched. Some initial studies exploring this issue have argued that contrary to the expectations of service supply relationships being highly relational, they demonstrate contingent behaviour, ranging from close, trusting to adversarial, arm’s-length relationships (Skjølsvik, 2016). Furthermore, scholars have argued that the structure of buyer-supplier relationship in services procurement is very different from that of goods procurement (Li and Choi, 2009). These issues highlight that a more nuanced understanding of professional service supply relationships needs to be developed.

### *Social capital theory*

Nahapiet and Ghoshal (1998) identify three dimensions of social capital, namely, structural, relational and cognitive. The structural dimension refers to social interactions due to a structuring of the relationships. In other words, it refers to which actors can be accessed and how they can be reached (ibid). Within the supply chain management literature, the structural dimension has been conceptualized as social interaction ties (Carey et al., 2011), managerial communication and technical knowledge exchange (Lawson et al., 2008), managerial routines and information sharing (Krause et al., 2007). The relational dimension refers to the assets embedded within these ties such as trust, obligation, and reciprocity. This dimension has been given relatively more attention in the supply chain management literature, due to its implications for understanding buyer-supplier relationships

(Cousins et al., 2006; Lawson et al., 2008). Within the context of buyer-supplier relationships, the relational capital has been observed to mediate the effect of structural and cognitive dimensions of social capital on buyer performance outcomes (Carey et al., 2011). Lastly, the cognitive dimension refers to resources that provide shared meanings and representations to the actors (Nahapiet and Ghoshal, 1998). It is represented by shared vision, ambitions, and goals of the parties in the relationship (Inkpen and Tsang, 2005). The cognitive dimension has relatively stronger effect on quality and innovation outcomes than cost reduction (Carey et al., 2011; Krause et al., 2007).

Despite the wide discourse on social capital, there are two major limitations in this stream of literature. Firstly, the vast majority of the work focuses on buyer-supplier relationships with a manufacturing as opposed to a service context. Social relationships are highly context-dependent. Although this research has empirically established the positive relationship between social capital and buyer's performance outcomes, a number of studies have reported that buyer's perceive the procurement of service to be much more complex than that of products (Busch and Mitchell, 2015; van der Valk and Rozemeijer, 2009), which could impact how and why social capital is developed in these relationships. The second limitation is that most studies have examined perceptions of social capital and relationships outcomes from the perspective of only one party. A recent study revealed that parties can have different perceptions of the same buyer-supplier relationship, which could lead to different outcomes for the respective parties and could negatively impact the performance of the exchange (Son et al., 2016). This study seeks to address this gap by examining how is social capital between the client and the PSF is developed.

## **Methodology**

Using a multiple case study design embedded within the context of a single case of a multinational bank (hereafter referred as to BANK), we explore how the relative complexity of the professional service and the length of the contract influences the development of social capital between the client and professionals service firm (Siggelkow, 2007). We calculate the relationship length from the start date of contract/work-order to the completion of the service delivery. Data were collected through in-depth semi-structured interviews (n=48) with service owners and procurement professionals (from client firm) and service managers (from PSFs). Further data was collected through two weeks of direct observation at BANK's offices in London and an Eastern-European country. Finally, archival analysis was conducted through analysis of contracts conducted at the firm's premises.

For the purpose of data analysis, template analysis, a form of thematic analysis was used. In template analysis, a list of codes is developed, which is driven by *a priori* themes in the beginning. This template then becomes a tool that is applied to the textual data and is modified as the data are analysed and new codes are identified (King, 2009). This method of thematic analysis is increasingly being used in the operations and supply chain management research.

## **Findings**

Table-1 provides an overview of the findings and the analysis conducted across the eight service exchanges, starting from lower to higher levels of service complexity.

Table 1: A summary of within- and cross-case analyses

|  | <i>Hardware Logistics</i> | <i>Helpdesk</i>   | <i>Onsite Desktop Support</i> | <i>Cabling</i>           | <i>VAT Review</i>         | <i>COREP Framework Development</i>                           | <i>Blockchain-integrated payment solution</i>                | <i>Virtual reality technology exploration</i> |
|--|---------------------------|---|-------------------------------|--------------------------|---------------------------|--|--|---|
| <i>Professional Service Characteristics</i>                      |                           |   |                               |                          |                           |  |  |   |
| <b>Service complexity</b>  | Low                       | Low   | Low                           | Low                      | High                      | High   | High   | High  |
| <i>Relationship Length [Low: &lt;3 years; High: &gt;3 years]</i> |                           |   |                               |                          |                           |  |  |   |
|  | High                      | Low   | Low                           | High                     | Low                       | High   | High   | Low   |
| <b>Geographical scope</b>  | Regional                  | Global  | Regional                      | Regional                 | Regional                  | Regional   | Regional   | Global  |
| <b>Interaction-type</b>  | Long term, Process-based  | Long term, Process-based, embedded in strategic partnership | Long term, Process-based      | Long term, Process-based | Short term, Project-based | Short term, Project-based, embedded in strategic partnership | Short term, Project-based, embedded in strategic partnership | Short term, Project-based                     |
| <b>Socialisation Mechanisms</b>                                  | Formal and informal       | Formal  | Formal                        | Formal and informal      | Formal and informal       | Formal   | Formal and informal  | Informal                                      |
| <i>Client and PSF's efforts to develop social capital</i>        |                           |   |                               |                          |                           |  |  |   |
| <i>Procurement's Involvement in the Sourcing Process</i>         |                           |   |                               |                          |                           |  |  |   |
| <b>Procurement Involvement in Sourcing Process</b>               | High                      | High  | High                          | High                     | No involvement            | High   | High   | No involvement                                |
| <b>Procurement's internal client relationships</b>               | Good                      | Adversarial   | Excellent                     | Adversarial              | Non-existent              | Non-existent/<br>Dissatisfied client                         | Excellent  | Adversarial                                   |
| <b>Procurement's external supplier relationships</b>             | Adversarial               | Good  | Non-existent                  | Non-existent             | Non-existent              | Good, growing, New Supply Manager                            | Good   | Non-existent.                                 |
| <i>Social Capital Dimensions</i>                                 |                           |   |                               |                          |                           |  |  |   |
| <b>Structural</b>  | High                      | Low   | High                          | High                     | High                      | High→Low   | High   | Low   |
| <b>Cognitive</b>   | Low→High                  | Low   | High                          | High                     | High                      | Low  | High→Low   | High→Low                                      |
| <b>Relational</b>  | Low                       | Low   | Low                           | High                     | High                      | Low  | High   | Low   |

## Discussion

The case findings have illustrated that the process by which social capital is developed in client-PSF relationship varies by the complexity of service. Furthermore, they highlight the role of procurement in influencing the development or reduction of social capital in the client-PSF relationship, particularly, the cognitive dimension of social capital. Finally, the length of the relationship between the client and PSF and the stage of the relationship at which Procurement is involved influences the development or reduction of social capital. The following sections present an analysis and discussion of these findings.

### *Procurement's involvement in professional services with low complexity*

The sampling frame consisted of four cases of less complex professional services: hardware logistics (case #1), helpdesk (case #2), onsite desktop support (case #3) and cabling support (case #4). All of these services involved negotiation of multi-year contracts with value upwards of \$250,000, and therefore warranted the involvement of Procurement function as per the organisation's policy. The findings revealed that the stage of client-PSF relationship (early/late) at which the Procurement function is involved and the state of Procurement's relationship with the client influenced the development or reduction of social capital in the client-PSF relationship. In case Procurement is involved early in the relationship and it shared a good relationship with the client (for example, onsite desktop support, case #3), it influenced development of cognitive capital through formalisation of expectations between the client and the PSF. In case of onsite desktop support, the contract was negotiated on a regional level (Europe, Middle East and Africa or EMEA region). Therefore, the EMEA Procurement manager was involved. The Procurement Manager was based in Dublin, Ireland and made frequent trips to client office in London, UK for understanding the service requirements and building trust. Once a good working relationship was established, the sourcing process was initiated. In this way, Procurement function was involved right from the beginning of the sourcing process. On selection of MS4 as the preferred service provider, Procurement led a detailed contract negotiation process, formalising the service level agreements and the norms of the relationship. Both parties understood what was expected of the other and this led to development of cognitive capital between both parties.

On the other hand, if Procurement is involved early in the relationship but does not share a good relationship with the internal client, the cognitive capital between the client and PSF is not developed. In case of helpdesk service (case #2), the contract was being negotiated on a global scale. The Procurement manager was based in the USA and therefore paid no special attention to establishing a relationship with the EMEA IT operations managers. Therefore, the supplier was selected and SLAs were set on a global level, without paying attention to the specific needs of the EMEA region. Therefore, the service managers and personnel from MS2 never really understood the expectations of EMEA IT operations managers. In other words, the cognitive capital between both parties was never developed, which set the tone for how the relationship between both parties would progress throughout the life of the contract. At present, the relationship is at a highly conflicting, adversarial state with very low cognitive, relational and structural capital.

The two cases discussed above presented the scenarios where Procurement function was involved early in the sourcing process. However, it is not always the case. In the words of the CPO of BANK, when it came to procuring professional services, "*we were not invited to the party.*" In such cases, the relationship between client and the PSF was already developed and the involvement of Procurement either improved or disrupted this relationship. Again, in this case, the relationship developed between the Procurement function and the client influenced the development of social capital between the client and the PSF. In the case of hardware logistics function service (HLF, case#1), for example, the supplier, MS1 had been delivering the service to client for over nine years. Over the course of nine years, the PSP got *over-embedded* in the client organisation and the service scope kept on increasing. At some point the client relied completely on the MS1 to perform a host of

IT functions for them and created an entirely bespoke service. With the recent procurement policy change of all contracts to be reviewed every three years, the Procurement function got involved in the relationship. The Procurement manager tried to run a request for proposal (RFP) process for the service, but neither the client nor Procurement were able to write a specification document. It soon became apparent that they will have to get the scope document written by the MS1. This reflected how the client and PSF lost sight of their goals and objectives from the service. In other words, in the absence of procurement and their formalisation processes, the cognitive capital was reduced. Since the client and the Procurement manager shared a good working relationship, the Procurement was able to bring this to client's attention and make him understand the risks associated with this situation. For example, a lot of out-of-contract work that was being given to MS1 exposed BANK to risks. Furthermore, being with the same service provider for past nine years meant that client was potentially losing out on the cost, quality and innovation benefits in the market. In the words of Procurement Manager, "*Trust is fine, but a little change once in a while could be good!*" Building on its good relationship with the client, Procurement manager was able to bring both parties to the negotiation table and convince them to agree to a renegotiation of the contract, by which the PSF would come up with cost and service improvement benefits over the next three years and the client will appoint a new service manager, whose main role will be learning and defining the service for the next RFP cycle. As expected, this has led to the PSF perceiving Procurement's approach to the relationship as being adversarial and reduction of relational capital between the client and PSF. However, the cognitive capital has begun to develop since Procurement's involvement as both parties are aware of their goals and objectives. Interestingly, throughout the duration of the service, structural capital remained constant. Overall, both the client and PSF are aware that the relationship between them is declining.

Late involvement of Procurement in a pre-established client-PSF relationship is not always perceived so favourably by the client. In the case of cabling service (case #4), when Procurement got involved in a client-PSF relationship of over twelve years, by Procurement Managers' admission, "*there were fireworks!*". Initially the client manager expected that the RFP exercise would simply be renegotiation of the contract with the incumbent service provider, MS4. However, when the Procurement insisted on running a complete RFP and made it clear the switching the supplier was on the table, the client got extremely protective of the PSF. This was because the service requires a lot of tacit, BANK-specific knowledge that client had worked hard with the PSF to build in its employees over the years. The service was finally running at a level of optimum quality and the client manager was getting the responsibility of maintaining the cabling service for all the sites within the UK and Europe. The PSF had a big role to play in this. The service-provider was highly flexible and paraphrasing the IT operations manager, had gotten them out of sticky situations innumerable times. Moreover, if a new supplier was selected, the employees will not take the TUPE option and the client would lose them along with their tacit knowledge. The client would then need to build the relationship and knowledge of the supplier from the scratch. From the Procurement's perspective, although the PSF was a good supplier, an analysis of billables revealed that BANK had paid much more than the contract value to the MS4. Further investigation revealed that although there was no malpractice, a lot of work being given to the MS4 was out of contract. The extra work done by MS4 was not recorded in the ERP systems and was being managed manually by the client through EXCEL sheets. Procurement manager was worried that unchecked, this service could go the way of the HLF service (case #1) and in a few years, they will lose control of the service definition. In addition to this, this type of non-contracted work exposed BANK to risks. When Procurement tried to raise this with the client, the client became extremely defensive and the relationship between the client and Procurement became extremely adversarial, to the point that running the sourcing process became impossible. Ultimately, the IT operations manager, with whom Procurement manager shared an excellent relationship intervened and the sourcing process was completed. On request of IT operations manager, Procurement allowed the contract to be awarded to incumbent service-provider after

negotiating a discount and setting up service credits, an option BANK could invoke to penalise service provider for not meeting the required service levels. Throughout this phase, the social capital between the client and PSF remained high on all three dimensions (cognitive, relational and structural). Procurement's involvement brought some formalisation to the relationship, which led to goals and objectives becoming clearer and cognitive capital being increased. However, without Procurement's involvement and/or state of its relationship with the client being adversarial meant that if sooner or later the relationship between the client and PSF would have gone the way of HLF (case #1), i.e., reducing cognitive capital followed by reducing relational capital, client might not have been able to save the tacit-knowledge from being lost. The client would have had to start the relationship with a new service-provider and rebuild the tacit knowledge it had worked so hard to develop with MS4.

In conclusion, in case of less complex services, the stage at which Procurement is involved in a client-PSF relationship (early/late) and the state of Procurement's relationship with the client (collaborative/adversarial) influenced the state of social capital between the client and the PSF.

#### *Procurement's involvement in professional services with high complexity*

The sampling frame further consisted of services with high levels of complexity, namely, VAT review (case #5), COREP framework development (case #6), Blockchain-integrated payment solution (case #7) and virtual reality technology exploration (case #8). These complex services are the form of 'pure' services (Chase, 1978), where the client directly participates in the production process. These services are delivered in the form of short-term projects, which in some cases are embedded in a strategic relationship between the client firm and the PSF and in other cases operates as a one-time service between the client and PSF. Out of these cases, the value of cases #6 and #7 was more than the threshold value of \$250,000, which meant that Procurement was directly involved in these service relationships. The value of other two cases was below the threshold value, therefore, these service relationships were managed without Procurement's involvement. The examination of the influence of presence or the absence of Procurement in the relationship led to some interesting insights about how social capital is developed between the client and the PSF.

In case of services with high level of complexity and absence of procurement, the client and the PSF develop cognitive capital by themselves in the absence of Procurement. This was observed in case of VAT review service (case #5) and virtual reality technology exploration (case #8). Both of these services were short-term projects lasting a few months. It can be inferred that it is easier to develop and maintain a shared understanding of goals and objectives (cognitive capital) in the short-term. However, for the development and maintenance of cognitive capital, there is a need for frequent communication, information sharing and ideally co-location (structural capital). In the absence of high levels of structural capital, cognitive capital begins to decline. Two cases illustrate this point. In case of VAT review service (case #5), the client and PSF agreed on the goals of the project and PSF actively tried to build structural capital by co-locating on the client site and frequently meeting with the client team, both formally and informally. This helped in maintaining cognitive capital and overtime led to development of a trust and goodwill between both parties (relational capital). Ultimately, the project was completed on time and under-budget and this has resulted in the development of growing relationship with the client and PSF, where the client regularly communicates with PSF to take informal advice, exchange market knowledge and also recommends the PSF to other parts of the business. A very different phenomenon was observed in case of virtual reality technology exploration (case #8), where the client and PSF were geographically dispersed. The PSF was based in the USA and was mainly in communication with the client based in Israel. This geographical dispersion limited the interaction and information exchange between the client and PSF. Moreover, the PSF could not really demonstrate the application of the technology that they were exploring with the client because of the embargo imposed by the developer of the technology and the equipment. Therefore, the PSF could only show the client a few recordings and storyboards and really

depended on the client's imagination to understand the application. This was very difficult for the client and the client elaborated on this constraint during the interview, "*I think that some, a little bit more face to face time, the vendor was in USA and we were in Tel Aviv, a little additional time face to face brainstorming would be better. Unfortunately, the budget constraint and the time constrain didn't allow that.*" Although both parties started with high levels of cognitive capital, in the absence of structural capital, the cognitive capital was reduced. Follow-up interviews with the client and the PSF revealed that both parties did not know the future of the relationship, which implied that the cognitive capital has not recovered. Further analysis of the relationship revealed that in the absence of cognitive and structural capital, relational capital was not developed.

In cases where the contract value warranted the involvement of Procurement, its relationship with the client influenced the development of social capital between the client and PSF. In case of COREP framework development service (case #6), Procurement did not attempt to develop a relationship with the client. The client was based in the London, while the Procurement manager was based in an eastern-European country. When client reached out to Procurement with its requirement of hiring one of the top-4 consulting firms for his project, Procurement asked him to send over his requirements and his budget approvals. Based on general requirements, Procurement recommended two consulting firms. The client met with these consultants and selected one based on his requirements, the Procurement assessed the firms from a cost perspective and agreed with the client's choice. In spite of it being a high-value project, the lack of good relationship between the client and Procurement led to low levels of cognitive capital between the client and the PSF. This set the tone of the relationship. As the project progressed, the client realised that he was not getting the service he expected and the consultants working with him were delivering the service they were contracted for. The client was expecting that the consultant will be bringing their expert knowledge and will be writing the requirement document with him, which would then be used for developing the framework. The consultants, however, were contracted for providing the client with the expert advice and reviewing the documents prepared by the client. Any more work required by the client would result in more billable hours, which was out of client's budget. In spite of the frequent communication between the client and the PSF (high structural capital), the lack of shared understanding of the other parties' expectations meant that the client remained frustrated throughout the lifecycle of the project and relational capital was not developed. In the end, the client ended up writing the business requirement document himself, and as per the contract, the consultants reviewed the document. This led to the project going over-budget and overtime. In his interview, the client blamed Procurement and their lack of support in the sourcing process as well as contract management for his dissatisfaction with the consultants.

In stark contrast to case #6, the Blockchain-integrated payment solution (case #7) presented a case where Procurement had a good relationship with the client. In this case, the client and the Procurement department were co-located and communicated frequently. Procurement's involvement and its good relationship with the client led to development of clear goals and objectives for the project between the client and PSF (cognitive capital). Cognitive capital, coupled with the co-location and regular, close interaction between the client and the PSF (structural capital) had led to the development of high levels of relational capital. Although this worked very well for the outcome of the project (which will be discussed in detail in the next chapter), Procurement's involvement in this relationship has influenced the social capital dynamics in an interesting way. The client and the PSF have an excellent relationship and have worked with each other on a range of projects for the last couple of years. Procurement, however, is concerned that the client can get better quality of service and innovation from different PSFs for lower costs. This is particularly important for this client as the client works exclusively on highly innovative projects. Therefore, Procurement has actively started reducing the social capital between the client and PSF to prevent over-embeddedness. In order to do this, the Procurement convinced the client to be open to other service providers, leading to its goals for the relationship to become different from that of the PSF. This intentional and gradual



reduction of social capital between client and PSF has also resulted in gradual reduction of relational capital. From the Procurement's perspective, although this might look self-serving in the short-term, its commitment is with the client and in the long-term they would have developed a portfolio of good service relationships.

## **Conclusion**

The analysis presented above presents a discussion of how client and PSFs develop social capital in the procurement of professional services. In this study, Procurement's role as a lever to control the development or reduction of social capital emerged as an important finding of this research. This role, however, varied according to the relative complexity of the service. In less complex services, such as managed IT services, Procurement would be able to take an active role in influencing the client-PSF relationship due to low information asymmetry. Procurement, therefore, is able to take many activities not dissimilar to procurement of goods. However, this was contingent on the early/ late involvement of Procurement in the client-PSF relationship. If Procurement was coming late to a pre-existing relationship, then its relationship with its internal client would determine the influence it would have on the social capital. A good relationship with client would translate into development or improvement in cognitive capital, while an adversarial relationship with client would result in reduction of social capital. If, however, Procurement was involved right at the beginning of the client-PSF relationship, then Procurement would be able to aid in the development of cognitive capital in the relationship through formalisation of rules and norms in the relationship. Again, this depended on the quality of relationship between Procurement and internal client. An adversarial relationship would mean that the social capital would not develop regardless of Procurement's involvement in the relationship, a good relationship would ensure that not only would Procurement aid the development of social capital in the client-PSF relationship, but also be able to reduce it from time-to-time to save the relationship from becoming over-embedded, resulting in what scholars call the dark-side of social capital (Villena et al., 2011). This is similar to the 'process owner' role posited by Ellram and Tate (2015).

Although these findings hold true to some extent in case of simple services, they become more nuanced in case of more complex services. In these cases, in the absence of Procurement, the client and the PSF develop cognitive capital on their own. This is possible because it is easier to keep sight of goals and objectives for a relatively short span of time. Similar to less complex services, structural capital is important for the development of relational capital from cognitive capital. In the absence of structural capital, the cognitive capital is reduced rapidly and relational capital is not developed. In case Procurement gets involved in the sourcing process, then the development of cognitive capital, and by extension relational capital will be developed only if Procurement shares a good relationship with the internal client and spends time transforming client's fuzzy and implicit expectations into precise and explicit expectations. This finding is consistent with the findings of Ellram and Tate (2015), who found that in more complex services, Procurement's role as a 'guide' or 'consultant' was motivated by a cost-benefit analysis of their resource and time investment in the procurement process than relative asymmetry of the service.

## **References:**

- Abbott, A. (1998), *A System of Professions: An Essay on the Division of Expert Labor*, University of Chicago Press, Chicago, IL.
- Badinelli, R., Barile, S., Ng, I., Polese, F., Saviano, M. and Nauta, P. (2012), "Viable service systems and decision making in service management", *Journal of Service Management*, Vol. 23 No. 4, pp. 498–526.
- Benedettini, O. and Neely, A. (2012), "Factors Influencing Service Complexity: The Perspective of Servitized Manufacturers", *EurOMA Conference 2012*, pp. 1–10.
- Brandon-Jones, A., Lewis, M., Verma, R. and Walsman, M.C. (2016), "Examining the characteristics and managerial challenges of professional services: An empirical study of management consultancy in the travel, tourism, and hospitality sector", *Journal of Operations Management*, Vol. 42–43, pp. 9–24.
- Busch, J. and Mitchell, P. (2015), "Applying Supply Chain Rigor to Contingent Workforce Management", *Spend*

*Matters.*

- Carey, S., Lawson, B. and Krause, D.R. (2011), "Social capital configuration, legal bonds and performance in buyer-supplier relationships", *Journal of Operations Management*, Vol. 29 No. 4, pp. 277–288.
- Chase, R.B. (1978), "Where does the customer fit in a service operation?", *Harvard Business Review*, Vol. 56 No. 6, pp. 137–142.
- Cousins, P.D., Handfield, R.B., Lawson, B. and Petersen, K.J. (2006), "Creating supply chain relational capital: The impact of formal and informal socialization processes", *Journal of Operations Management*, Vol. 24 No. 6, pp. 851–863.
- Ellram, L. and Tate, W.L. (2015), "Redefining supply management's contribution in services sourcing", *Journal of Purchasing and Supply Management*, Elsevier, Vol. 21, pp. 64–78.
- Harvey, J., Heineke, J. and Lewis, M. (2016), "Editorial for Journal of Operations Management special issue on 'Professional Service Operations Management (PSOM)'", *Journal of Operations Management*, Vol. 43, pp. 4–8.
- Inkpen, A.C. and Tsang, E.W.K. (2005), "Social Capital, Networks, and Knowledge Transfer", *Academy of Management Review*, Vol. 30 No. 1, pp. 146–165.
- King, N. (2009), "Using templates in the thematic analysis of research", in Cassell, C. and Symon, G. (Eds.), *Essential Guide to Qualitative Methods in Organizational Research (Kindle Edition)*, 1st ed., SAGE Publications Ltd, London, UK.
- Krause, D.R., Handfield, R.B. and Tyler, B.B. (2007), "The relationships between supplier development, commitment, social capital accumulation and performance improvement", *Journal of Operations Management*, Vol. 25 No. 2, pp. 528–545.
- Kreye, M.E., Roehrich, J.K. and Lewis, M.A. (2015), "Servitising manufacturers: the impact of service complexity and contractual and relational capabilities", *Production Planning & Control*, Vol. 26 No. 14–15, pp. 1233–1246.
- Lawson, B., Tyler, B.B. and Cousins, P.D. (2008), "Antecedents and consequences of social capital on buyer performance improvement", *Journal of Operations Management*, Vol. 26 No. 3, pp. 446–460.
- Lewis, M.A. and Brown, A.D. (2012), "How different is professional service operations management?", *Journal of Operations Management*, Vol. 30 No. 1–2, pp. 1–11.
- Li, M. and Choi, T.Y. (2009), "Triads in Services Outsourcing: Bridge, Bridge Decay and Bridge transfer", *Journal of Supply Chain Management*, Vol. 45 No. 3, pp. 27–39.
- Lonsdale, C., Hoque, K., Kirkpatrick, I. and Sanderson, J. (2017), "Knowing the price of everything? Exploring the impact of increased procurement professional involvement on management consultancy purchasing", *Industrial Marketing Management*, Elsevier, Vol. 65 No. April, pp. 157–167.
- Nahapiet, J. and Ghoshal, S. (1998), "Social Capital, Intellectual Capital, and the Organizational Advantage", *Academy of Management Review*, Vol. 23 No. 2, pp. 242–266.
- Von Nordenflycht, A. (2010), "What Is a Professional Service Firm? Toward a Theory and Taxonomy of Knowledge-Intensive Firms.", *Academy of Management Review*, Vol. 35 No. 1, pp. 155–174.
- O'Mahoney, J., Heusinkveld, S. and Wright, C. (2013), "Commodifying the Commodifiers: The Impact of Procurement on Management Knowledge", *Journal of Management Studies*, Vol. 50 No. 2, pp. 204–235.
- Pemer, F., Werr, A. and Bianchi, M. (2014), "Purchasing professional services: A transaction cost view of the antecedents and consequences of purchasing formalization", *Industrial Marketing Management*, Vol. 43 No. 5, pp. 840–849.
- Schmenner, R.W. (1986), "How can service businesses survive and prosper?", *Sloan Management Review*, Vol. 27 No. 3, pp. 21–32.
- Shostack, G.L. (1987), "Service Positioning through Structural Change", *Journal of Marketing*, Vol. 51 No. 1, p. 34.
- Siggelkow, N. (2007), "Persuasion with Case Studies", *The Academy of Management Journal*, Vol. 50 No. 1, pp. 20–24.
- Skjølsvik, T. (2016), "Business-to-business professional service relationships under multiple logics", *The Service Industries Journal*, Vol. 36 No. 5–6, pp. 163–182.
- Son, B.-G., Kocabasoglu-Hillmer, C. and Roden, S. (2016), "A dyadic perspective on retailer-supplier relationships through the lens of social capital", *International Journal of Production Economics*, Elsevier, Vol. 178, pp. 120–131.
- Tien, J. (2008), "On Integration and Adaptation in Complex Service Systems", *Journal of Systems Science and Systems Engineering*, Vol. 17 No. 4, pp. 385–415.
- van der Valk, W. and Rozemeijer, F. (2009), "Buying business services: towards a structured service purchasing process", *Journal of Services Marketing*, Vol. 23 No. 1, pp. 3–10.
- Villena, V.H., Revilla, E. and Choi, T.Y. (2011), "The dark side of buyer-supplier relationships: A social capital perspective", *Journal of Operations Management*, Vol. 29 No. 6, pp. 561–576.
- Wynstra, F., Rooks, G. and Snijders, C. (2017), "How is service procurement different from goods procurement? Exploring ex ante costs and ex post problems in IT procurement", *Journal of Purchasing and Supply Management*, Elsevier Ltd, available at: <https://doi.org/10.1016/j.pursup.2017.12.001>.