Dynamic roles of suppliers in the specification of business services

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ABSTRACT
The service sector, in particular business services, has become increasingly important in developed economies. The increasing complexity of the supply market combined with customers’ limited knowledge in specifying services has contributed to a more active role of suppliers in those processes. Service specifications can go through stabilization and destabilization cycles over time in the context of customer-supplier interactions. We aim to study the evolution of supplier roles in specification processes over time. We conduct a longitudinal study that involves two professional service providers and six customers. We find that buying services may involve the explicit recognition of uncertainties regarding their specifications. The very process of interacting may help to change the initial specifications of an offer over time and to change the supplier’s role and the customer’s perceived uncertainty in the (de)stabilization process.

Introduction
The service sector has become increasingly important in developed economies with regard to particular business services, which reflects the servitization strategies of manufacturing firms (Baines et al., 2017; Gallouj et al., 2015; Vandermerwe and Rada, 1988). Professional services for firms that sell software tools represent a fast-growing segment (Phillips et al., 1999). Such are services delivered by firms to other firms or organizations, and both their design and delivery may involve recurring customer-supplier interactions (Axelsson and Wynstra, 2002; Gelderman et al., 2015; Håkansson and Snehota, 1995). Various authors have studied business services and have proposed a range of definitions and typologies to address the huge diversity of such services (e.g., Cook et al., 1999; van der Valk and Axelsson, 2015). In fact, some studies have classified services by emphasizing several dimensions such as the type of application in customer operations, seasonality, duration, or degree of standardization (e.g., Axelsson and Wynstra, 2002).

Services are processes in which the resources of a supplier interact with those of a customer to create value in the customer’s processes, which is manifested as improvements in the customer’s overall effectiveness and/or efficiency (Grönroos, 2006; Madhavaram and Hunt, 2017). A defining characteristic of several services is that product and production may coincide; thus, in an important sense, customers are involved in the process of production (Fisk et al., 1993). However, during the initial interactions, in the context of responding to a request for a proposal, the supplier likely must specify the service by bearing in mind the customer’s requirements and expectations. In addition to technical knowledge, employees’ knowledge of customers is a relevant aspect for the customization of business-to-business (B2B) professional services (Madhavaram and Hunt, 2017).

From an interactive perspective, this customization process can involve both parties. In addition, as noted by Geiger and Finch (2016), in many knowledge-intensive business services, the locus of interaction has shifted from discrete and clearly articulated offers to the exchange of problem-solving capacities. The recent literature addresses the process of specifying the services and the roles that both suppliers and customers can play in that process by considering the complexity, uncertainty, and mutual knowledge between the parties (Selviaridis et al., 2011). This literature argues that the increasing complexity of the supply market combined with customers’ limited knowledge in specifying the service (Flowers, 2004; Selviaridis et al., 2013) has contributed to a more active role by suppliers in defining the service (Araujo and Spring, 2006). In addition, the specification of services may change in the context of interactions between the parties, and in the case of close customer-supplier relationships, the stabilization and destabilization of specifications can be seen as “business as usual” (Gelderman et al., 2015).

An interesting issue in this context is the transition of roles within business relationships over time (Araujo and Spring, 2006; Selviaridis et al., 2013). By using the typology of suppliers’ roles proposed by these authors, we explore the dynamics of these roles over time in relational contexts where service specifications are temporarily (de)stabilized.

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(Gelderman et al., 2015; Selviaridis et al., 2011). The leading research question is as follows: Why and how do suppliers’ roles change during the processes of (de)stabilization of professional services? In this study, we use a longitudinal design that involves two service providers, one firm that collects and provides business information and another that develops and implements e-procurement solutions, and six business customers operating in diverse sectors.

We argue that the roles of the service provider in the specification process may vary and change over time. In the context of a business relationship, there are changes in the customer’s perceived uncertainty and/or the relevance of the provider’s buyer-specific experience. In the absence of relationship experience, the ability of the supplier to mobilize its knowledge about similar customer contexts may substantially influence the type of role the supplier may play in specifying services. These changes in the suppliers’ roles may involve (de)stabilizing the services’ specifications.

The paper is organized as follows: the next section presents the literature review, which discusses the specification of business services and the role of suppliers in the specification process. We then report a multiple case study of the development of business relationships that focuses on the process of (re)defining the service. We analyze the cases and present the conclusion in the final section.

**Literature review**

Business services have been growing in importance as they have encompass a considerable portion of the external resources of many firms (Ellram et al., 2007; Imonen et al., 2016; Van der Valk, 2008). Firms must purchase different types of goods and services (Axelsson and Wynstra, 2002; van der Valk and Axelsson, 2015). The variety of both the needs and the types of services results in different typologies. Service classifications are wide ranging, and the distinction between products and services is not straightforward (Araujo and Spring, 2006). Often, the process of specifying and delivering services involves interactions between the supplier and the customer (Axelsson and Wynstra, 2000; Gronroos, 1990) with the purpose of creating value in the customer’s processes (Gronroos, 2006; Madhavaram and Hunt, 2017; Sjödin et al., 2019).

**Specifying business services**

Studies have proposed various classifications of services according to the following features (van der Valk and Axelsson, 2015): their duration, standardization, complexity, creativity, regularity, and type of end user (Axelsson and Wynstra, 2002). Regarding the type of supplier, these studies distinguish between routine service providers and professional service providers that have the knowledge required to specify a service. Routine service providers are characterized by the ability to solve relatively simple problems for their customers and generally have highly standardized production. In most cases, the purchasing firm knows its needs and the type of services that are required to fulfill those needs. In contrast, a professional service provider is capable of solving complex problems. Each contract or transaction may involve many creative moments in direct contact with the customer. Solutions are developed in a process by which the supplier and the customer interact, step-by-step, to determine the real need and find the right solution, which often allows more value to be generated for their customers (Axelsson and Wynstra, 2002; Madhavaram and Hunt, 2017). For instance, the professional services designed for software tools include consulting on, training for, and customizing of designs for the services (Phillips et al., 1999). The complexity of some services can even result in substantial difficulties in identifying important cost drivers during the design, delivery, and adaptation phases (Jutta, 2020).

Axelsson and Wynstra (2002) propose four alternative methods for defining services: input-oriented, process-oriented, output-oriented, and outcome-oriented. A relevant aspect for adopting a particular method in the definition of a service is the set of activities performed to delineate and specify the requirements of the provided service (Selviaridis et al., 2011), which comes from the accumulated experiences and responsibilities of both parties in these processes. The studies on product specialization have long recognized the role of a customer’s accumulated experience in that process (e.g., Robinson et al., 1967) as the possibility of reusing previous knowledge varies with purchase novelty (Selviaridis et al., 2013; Webster and Wind, 1972).

The accumulated experience of both suppliers and customers is considered in interactive approaches. The mutual learning processes of the customer and the supplier can be critical in dealing with the difficulties that may exist in defining the exact content of a service and in its communication (Gadrey and Gallouj, 1998; Wynstra et al., 2006). During the interaction process, the degree of uncertainty regarding a firm’s resources and competences can be reduced insofar as both parties develop knowledge about the contexts of production and use (Ford, 2011).

Studies have also highlighted the relevance of the context of use to produce a classification of business services that can explain differentiated customer-supplier interactions (Wynstra et al., 2006). Such studies posit four applications (consumption, transformed, semi-transformed, and components) and three dimensions to characterize interactions (objectives, critical capabilities on either side of the relationship, type of representatives involved). Thus, for successful exchanges, the customer must shape its interactions with suppliers considering the service application (van der Valk and Wynstra, 2012). Although this classification is indeterminate and somewhat static, this typology reinforces the notion that, from an interactive perspective, the specification of the service may depend on the actors’ roles and how they combine their resources and competences over time. In this context, the creation of detailed specifications can even be seen as undesirable (Gelderman et al., 2015). In the case of complex services, the specifications can be temporarily stabilized or destabilized through customer-supplier interactions (Lindberg and Nordin, 2008; Selviaridis et al., 2011) because of the customer’s dissatisfaction with the current supplier, changes in internal interpretations, and the need to clarify specifications for potential suppliers (Gelderman et al., 2015).

**Suppliers’ roles in service specification**

The increasing complexity of the supply market can result in situations where customers have limited knowledge with which to define and articulate their requirements to suppliers (Flowers, 2004; Selviaridis et al., 2013). This deficiency can be particularly evident in the case of purchasing professional services as many of these services are difficult to understand due to their systemic nature (Madhavaram and Hunt, 2017), and customers often have only a vague idea of what they need (Aarikka-Stenroos and Halinen, 2007; Gelderman et al., 2015). In a non-standardized production process, the interaction between the parties can be important for the design and implementation of the service (Axelsson and Wynstra, 2002). In this context, suppliers and even third parties, such as consultants, can play an active role in defining the nature and mode of a service’s delivery (Araujo and Spring, 2006; Gadrey and Gallouj, 1998; Holma et al., 2020).

Selviaridis et al. (2013) propose a typology for provider roles in specification processes of business services from an interactive perspective. These authors support their approach with a number of works that highlight the role of the interaction in the definition of a service (Lindberg and Nordin, 2008) and the role of previous experiences in several exchange episodes between the parties as a way of coping with knowledge limitations on the existing alternatives or the ability to evaluate those alternatives (Swan et al., 2002). As expected, service providers can take an active role in the specification process by shaping their customers’ requirements. The supplier can expand its room for action by developing knowledge about the customer-specific context (Anderson et al., 2009; Ulaga and Eggert, 2006), for example,
by detecting new possibilities that contribute to improving the performance of a customer’s operations (Gadrey and Gallojii, 1998; Madhavaram and Hunt, 2017).

The presence, or absence, of a continuing relationship between the parties can influence the customer’s uncertainty, and it can also affect a supplier’s specific experience with a customer in defining the service (Axelsson and Wynstra, 2002; Gelderman et al., 2015; Selviaridis et al., 2011, 2013; Swar, et al., 2002). Adopting an interactive approach, two dimensions can be used to typify the supplier’s involvement when defining a service. The first dimension has to do with the uncertainty faced by the customer. Thus, customers may differ in terms of their perceived uncertainty about their ability to define service requirements due to the degree of complexity or extent of experience in defining these requirements. This aspect can be particularly relevant in systemic offers, that is, when the components of the offer are interdependent with their performance in the specific context of the customer (Madhavaram and Hunt, 2017). The second dimension is supplier-related, which is associated with the supplier-specific knowledge of the customer that the supplier has developed through previous exchange episodes over time in the context of a business relationship (Selviaridis et al., 2013). Supplier-specific knowledge is critical to develop customized professional services, which may involve creative options and the need to deal with individualized and often contradictory and vague requirements (Madhavaram and Hunt, 2017).

Supported by an empirical study in the logistics service sector, Selviaridis et al. (2013) studied new contracts and renewals between customers and suppliers. Depending on the uncertainty levels perceived by the customer and the supplier’s specific customer experience, they proposed four roles to classify the supplier’s role in defining service requirements: translating, re-engineering, developing, and fine-tuning. In the translating role, the supplier interacts with a customer with extensive perceived uncertainty about the type of solution most suitable for their firm. In this situation, the supplier may assume the responsibility for translating a set of generic requirements in the form of service specifications that constitute a solution for the customer (Araujo et al., 1999).

In the re-engineering role, the uncertainty perceived by the customer is limited because the service requested is simple or repeated. Purchasing teams can define in detail all required activities and emphasize resource efficiency. In the developing role, the uncertainty perceived by the customer is extensive due to limited acquisition know-how. In contrast, as the supplier’s knowledge of the customer is extensive, the supplier assumes the responsibility of generating the service specifications. As noted by Selviaridis et al., 2013, “reference to knowledge-sharing routines, past collaboration achievements and trust-building” may contribute to the renewal of exchanges with a particular supplier over time. Finally, in fine-tuning, the uncertainty perceived by the customer is limited as it is rebuying a service. The customer, who has information about operational requirements and their costs, leads the definitions of specifications, and the supplier’s role is limited to exploring ways to reduce service costs and possibly the price it proposes to the customer.

As noted by Selviaridis et al. (2013), the proposed typology is static and does not explore the possibility of evolution or transition of the suppliers’ roles over time. By definition, the change (or stability) in the roles occurs with the change (or stability) in one or both of the dimensions considered. Insofar as both the customer and supplier may influence the uncertainties of their counterparts (Ford et al., 2002; Håkansson et al., 1976), their roles may change over time (Ford et al., 2002; Håkansson et al., 1976; Selviaridis et al., 2013). For example, the supplier may try to increase the customer’s perceived uncertainty by emphasizing the complexity of the service requirements or, in contrast, to simplify the specifications by reusing the supplier’s customer-specific experience (Ford et al., 2002; Ford and Mouzas, 2010). Additionally, as noted above, service specifications may change through a cyclical process of stabilization and destabilization in the context of customer-supplier interactions. For instance, initially relatively open specifications may allow one or both parties to better understand the user context to gradually detail and stabilize the specifications in subsequent periods (Gelderma et al., 2015; Selviaridis et al., 2011). By using the typology of suppliers’ roles (Selviaridis et al., 2013) and assuming that initial service definitions are temporarily (de)stabilized through customer-supplier interactions, the purpose of our study is to further explore why and how suppliers’ roles may change during the processes of (de)stabilization of professional services over time.

Methodology

The present research explores the specification process of business services over time that focuses on the evolution of the supplier’s role with the customer. We assume that the various activities involved in the specification process, from diagnosing needs to designing and implementing service solutions, do not necessarily progress linearly (Aarikka-Stenroos and Jaakkola, 2012; Gelderma et al., 2015). We use process-based case research (Andersen et al., 2017) to understand how suppliers’ roles change over time by centering attention on two dimensions: the customer’s perceived uncertainty and the (provider’s) customer-specific experience. In the industrial marketing research, a case study is the most frequent and suitable strategy (Paston, 2010) as it can address contemporary and complex social phenomena in their actual context (Birkinshaw et al., 2011; Dubois and Araujo, 2004; Yin, 2009).

Our cases were selected given the powerful example they provided (Siggeek, 2007). The case selection was purposeful (Miles et al., 2014; Patton, 2002), and we did not pursue statistical generalization. We described and analyzed the six cases by focusing on the relationships between the customers and two service suppliers. One of the suppliers provided information services to four firms (Alpha, Beta, Gamma, and Delta), and the other supplier provided e-procurement services to two firms (Zeta and Kappa). The starting points of the cases were negotiation, or renegotiation, events in which the supplier’s role in defining requirements changed or was expected to change. Specifically, our focus is the supplier’s role during the process of stabilization and destabilization of service specifications.

Semistructured interviews with supplier firm managers were the main data collection method. Four initial semistructured, face-to-face interviews that lasted between 30 and 90 min were conducted with key account managers who had regular customer contact. Follow-up interviews were performed to obtain additional information on the customer-supplier relationships. The interview guide was based on the conceptual framework. We also used data from secondary sources, such as firm data, to complement and frame the information collected in the interviews. This usage allowed for data triangulation (Miles et al., 2014; Yin, 2009). Furthermore, we could perform researcher triangulation as the authors confronted their interpretations of the collected data. The identities of the companies were disguised for confidentiality.

The collected data were analyzed by developing the descriptions of the cases bearing in mind the conceptual frame. First, we described the two suppliers. The six case studies were then developed to present the events chronologically by describing the activities undergone in the relationships as they changed over time (Petitgrew, 1997; Van de Ven, 1992). Second, the cases were analyzed following our research aim, which was to understand how supplier roles evolve during the specification process of business services by emphasizing two dimensions: buyer’s perceived uncertainty and provider’s buyer-specific experience.

Case studies

In this section, we present the six cases that focus on the relationships between the customers of two suppliers. Supplier A has relationships with customers Alpha, Beta, Gamma and Delta. This supplier collects commercial, economic, and financial data and provides business
information products and services of varying complexity. Simple services include, for example, financial information about different entities by sector of activity or other relevant criteria. More complex services include, for example, the management of support services that integrate customer databases. This service allows the customer to more easily manage its own customers and suppliers or more easily look for potential customers or suppliers. A greater interaction between the supplier and customer is often needed to specify and implement these management tools. The supplier has sought to position itself as a consultant for its current and potential customers and not merely as a supplier of economic and financial information.

Supplier B has relationships with Zeta and Kappa and provides several electronic solutions for purchase and billing processes that are designed for different areas of activity such as procurement processes by public or private entities, contract management, supplier evaluation, and auctions. These solutions are sold in modules that can be integrated. For example, the customer can query the market, and if it wishes, this acquisition process can be integrated into the auction platform where an auction can be created and the final bid awarded. This information can be transmitted to the contract management platform with information on contract terms, assignments for managers, and alerts for renegotiations. The customer’s information can be integrated into the supplier’s management tool. This supplier can offer other services such as support in the implementation and use of this tool and the development of additional functionalities according to customers’ requirements. It also intends to provide consultancy services in the acquisition process.

Case alpha

Alpha is a firm operating in the financial sector and has a long-term relationship with supplier A. Although there are recurring negotiations for cost reductions, Alpha always increases the level of services purchased, and, as a result, supplier A’s sales are always increasing. Like other firms in the industry, Alpha purchases financial information services and litigation information services.

At one point, Alpha underwent major changes as a result of its acquisition by a competitor, and a new person was appointed to purchase these services (new interlocutor). Supplier A expected the worst in terms of contract renegotiation; however, that did not happen; there was a mere renewal of the previous contract. The supplier A’s account manager, responsible for the negotiation, stated the following:

We already know that in these cases... we will never be able to maintain the conditions, and we thought we were going to lose business. Surprisingly, the following year, they renewed everything the same. It was weird, but, on the other hand, we thought it was a good sign.

Later, the reason given for this renewed contract was Alpha’s new manager’s lack of time to fully understand all the services supplier A had provided the firm, their costs, and their relevance to the operations. However, in the following year, at the time to renew the contract, the scenario had changed. Competitive bids proved unbeatable in terms of price. As stated by Supplier A’s account manager, “It was not 20% cheaper than our service; it was really 20% of the price we apply for our service.”

Both the difficulties in communicating with the new interlocutor and their perspective about the services to purchase left little leeway for supplier A:

Because our interlocutor was someone we weren’t used to dealing with, he put us and the competition in a similar scenario (...). They performed a very basic purchase, thinking this is all the same thing. This service has a problem, that is it can be highly differentiated, and the struggle is to say that we have a product that no one else delivers the same way, because we deliver it faster, we have a higher rate of information certification, we do not have errors, we have full availability, etc. (...) It’s almost an acculturation process, we have to explain to our customers what we do and why we are better.

Unable to keep up with the prices of the competitor, supplier A lost several components of the service it had previously contracted and retained only the services that the competitor could not provide. From the informant’s perspective, the new interlocutor already had a long experience with the services of the competing firm and took advantage of it:

At the moment of decision, the umbilical relationship [with the supplier’s competitor], the much lower prices, and the fact that they are already there led us to be excluded. (…) The feeling we have is that considering the existing relationship with the competitor, the customer hires them whenever possible and hires us for the services that they don’t have, which is not normal because, lately, with the crisis, firms are choosing to have only one supplier that provides everything.

The contacts between supplier A and Alpha are now more distant in nature. As supplier A’s account manager stated, “this has a lot to do with people. Institutions are made of people. (…) They are not that available, and that does not allow us to get closer.” However, over time, supplier A was able to add one more service to the package, which was followed by another service later. Apart from these services not being offered by the competitor, close contacts were made with the areas of service usage and specific knowledge of the customer’s operations explained this evolution:

Interestingly, and because we were always there to see what opportunities we might have, we talked to some people we already knew and offered a solution that we thought could make sense for them. In terms of revenue, it is a drop in the ocean compared to what we had before, but it is one more thing, one more connection (…). This is good because although they have another supplier as their primary, they are still connected to us through the services they maintain with us.

Supplier A expects to recover its position with the customer over time. In the words of the account manager,

Somehow, they will also realize that we have something different in relation to the competition... and I think we have a more confident attitude in relation to the competition, and I think that it matters in the decision moment. The new interlocutor already had that long-lasting relationship with the competition, and that led to the decision-making we talked about, but I believe they recognize, even having made those decisions, that we have other, more sophisticated solutions, and this last service is a good example of that... our competitor has nothing like it. (…) And customers are recognizing our value for these types of services.

Case beta

Beta manufactures nonelectrical appliances and is considered to be a large firm in its sector. The relationship between Beta and supplier A has existed for several years now, and the hired service has been relatively simple. Both supplier-specific knowledge about the customer and the uncertainty perceived by the customer were at a low level. At one point in time, there was a change in the person responsible for purchasing the service. Supplier A felt that the new interlocutor intended to demonstrate he was working by renegotiating the contract: “The quality of our service was not questioned, but the willingness to set a new position on the part of the new manager... an attitude of: the contract must have more service - or less price.”

Knowing the competition’s proposal had a much lower price, and knowing that the focus of renegotiation would be the price, supplier A opted to offer a new service: “When we knew that the bid presented by
the competition was one-third of ours, we realized that we needed to differentiate ourselves through quality, and hence the presentation of this service, which obviously corresponded to a customer need.”

In general, supplier A seeks to address the price issues raised by customers by offering more service for the same money with the aim of creating or maintaining the relationship with the customer:

In these customers, we keep the price but we give more service than they previously had, or if we reduce the price, they don’t give up the service. It’s a strategic issue (offering more service for the same money) to customers where it makes sense because of the relationship we have or could have with them… [This customer is] like a challenge, in the sense that you have to win over the new decision maker.

**Case gamma**

In this case, Gamma is a mail delivery firm. Supplier A became aware, through contacts and market research, of a structural change in the potential customer and that this customer needed services specific to its sector. A meeting was scheduled, and the potential customer explained, in a basic way, its intentions. The customer wanted a market study to understand the penetration of its services using various criteria (geographical area, firm size). The supplier had an analytical tool that could be useful. In addition to punctual communication between the supplier and the customer’s marketing and business area, there was no relationship between the parties until the first contract negotiation.

The supplier performed a financial analysis for Gamma that traced its customers’ profiles and later found other potential customers with that same profile. According to supplier A’s account manager,

The contact simplified the solution presentation, but the unlocking factor was they saw what we were going to do and that the type of analysis [(solution)] we presented was exactly what they wanted, even giving more information, which they, at the time, thought they had but they did not have.

The absence of a previous relationship was perceived as a relevant aspect in the openness obtained with Gamma. The account manager of supplier A points out that “as it turns out, this firm didn’t have a lot of experience with us, and they didn’t see us as a financial information firm, so they accepted a more analytical service…”

Following the implementation of the service, regular contacts between the firms and new meetings have been scheduled. The expectation is that new services may be made available to Gamma as knowledge about their operations develops. For the account manager of supplier A, “It’s already something that was implemented inside. It was something that did not exist, which they saw to be advantageous, and which may not be exactly the same as it was a year and a half ago, but there is always something coming up that they need.”

**Case delta**

Delta is a large firm operating in the textile sector. Delta has been a customer of supplier A for several years having contracted for the financial information service and a customer management service. Regular meetings are held every six months except in exceptional and timely situations to provide further assistance regarding a particular service. In one of the usual meetings to support the contracted services, the supplier found that Delta could also use a supply management application. As mentioned by the account manager, “They even knew the service, but we must be the ones to promote the opportunity. That is, if we do not awaken the opportunity, although they already have a great knowledge of the service they already use, they would never use it for suppliers… and just like that, we doubled the contract.”

Zeta belongs to the financial sector, where the types of services of supplier B do not exist. Electronic tools were not used to manage procurement, contract, or supplier evaluation processes. In an initial meeting, supplier B presented solutions to address the difficulties and needs of Zeta. The customer was pleased with the services presented and bought several tools. The supplier comments, “Our idea was to think of a single solution (electronic tool), to be able to enter the customer, but for the customer it didn’t make sense to make a little change and not make the rest.”

The number of solutions desired by the customer increased the size and complexity of the project. The supplier states,

We realized that there were some areas in which we could respond, but there was no continuity in the process; it was as if we had something very modular. (…) The customer assumed his need as a unique solution. We responded using various tools. (…) After an internal meeting, we realized the strategic importance of the project, that some of the developments could be seen from an investment perspective to improve our solution, not being attributed directly to the customer.

In a second meeting, supplier B demonstrated the chosen tools by defining the needs together with the customer, as emphasized by the account manager: “At that meeting, other details started to emerge, they found the tools extremely interesting, raised some objections and constructive suggestions and went ahead with the definition of the workflow (of the platforms).”

The customer mentioned some of the difficulties that it faced such as carrying out its procurement processes, managing contracts, and evaluating suppliers. The tools were intended to address these problems. The financial sector was strongly affected by the crisis, which entailed the layoff of managers involved in the project and the arrival of new managers, which brought changes, as mentioned by the account manager:

Obviously, new minds think differently. New directions emerged, new needs as well, obviously with a basis, but there were new changes that had to be included. (…) These new people were more detailed; they detailed the page layout and the button locations. From then on, things got a little stuck. We wanted to manage our efforts and internal resources to develop the integrations between platforms, but we started to spend time and resources to move buttons from the right to the left. (…) The hired managers came from higher positions, of management and direction, being more concerned with components of business intelligence. (…) They wanted savings indicators by customer/user to extract data and reports.

The new customer management team also wanted to consult the market and to have more options for their needs; however, they also wanted to benefit from what they had learned from the supplier: “Obviously, we had an advantage, as their technical specifications were based on what they had seen.”

After a phase of technical clarification and negotiation, the award happened without a detailed and formal specification of needs:

There were no specifications; it was always based on what the parties were talking about and viewing in the various meetings and emails and based on the information of the proposals we were sending. (…) On their part, there was never any exhaustion in the definition of requirements. This may be due to a lack of knowledge of what they were buying. They knew what they were doing and the difficulties, but they did not know in the project, and in the implementation, where it should be designed. There was almost a kind of consultancy from us at an early stage to set up a process flow according to the needs initially identified in the negotiations. This was reflected in the project management, as it was more difficult to manage the expectations.
The project proceeded and reached the implementation phase, which comprised more needs and instability. Therefore, according to the account manager, soon after the contract was signed:

It was only at the beginning of the implementation that new needs began to be detected (…). Questions about whether a report should have 3, 4 or 5 columns were only asked later. An example of poor definition of specifications. They didn’t know what they wanted. (…) For example, regarding the supplier qualification, this customer asked its suppliers, annually, for a set of information. This set of information was requested by e-mail, and the answers came by e-mail or post. (…) What we tried to do was to include in the application an automatic periodic mechanism. What for them was already a considerable change, being used to having this task regularly and which in our view added value. Initially, there were some questions: Who sends the email? Will it be the same for all suppliers? Can I customize the email by supplier?

During the implementation, other challenges also occurred that were related to the activities in the customer’s processes that began to be carried out on a platform and not via phone, letter, or e-mail:

The customer’s lack of knowledge regarding what is a computer solution and a dematerialized process has not helped. They are always looking to replicate their processes on paper, in exactly the same way in the software. (…) There were situations in which, in our firm’s own interest, we tried not to change the electronic platforms, but to change the customer’s work process (…); that was not always easy.

Throughout the duration of the contract, there were different perspectives on what had been contracted that strongly affected the relationship. “The nonexistence of a specification was not positive, leading to divergences and different interpretations, which with the change in management at the customer has worsened.”

According to supplier B, the customer always sought to have more features and services than those that it would have negotiated in addition to differences between the parties regarding the fulfillment of requirements on which they had agreed. Furthermore, the customer was very affected by the crisis that began in 2008 in which managing change became very difficult. Therefore, combined with the increased cost of the project by the supplier, this difficulty led to the nonrenewal of services.

**Case kappa**

Kappa operates in the sector that extracts natural resources and was looking for a solution that would simplify and organize one of the phases of its purchasing process. At that time, the customer had no service identical to the one it came to acquire. Supplier B detected the need and had a solution available that could fit the customer’s intended improvements.

In an initial meeting, the supplier demonstrated the tool, and the customer was satisfied. However, the customer stipulated some requirements. As reported by the account manager, “There were, of course, some small suggestions for improving the tool, from the perspective of future development, but nothing too complex.”

Since it was a new service for the customer, one of its concerns was the supplier’s experience: “This was an issue for the customer, and we gave some references of customers we were already working with, in addition to experience in other projects of a similar nature.”

The firms began to trust each other, and the proposal was sent and included the requirements presented by the supplier. An agreement was quickly made. The simplicity and maturity of the solution justified the reduced formalisation of the needs: “There was no need for big specifications as they already existed. The customer buys an existing solution knowing what to expect. There were no great requirements or specifications as they already knew the solution.”

The implementation took place, and a new need emerged that was not initially detected by either party: “The standard purchasing solution addressed the needs, and at an early stage, the customer did not identify any need for its integration with other tools he already had, this was only thought of after. The integration between the solution and their enterprise resource planning (ERP) software was later sold as they began to realize that there was a replication of tasks.”

At this time, there was a need to define new requirements. The negotiations were a success leading to the purchase of additional services. “It was up to us to close the situation, questioning which concrete information needed to be integrated by the tools. (…) They had information fields, and the customer already knew the two tools used.”

The supplier of Kappa experienced difficulties in adapting to the changes required by the new processes that demanded greater investments from both parties than initially expected. These difficulties were never fully surpassed. In addition, the delay in the integration of the solution and the customer’s ERP influenced the nonrenewal of the contract.

**Discussion**

The cases illustrate the transition of service suppliers’ roles over time. By using a typology of supplier roles (Selviaridis et al., 2013), the dynamics of these roles over time were explored in contexts where service specifications were temporarily (de)stabilized (Gelderman et al., 2015; Selviaridis et al., 2011). Both supplier firms provided professional services with varying degrees of complexity to the customers, who were also diverse in the nature of the problems they sought to solve. We focused on the moments of contract initiation and renewal but bore in mind that the implementation of services might involve learning processes about the users’ specific contexts. Therefore, we conducted the analysis around these moments to assess why and how the roles of the two service suppliers could change over time.

In Alpha’s case, three moments can be distinguished. In the first moment, there was a simple renewal of the contracted services in the sense that the specifications were the same as those in the previous contract. The supplier had a thorough knowledge of the user context, and the customer, due to a lack of time, did not re-evaluate the services purchased and their relevance to the firm. Given the uncertainty associated with these aspects, the customer’s trust in the supplier appears to have prevailed, which allowed the supplier to maintain its leading position in the stabilization of the service’s specifications by assuming a development role to some extent.

This situation changed substantially when the new interlocutor of Alpha took time to assess the requirements and costs of the services acquired from supplier A and their relevance to their business processes (Gelderman et al., 2015). Additionally, Alpha was not willing to have a discussion with the supplier about the differentiated nature of the service solution (quality, availability, reliability). Therefore, Alpha’s perceived uncertainty was limited (Selviaridis et al., 2013). In fact, the customer made use of its increased knowledge both of customer operations and of the existence of more efficient ways to meet the requirements. From the customer’s perspective, by unbundling the service components (Anderson et al., 2009), the various elements of the service were (perceived as) similar to those of other firms. This initiative allowed Alpha to benefit from competition between potential suppliers and ultimately obtained substantial reductions in the price paid for services (Axelsson and Wynstra, 2002). Supplier A ends up only providing services not provided by the competitor.

In contrast to the first moment, there was a (de)stabilization of services essentially due to a substantial reduction in the customer’s uncertainty regarding the nature of the offer. However, the extensive provider’s buyer-specific experience with Alpha developed over time became irrelevant or, at best, substantially limited. In other words, in this particular (de)stabilization of services (Gelderman et al., 2015;
Selviaridis et al., 2011), the provider’s experience proved to be limited rather than extensive, which led to a re-engineering role (Selviaridis et al., 2013).

Finally, and as a result of interactions over time, supplier A’s knowledge about Alpha regained relevance, which allowed for a redefinition of the services provided to Alpha. By maintaining regular contacts with Alpha, the supplier opened up the possibility of gaining the buyer’s recognition of the value that other services could have in its operations. These changes indicate a greater scope in which the supplier to act and, to that extent, a return to a developmental role in the service (de)stabilization.

The Beta case has similarities with the Alpha case. In both cases, there was a business relationship between the parties when the services provided to these customers were redefined. Additionally, in both situations, the need to redefine the services was closely associated with a substantial change in the (new) customer’s interpretation of the nature of the services purchased (Gelderman et al., 2015). The new customer perceives the offer as undifferentiated and therefore focuses on reducing the price. Thus, the customer has limited perceived uncertainty (Selviaridis et al., 2013). Furthermore, in both cases, the supplier assumes it has extensive customer-specific experience because of the ongoing business relationship.

However, the case of Beta contrasts with Alpha. Through cooperative pricing (Anderson et al., 2009), the supplier and customer readjusted the service components with a target price in mind. In this case, the supplier had the opportunity to use its in-depth knowledge of the customer’s operations and took the initiative to reconfigure the previous service by adding new components. The customer was amenable to redefining the service levels (not just price) that allowed the supplier to assume a fine-tuning role.

This role also changed with the customer’s uncertainty levels. As noted, the supplier considered itself knowledgeable of the customer’s operations. This was visible during the renegotiations, when the supplier considered the possibility of using alternative offers at lower prices and when the need arose to demonstrate the specificity and value of its offerings over time. In other words, at the time of destabilization (renegotiation), the customer’s uncertainty was limited (fine-tuning). Over time, the customer recognized the complexity of the offer regarding the service definitions (Axelsson and Wynstra, 2002; Gelderman et al., 2015), its uncertainty increased, and the supplier had the opportunity to begin taking on a developmental role (Selviaridis et al., 2013).

In both cases, Alpha and Beta, the (de)stabilization of the service’s specifications occurred in the context of a relationship with supplier A. As it turned out, the relationship continuity between the parties does not necessarily translate into a specific supplier’s roles (developing or fine-tuning). The experience or specific knowledge that the supplier had of the customer may have been, albeit provisionally, limited in the sense of not being recognized by the counterpart and thus having to assume a re-engineering role. This suggests that the continuity of the relationship does not truly determine the role of the service supplier but the nature of the exchange episodes constituting the relationship. This occurs at times of renegotiation and involves an open-ended dialog to develop or redefine the specifications together (Araujo et al., 1999) and during service delivery as new problems may emerge. In other words, the supplier’s role seems to depend on how both firms combine their resources and knowledge of user and producer contexts to (de)stabilize the service specifications.

In the case of Gamma, its perceived uncertainty was extensive. Gamma did not know the existing solutions to achieve a clearly defined output. Additionally, there was no prior relationship between the parties at the time of negotiation and specification of services. Thus, the supplier’s ability to match the service outcome desired by Gamma and its service solutions were critical. Therefore, the supplier had an initial role in translating a generic outcome into a customer-specific solution. By taking advantage of degrees of freedom in deciding how best to meet the customer’s specified outcomes (Araujo et al., 1999), the supplier’s translating role enabled the reuse of knowledge gained in other similar contexts to develop and implement an initial solution in Gamma’s specific context.

Following the implementation of the initial solution, the recurrent interaction between the supplier and Gamma resulted in an increase in the supplier’s knowledge of the customer’s operations. Thus, over time, the specifications of the initial solution were destabilized and allowed for the addition of new service components. In other words, the absence of a previous relationship did not prevent the supplier from assuming the translating role, and after the emergence of a relationship, the (de)stabilizations that followed reflected the evolution to a development role. This case, like the two previous cases, reinforces the notion that the continuity of the relationship is not decisive for the role of the supplier but that the way in which the parties combine their resources and knowledge is.

Regarding the Delta case, it is similar to Gamma as the customer was not aware of the existing solutions for their problems. Delta’s perceived uncertainty was extensive as a result of its limited procurement knowledge and the resulting information asymmetry in favor of the service supplier (Gelderman et al., 2015; Selviaridis et al., 2013). However, in contrast with Gamma, there was a business relationship between the parties when the issue of acquiring new services arose. In the case of Delta, the customer-specific experience was extensive due to in-depth knowledge of the customer’s operations. Thus, the supplier developed specifications that matched the activities, resources, and processes of Delta within a framework in which past collaboration supported the maintenance of their supplier’s development role.

As mentioned in the previous section, Zeta and Kappa were customers of supplier B that had IT solutions that were used to improve several internal customer processes such as e-procurement systems. The case of Zeta involved a customer that was purchasing a service for the first time. The customer provided the supplier with general output specifications (Axelsson and Wynstra, 2002). During the implementation, the complexity had grown as new needs and service specifications were added. The supplier, despite its experience in other contexts, was faced with a project that involved frequent destabilizations of the specifications. As a consequence, the resources placed on the project exceeded the supplier’s expectations. Constant changes, even after the awarding of services, hampered service delivery and caused dissatisfaction. The changes were related to the project’s complexity, the weak acquisition skills of the customer’s team, changes in the customer’s management team, and the lack of detailed contractual specifications (Gelderman et al., 2015; Selviaridis et al., 2011). Thus, the supplier in the Zeta case began by taking on a translation role that over time became a development role that manifested in the recurrent (de)stabilizations of the service specifications as the supplier’s knowledge of customer operations increased.

The case of Kappa has two moments. Like Zeta, Kappa was acquiring a service that it had never acquired before. The customer had general output specifications (Axelsson and Wynstra, 2002), specifically, to improve and organize its procurement process. However, the customer did not have a clear idea of how it could be done. The supplier’s knowledge of the customer’s operations was limited as it was the first contact between the parties. In this first moment, the supplier played a translation role. After using the implemented solution, the customer realized that several activities were redundant; thus, there was a need to integrate the supplier’s applications with other software (ERP) systems already existed in the firm. As the customer’s uncertainty about the type of solution was now relatively lower than in the initial phase, and it was relatively simple to add the supplier’s new service to the existing solution, the supplier played a fine-tuning role in the (de)stabilization process.

These cases present changes in both the customer’s perceived uncertainty and the supplier’s customer-specific experience. Despite the lack of clear and rigid boundaries between different roles, Fig. 1 shows the changes in the suppliers’ roles regarding the service specifications in
that the supplier perceives this first service as opening up the possibility for the supplier to have an extensive customer-specific experience (cases showed that the existence of a previous relationship was a basis for the supplier to have an extensive customer-specific experience (Araujo and Spring, 2006). By using a typology of suppliers’ roles (Selviaridis et al., 2013), and by assuming that initial service definitions can be temporarily (de)stabilized through customer-supplier interactions (Gelderman et al., 2015; Selviaridis et al., 2011), we aimed to further explore why and how suppliers’ roles may change during the processes of (de)stabilization of professional services over time.

By adopting a dynamic perspective of the roles of suppliers and by focusing on the (de)stabilization of service specifications, we draw three main conclusions. First, we find that the relevance of suppliers’ knowledge can manifest itself in its ability to perform development or fine-tuning roles (Selviaridis et al., 2013) in the subsequent (de)stabilization of the initial specifications (Gelderman et al., 2015; Lindberg and Nordin, 2008; Selviaridis et al., 2011). In other words, the supplier’s roles can change over time in the context of customer-supplier interactions. Second, an ongoing customer-supplier relationship does not necessarily translate into a specific supplier’s roles. The analysis of the cases showed that the existence of a previous relationship was a basis for the supplier to have an extensive customer-specific experience (cases Beta and Delta). The case of Gamma also supports this idea by showing that the supplier perceives this first service as opening up the possibility of further interactions and thus improving their knowledge of potential service requirements in the customer-specific context. However, even in the context of ongoing exchanges, there may be changes in the customer’s perceived uncertainty (Ford et al., 2002; Håkansson and Snehota, 1976; Selviaridis et al., 2013), and the need to redefine services can be due to a substantial change in the customer’s interpretation of the nature of the services purchased (Gelderman et al., 2015). One may recall that in the Alpha case, the supplier’s customer-specific knowledge developed over time and became irrelevant from the customer’s perspective during the second (de)stabilization of the service’s specifications. Thus, the supplier may lose the chance to maintain or evolve to the intended role, for example, by proposing new solutions for existing or new problems.

Furthermore, the reuse of the supplier’s experience that it gained from other customers may influence its role in the specification processes. By taking advantage of degrees of freedom in deciding how to best meet the customer’s specified outcomes (Araujo et al., 1999), our study indicates the relevance of developing generic specifications based on service outcomes (Axelsson and Wynstra, 2002) to enable the supplier’s reuse of knowledge gained in other similar contexts to develop and implement complex services. This aspect is particularly important in services that are related to rapidly changing technologies (Gelderam and Hunt, 2017) that may affect the overall effectiveness and/or efficiency of firms (Madhavaram and Hunt, 2017).

In short, the buying of services may involve an explicit recognition of uncertainty about its specifications. The very process of interacting may help to change the initial specifications of the offer over time and to change the supplier’s role and the customer’s perceived uncertainty in the (de)stabilization process. These changes may result from incorporating new knowledge about the counterpart-specific context and knowledge developed in other business relationships. Thus, the supplier’s role seems to depend on how both firms combine their resources and knowledge of user and producer contexts to (de)stabilize the service specification over time.

Regarding the implications for management, understanding the classification of services also involves several managerial challenges (van der Valk and Axelsson, 2015) partially specific to the problem(s) and the uncertainties of a counterpart (Ford, 2011). Our study finds that the implementation of an initial service can be an opportunity for the supplier to begin the process of creating the conditions to increase its knowledge about their customer’s operations. A varied and cumulative experience is a key aspect for a service supplier to explore the opportunities that exist in specific and partially idiosyncratic contexts. Furthermore, the supplier’s role is largely conditioned by the willingness of the parties to combine their knowledge. In particular, managers should make efforts to share the previous knowledge of both parties and the generated knowledge during and beyond the implementation phase of the services in the customers’ specific context. This cooperative posture is critical, especially when the components that make up the service solution are interdependent with each other in their performance in specific contexts.

This study has some limitations that can be addressed in additional studies. One of the limitations of the study is that we could not map the methods used in the service definition in each case (Axelsson and Wynstra, 2002). For instance, we expect that input-oriented definitions that emphasize the supplier’s capabilities may impact its role that includes its room to innovate compared with process-oriented definitions in which the customer defines how the service is to be produced or with function- or outcome-oriented definitions. In addition, we could not obtain the customer’s point of view of its own roles and perceptions about the focal suppliers. These views would allow us to assess, for example, how different competing suppliers deal with the customer’s uncertainty at times of contract re-evaluation. It would also allow us to assess to what extent trust in the incumbent supplier can be strengthened or deteriorated against alternative value and price proposals (Anderson et al., 2009). Finally, complex professional services often involve interorganizational projects to deal with complex problems. This suggests that a network perspective (Håkansson and Snehota, 2017) can be useful to understand the combination of roles in these projects and its relevance for combining the reuse of existing solutions (exploitation) with the generation (exploration) of new solutions.

Author statement

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