# International Research Study of Public Procurement

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## Project Overview
Public procurement internationally is moving, in most cases, towards a policy role, and focusing less on transactional procurement. This is enabling an alignment of procurement policy with government policy, effectively engaging procurement as a lever of social reform. The extent and quality of engagement of politicians and policy makers with strategic procurement personnel varies significantly.

There are some fundamental differences between countries in their public sector services, which impact on purchasing and supply to support these services. Variation occurs through factors such as different organisational arrangements for public services, regulatory and legislative arrangements, cultures and funding arrangements. To visit various countries to understand the local public sector purchasing and supply systems would be a costly and time consuming exercise which, potentially, each nation might replicate.

The main aim of the study was to conduct exploratory, qualitative research to identify critical factors that appear to impact significantly on purchasing and supply in the public sector in the context of major government reform.

## Objectives
- To bring together a select group of the highest possible level of international academics and public sector practitioners in one forum
- To share and debate structured case studies of public sector services undergoing major reform
- To draw out the critical factors for each case that appear to have significant impact on purchasing and supply
- To analyse across all cases to observe similarities and differences
- To derive an initial framework for public sector purchasing and supply containing the critical factors that need to be managed in major government reform programmes
- To co-write joint academic papers to disseminate the findings to the rest of the academic community to be submitted for publication to the Journal of Purchasing and Supply Management and the Journal of Public Procurement. (Submission of papers will necessarily be some time after the event findings have been analysed and fully referenced papers written in the appropriate journal format)
- To publish a report for practitioners and academics in purchasing and supply
♦ To publish a book of international cases in public sector purchasing and supply for teaching and to inform those not attending the event.

METHOD
Leading international academics and very senior public procurement practitioners from 13 countries were invited to write and submit case studies. Guidance was provided on the content of the case and it had to address major government reform issues. A 2½ day workshop was held in Budapest at which the case authors presented their cases. 15 cases were presented and critically evaluated by all case authors and invited senior practitioners and academics.

FINDINGS
Political, economic, social and technological factors
There was variety across the cases in the organisation of the public sector. Major reforms being undertaken in some jurisdictions directly related to changing ideas on the appropriate degree of autonomy of states or regions within a national or federal system. In some cases there were vigorous, current efforts to devolve power to regional level, for example South Africa and Belgium. In other cases (e.g. Australia and United States), the states originally held power and this has only been ceded to a limited extent to Federal levels. In Germany, the autonomy of the states was established as part of post-WWII reforms.

The nature of the sector
The key drivers of difference across the public sectors examined were the number of entities involved in public sector procurement, the complexity of relationships between them, historical events that impacted on the public sector, and different tensions between central and local parts of the public sector. The most striking feature of all the cases is the sheer complexity of the public sector.

Stakeholders’ expectations of public procurement
All cases demonstrated that public procurement has to manage multiple stakeholder objectives which may be contradictory, and variable over time. Pressure to act tends to be resisted until the point when it is shown to be the new dominant paradigm, then the system will react in a pendulum swing.

Accountability, regulation and audit
All the cases showed a concern with accountability, however the nature of accountability appears to vary by certain key criteria. Within the general heading of ‘transparency’ it is possible to differentiate between three types of accountability or transparency:
♦ Transparency to the general public
♦ Transparency to peers
♦ Transparency to the centre

Supply market factors
A supply market theme that is important in a number of cases is ‘buy local’. For the Australian cases this concern reflects the remoteness of large parts of Australia, as seen in the push there on e-commerce as a way of linking remote businesses to government spending opportunities. Even in a country with few barriers to non-local suppliers, such as Belgium, certain sectors were more restricted e.g. defence and construction. It is indicative of just how open a market Singapore is that even construction is dominated by overseas suppliers.

Goals and strategies for reforming supply
Some cases highlighted the fight to reduce bureaucracy. ‘Process streamlining’ is a major issue in the US and a political goal in itself to turn back the ‘tide of big government’. Obtaining better value for money is a common objective of reform plans, but not one which seems to be well elaborated or easy to achieve. Reducing transaction costs was also a common theme across the cases.
Structure and organisation of public procurement
The cases revealed diversity rather than convergence. The constitutional model, whether unitary or Federal, was a critical influence to the organization of purchasing and delegation of powers. Within this division there were sub divisions, e.g. the difference between centralising purchasing activities and centralising policy/strategy for purchasing. Also it was apparent from the continual reorganisations discussed in the cases that the central/devolved debate may be contingent, with no best solution.

People issues
Across all the cases there was a common message – procurement is under-resourced and under-trained as an area. Across the cases procurement was viewed as remaining a low status activity that could not attract high flyers. Concern was expressed about an ageing workforce in public procurement particularly in the US and Canada. The cases highlighted a possible source of the dilemma as being the drive towards lower cost services as well as better services.

IT/IS, e-commerce and information
All cases agreed on the need for better basic data, i.e. comprehensive knowledge on what the organization buys, when and from whom. However the approaches taken vary; only a couple of examples are seen of cases where e-commerce is being seen as a route to obtaining this better data (English NHS, USA Federal). The theme of IT/IS was dominated by the need for better information on spend, on suppliers, on national/local levels of spend, provided within decision useful time frames. Discussion centred on the need to use universally recognised common information standards (master data common coding across organizations and ideally across entire public sectors). E-commerce was seen as a potentially huge contributor to information quality, but was rarely being adopted with that as an explicit policy aim.

Awarding contracts
Various cases discussed the award processes for higher value contracts. Such decisions were commonly made by Boards. The constitution of these Boards, and the extent to which they could be influenced by external parties varied between jurisdictions, and between levels in different jurisdictions.

Managing supplier relations and markets
It was notable just how little the cases discussed managing supplier relations or markets. This requires particular skills, competences and experience of procurement people. One aspect of these more developed skills is the ability to manage close, as opposed to arms length, relationships. Another aspect is to be able to both cope and continue to meet objectives when the objectives may be contradictory.

Co-operative purchasing
There is wide variation in current levels of co-operation between purchasing entities. In some jurisdictions, it is commonplace (e.g. Finland and US States); in some it is developing (e.g. UK); in others, it is rare, and likely to remain so (e.g. Belgium). Gauteng Province offers a further hybrid form of co-operative purchasing through a shared services design. There is also a difference between co-operation around specific products (e.g. US state and German cases), and purchasing organizations set up to co-ordinate across a whole range of products (e.g. NHS consortia).

Supplier qualification
Supplier qualification and registration can play a key role in ensuring societal objectives are met (e.g. that supply chains do not use child labour, as in the UN case). However verifying supply chains was seen as problematic and still perhaps part of the wish list rather than day to day operational work (South Africa). Upfront and continuing costs to supplier qualification and registration were identified, but in the Belgian case these were felt worthwhile in that other policy objectives – such as how the work force were treated – could be tackled and monitored through the system.

Supplier performance
Comparatively little discussion on supplier performance appeared in the cases. No detailed measures were given for supplier evaluation,
although these were sometimes brought out in the discussions (e.g. South African case, US Federal case).

Supply policy
Common themes emerge around the principles on which procurement must be based, e.g. in the South African case there are four pillars:

♦ Value for money
♦ Open and effective competition
♦ Ethics and fair dealing
♦ Accountability and reporting

with a fifth political one of ‘equity’. These are not dissimilar to the three key principles which shape the procurement policy of the Singapore government: fairness; value for money and probity. The simpler division in the German system between efficiency and formality in fact captures the conflicting demands inherent in all the stated principles. In general though, the cases reveal more similarity in the principles underpinning public procurement than differences.

Evaluating outcomes
Several of the cases highlight important new work on establishing better data for procurement decision making. The Gauteng case featured an extensive spend review whilst the Australian state case reports on the new GEM system improving standards of data collection. The US state/local case highlights a key issue with regard to continuing gaps in procurement information – that it is often no one’s specific responsibility to collect it. This US case also raises the cost of gathering data for cost analysis and benchmarking. In the Canadian study of higher education consortia it was raised that consortia members did not attempt to record/cost the amount of time they dedicated to the consortia.

CONCLUSIONS
This study was an exploratory study to undertake a comparative investigation of public procurement. There was a general ‘line of inquiry’, but no specific research questions; rather, all participants shared a desire to listen to each others’ accounts, and see what emerged. Many expressed surprise at what they learnt was occurring in other nations, and several commented on the value of learning from similar cases to their own and from cases that differed greatly. Different structures, values, scales of operation, and many other factors, proved useful for comparison.

The other highly visible particularity of the study is that it demonstrated the extreme complexity in the multi-level systems that connect government policy, procurement policy, and practice in the supply market. Whilst some very large, multi-national, diverse private sector groups exhibit complexity, the scale and nature of the complexity appears ‘simpler’ in the private sector than was observed in this study.

The process of drawing out research questions from this study will continue. However, some emerged during the event and participants expressed a desire to form a number of ‘communities of interest’. Notably these included:

♦ Public procurement as a lever of social reform
♦ Sustainability
♦ Information to support public procurement
♦ Appropriate levels of procurement decision making in large, complex, confederal public sector networks
♦ Addressing the skills and competences shortfall

We propose to derive researchable questions from the communities of interest, then design IRSPP2 to be a themed, focused event that provides answers that move the subject area ahead on those themes.

FURTHER READING