

Policy-led public procurement: does strategic procurement deliver?

Policy-led
public
procurement

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Christine Mary Harland

Dipartimento di Ingegneria Gestionale, Politecnico di Milano, Milan, Italy

Michael Eßig

*Department of Purchasing and Supply Management,
Bundeswehr University Munich, Neubiberg, Germany*

Jane Lynch

Cardiff Business School, Cardiff University, Cardiff, UK, and

Andrea Patrucco

Florida International University, Miami, Florida, USA

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1. Policy-led public procurement

Public procurement can be leveraged to impact on business, the economy and society to support and can even lead broader government policy implementation (Harland *et al.*, 2019; Glas *et al.*, 2017). Examples of this include stimulating innovation (Wesseling and Edquist, 2018) and encouraging small-business entrepreneurship (Glas and Eßig, 2018; Di Mauro *et al.*, 2020). Public procurement can be a mechanism for delivering better social outcomes (Grandia and Meehan, 2017; Uenk and Telgen, 2019), wider sustainability issues (Adjei-Bamfo *et al.*, 2019; Sönnichsen and Clement, 2020) and can play a role in encouraging social responsibility in private sector organisations (Flammer, 2018; Ma *et al.*, 2020). Targeted public procurement can impact on employment (Flynn, 2018; Wontner *et al.*, 2020). In several countries, public procurement has been shown to improve quality of local public services and economic development (Vecchiato and Roveda, 2014; Uyarra *et al.*, 2020). Use of domestic suppliers in public contracts impacts national economies (Uyarra *et al.*, 2014). If used strategically, public procurement can promote competition in supply markets (Patrucco *et al.*, 2017).

Last but not least, the recent Covid-19 pandemic has shown how public procurement becomes instrumental in mitigating effects of emergencies (Handfield *et al.*, 2020). In emergencies, governments have powers to intervene and override normal procurement arrangements (Atkinson *et al.*, 2020), and they can lead a coordinated response to minimise the impact of disruption of supply of critical goods and services (Vecchi *et al.*, 2020). We term all these goals and achievements as *policy-led public procurement*.

2. Policy goals, regulation and value for money

Although there is not an agreed single definition of public procurement, there is a clear understanding that it is interrelated with legal authority and regulation (Graells, 2015). In recent years, this regulation has been used explicitly as a strategic policy instrument, for example, as stated in the European regulation Directive 2014/24/EU:



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Public procurement plays a key role in the Europe 2020 strategy [...] for smart, sustainable and inclusive growth [...], as one of the market-based instruments to be used to achieve smart, sustainable and inclusive growth while ensuring the most efficient use of public funds.

This quote illuminates a potential conflict between addressing strategic goals and the efficient use of public funds. Regulation enshrines awarding procedures and criteria as instruments to influence public buying behaviour. According to the regulation above, awarding should focus on the “most economically advantageous tender” (MEAT) criteria, another term for best value for money. As a result, public procurement is a complex system with different, and sometimes competing, managerial dimensions. Schapper *et al.* (2006) developed a triangular shaped framework consisting of strategic management, performance management and process management for public supply. For this special issue in the *Journal of Public Procurement*, we discuss the role of public procurement as a government policy lever by adapting this triangle framework where policy goals are featured at the top (Figure 1).

While there are different perspectives on positioning the triangle corners, there are some underlying principles:

- First, regulation is often seen as a dominant issue in public procurement practice (Decarolis and Giorgiantonio, 2015). It is argued that both procurement instruments (e.g. framework agreements; Petersen *et al.*, 2020) as well as policy goals are put into action through introduction of new regulation.
- Second, some authors define “value for money” beyond mere cost savings, as the most important driver of public procurement (Loader, 2007; Dimitri, 2013). They argue that policy goals, as well as regulatory guidelines, are part of the desired outcome; this suggests a wider impact of value (Snider and Rendon, 2008).
- Third, other authors highlight operational implementation problems in balancing trade-offs between efficiency and effectiveness (Keränen, 2017; Keulemans and Van

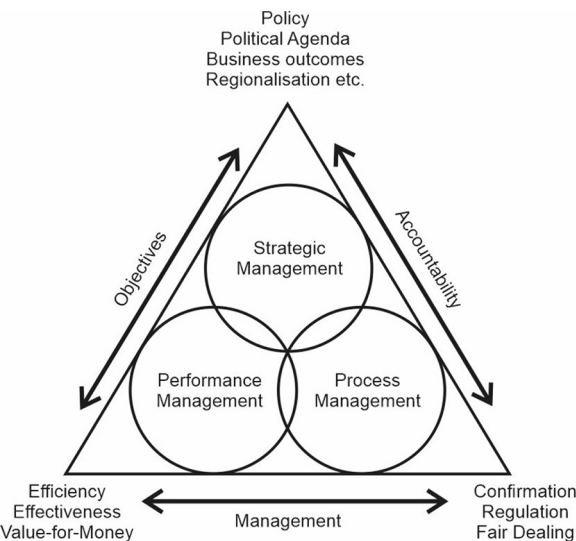


Figure 1.
Triangle framework
for procurement
management

Source: Adapted from Schapper *et al.* (2006)

de Walle, 2017; Tkachenko *et al.*, 2018; Plaček *et al.*, 2019; Wang *et al.*, 2020; Patrucco *et al.*, 2020). Implementation of policy goals in public procurement requires instruments and appropriate performance measures which may be absent (Patrucco *et al.*, 2016; Flynn, 2018).

This special issue titled “Public procurement as a government policy lever” explores the positioning of policy goals, relative to other goals of procurement. However, thanks to the received contributions, it informs not only *which* policy goals should be included in public procurement practice, but also *how* public procurement might evolve to contribute strategically to government policymaking.

In the following, we provide a short overview of the papers included in this special issue and discuss how they inform policy-led procurement. This allows us to draw initial conclusions on how they contribute to further develop the triangle framework.

3. Articles within this special issue

The articles included in the Special Issue provide complementary perspectives on several policy-led public procurement themes including small business innovation, gender equity in public contracting, inclusion of minorities, and promotion of sustainability.

In his study, Selviaridis (*Paper 1*) focuses attention on the role that pre-commercial procurement (PCP) plays in influencing activities, capabilities and behaviours of actors participating in the public innovation process. While prior PCP research is underpinned by theoretical frameworks of market failure (Suhonen *et al.*, 2019), this article examines the role and capacity of PCP in addressing systemic failures impeding the process of innovation. The author finds that, thanks to public funding initiatives (i.e. the UK Small Business Research Initiative – SBRI), it is possible to stimulate and improve connectivity and research and development (R&D) related interactions and cooperation. This brings greater opportunities for small firms to access relevant innovation ecosystems, building up their knowledge and capabilities to explore possible routes to market. Selviaridis (*Paper 1*) identifies several challenge areas that policymakers should address to improve future implementation of innovation-led procurement policies (Uyarra *et al.*, 2020).

Orser (*Paper 2*) explores the extent to which women-owned enterprises are under-represented among SMEs as suppliers to Canadian Government. Specifically, she examines barriers to public procurement – as perceived by small business owners – and whether this varies between genders. Gender-based analysis of public expenditures, purchases and gender-responsive PP are new to many governments that seek to support United Nations Sustainable Development Group (UNSDG) objectives. Outside Canada, sector-specific outreach strategies are designed to increase participation of women-owned businesses in federal contracting. This recommendation is consistent with the American Women-Owned Small Business (WOSB) Federal Contracting Program (Dilger, 2021).

Based on a study in Nigeria, Ausuquo (*Paper 3*) deals with a long-debated public procurement topic – the impact of governance quality on public infrastructure procurement. Good governance is crucial for ensuring effective and efficient provision of infrastructure, as it promotes accountability, reduces corruption, minimises resource wastage through inefficiency and ensures that resource allocations reflect national development priorities (Burger and Hawkesworth, 2011; Hueskes *et al.*, 2017). However, studies of the impact of governance quality on public infrastructure financing are limited. Through this study, the author seeks to determine the impact of public sector corruption on public infrastructure expenditure. Accepting limitations of the time-period covered and that a single country perspective is taken, the study concludes that corruption, which is an indicator of

governance quality, plays a significant role in determining public resource allocation to infrastructure procurement in Nigeria. It also confirms that infrastructure procurement is particularly prone to corruption and poor governance, perhaps more so than other categories of spend.

The article by Allen (*Paper 4*) contributes to extant literature on public procurement by empirically addressing the evolution of procurement as a government policy lever in New Zealand, demonstrating how policy pragmatism can ensure a shift without a complete overhaul of a complex system. New Zealand has significant equity issues, especially related to its indigenous Maori population, and procurement is being used increasingly as a lever to improve equity. This article examines how New Zealand embeds policy in public procurement to pursue “public value” as a lever for delivering social and other economic outcomes (Grandia and Meehan, 2017). Consequently, a more strategic form of public procurement emerges. Using secondary data, Allen proposes that policy pragmatism or “bricolage” has enabled New Zealand to move reasonably smoothly from a “purist” approach to procurement policy to one that is more open to other forms of policy instrument, namely, social procurement and green or sustainable procurement. From a practical standpoint, there are indications here that it is not impossible to shift procurement policy direction while retaining strong procurement frameworks.

Finally, Schotanus (*Paper 5*) focuses on how short-term government procurement policies contribute to reach sustainability objectives (sustainable public procurement – SPP; Sönnichsen and Clement, 2020) through the design of environmental-friendly tenders. The author compares tenders from six months before and after the release of a report on inclusion of environmental concerns from the Dutch Central Government and evaluates the impact on the type of environmental features requested. The findings contribute to the academic debate on the value and effective implementation of SPP policies (Grandia and Kruijnen, 2020), based on policy theory. In addition, while previous studies have largely focused on barriers and drivers of SPP (DelMonico *et al.*, 2018), this study is able to offer a unique quantitative analysis at state level on the actual short-term effects on tenders of a policy aimed at altering the state’s procurement procedures.

4. Reshaping the policy “triangle”

Policy goals are primary levers for strategic development of public procurement. However, all the articles included in this issue demonstrate that policy goals need to be implemented effectively for them to have any impact.

The articles by Allen and Orser focus on broader government policies (i.e. minority inclusion and gender representation), discussing how procurement policies should incentivise implementation of government policy instruments that subsequently contribute to the realisation of public procurement strategies at government level. Ausquo focuses more on regulatory aspects, looking at how the implementation of policies within procurement processes contributes to better monitoring of compliance to regulation (i.e. reduction of corruption). Selviaridis and Schotanaus’ work focus on public procurement strategy implementation, examining how specific public procurement goals (i.e. innovation and sustainability) can be achieved through introduction of policies that push suppliers to deliver performance in strategic areas.

Prior strategic and public management research demonstrates that policy initiatives need to address the strategy implementation process (Klijn and Koppenjan, 2000). Implementation can be through financially-oriented mechanisms to influence resource

capability, and information-oriented mechanisms to influence behaviour (Harland *et al.*, 2019).

From the contributed papers and ensuing debate, we now suggest an adaptation of the Schapper *et al.* (2006) triangle framework (represented in Figure 2). Policy-led public procurement is not only the formulation of new goals, such as enhanced green and social sustainability, or promotion of innovation through suppliers, it is also the management of these issues within the public procurement system including planning, realising and measuring success i.e. performance management (Grandia and Meehan, 2017; Patrucco *et al.*, 2020). As a result, the contract awarding process is an instrument which executes and delivers the outputs and outcomes of these policy initiatives. To illustrate what this looks like in practice, Figure 2 also maps how the five papers included in the Special Issue are positioned in this adapted framework.

5. Conclusions and implications for future research

This special issue provides international perspectives of how public procurement research is addressing policy-led procurement. Understanding procurement as a strategic lever has been considered in the private sector for some time (Brandon-Jones and Knoppen, 2018), and it has now become a government priority as well, especially in the COVID-19 era (Guarnieri and Gomes, 2019). The articles included in this issue offer a clear direction for future research to investigate public policy, policy implementation and the role of public procurement as a lever of policy implementation. Policy goals, their formulation and implementation are public duties (Snider and Rendon, 2008). More interdisciplinary research (e.g. with political and social sciences, and public administration) is required to understand how public procurement can be developed further as a policy lever.

Instead of arguing that regulation is the “only” way to implement policy goals in contract awarding procedures, a systematic approach is required to embrace public supplier performance management, including broader aspects of public procurement, such as supply market knowledge, collaborative relationships and long-term orientation (Loader, 2007; Keränen, 2017; Suhonen *et al.*, 2019; Wesseling and Edquist, 2018; Uenk and Telgen, 2019). The articles in this special issue deliver important findings which we hope will encourage opportunities for further research.

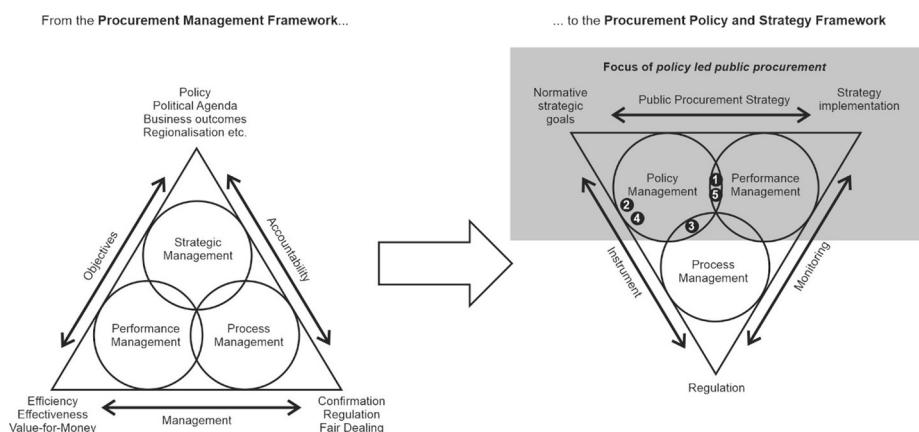


Figure 2.
Adapted triangle
framework for
procurement policy
and strategy

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Corresponding author

Christine Mary Harland can be contacted at: christinemary.harland@polimi.it

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