

What can the public sector procurement learn from the private organisation procur...

[Government](#)



Simply viewed, purchasing is ultimately purchasing. Procurement specialists in the two sectors and even from the third sector of charitable, non-profit, and volunteer groups order their purchases from the same suppliers. Both the private and the public sectors pursue value for money. Towards this end, they plan responsible efficient and flexible procurement systems. However, few differences draw the distinction between the two sectors. This is reflected in the radically different dynamics in the two sectors' operations.

As the paper unfolds, it emerges that there is a lot which the public sector can learn from the private sector if it is to achieve the same level of success enjoyed by the former (Barrett and Hill, 2004). The volume or size reflects on one of the commonly touted differences in the procurement sectors (Braczyk, Cooke and Heidenreich, 1998). However, it is inevitable to examine differences in reporting, competition, trade agreements, accountability, corporate culture, tendering processing, awarding tenders, and performance. It is also important to look into professionalism across the two sectors.

The commonality or difference in skills is critical also. Ethical considerations across the two sectors are equally examined with a view to raising valuable information whether the public sector has something to learn from the private sector or not. The public sector management environment is heavily regulated by policy, legislation, and specific processes while on the other hand, the private sector remains more receptive to enterprising and entrepreneurial dynamics as exhibited by their differences in corporate culture (Braczyk, Cooke and Heidenreich, 1998).

It is true that the private sector is also subject to certain rules and regulations but the difference rests on the nature of the regulations. The entrepreneurial dynamics are apparently an absent phenomenon in the public sector apart from few instances. This entrepreneurial focus is an area where the public procurement sector needs to learn and improve on based on the private procurement sector model. However, the sector may be impeded by the political influence, as the partisan nature of political processes is influential.

The professionals who work in the public sector procurement need significantly more than the regular amount of diplomacy, patience, communications skills, and political intelligence if it is to prevail (Barrett and Hill, 2004). On the other hand, private sector procurement operates in more advanced challenges in the form of bigger risks, more recognition, among other issues. It is on this premise that the view that private sector pays more recognition to competence as key towards success in comparison to the public sector is held.

The public procurement sector should minimise the diplomacy and political leanings and focus on competency just as the private procurement sector. Such focus should ensure bigger and attractive returns. Accountability and transparency present other areas of concern in reference to procurement (Barrett and Hill, 2004). This is influenced by the fact that the stakeholders in the public sector procurement come from diverse circles and do not stand a meaningful chance in influencing it. The stakeholders largely composed of

taxpayers, clients, elected officials, and in other instances; vendors, underscore this realization.

On the converse, the private procurement sector employs up-to date mechanisms to ensure accountability and transparency in engagements. Most private procurement entities also focus on specific markets, an aspect that the public procurement sector can only attain through the establishment of specialised separate units to address the various aspects of procurement demands. It is thus not surprising that before procurement decisions are made, it is preferred that consensus is struck. Public organizations thus focus on consensus building rather than working competitively (Braczyk, Cooke and Heidenreich, 1998).

Public procurement officers are as a result under an obligation to work cooperatively as opposed to doing so competitively. This is further under-plied by the idea that public enterprises engage in the sharing of some information, as it is a requirement in most public organisations. Ontario Public Buyers Association offers an example of organisations, which operate under these conditions. Consensus building is desirable towards appeasing contending stakeholders but this holds limited economic sense. This holds true since consensus building does not factor in the essence of time and other factors, which influence business in a positive manner.

As proposed earlier, public procurement should be split into specialised units to deal with specific issues in procurement as it happens in the private sector. The freedom and flexibility to conduct business is absent in the public sector (Earl, 2002). On the converse, the private sector enjoys the presence

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of these attributes, which constitute the dream pursuits of every buyer.

Flexibility is examined in reference to the kind of red tape associated with the public sector procurement. The procedural rules negatively influence the procurement process as the lengthening of the exercise proves an unattractive proposition.

The red tape as a result puts constraints and unnecessary demands on the process of procurement. Red tape was intended to ensure observance of set rules and regulations, but this is no longer congruent with emerging trends in business. As a result, doing away with the unnecessary procedural demands is desirable if the public procurement sector is to make progress. The absence of purposeful negotiations, discussions, leniency measures further compounds the shortcomings associated with public sector procurement.

It is notable that public enterprises do not take their time in responding to issues like requests for proposals. Precision and detail must be presented to every relevant department before a decision is arrived at. On the converse, in the private sector procurement, the clients' issues are keenly attended to as required. In the entrepreneurship spirit, private sector procurement allows for the negotiation of deals on the basis of fees and terms of work which appeal to both parties, as a result, growth in private procurement in tandem with quality of work (Earl, 2004).

The focus is on building a good and long lasting working relationship between customers and private organizations. In the private sector procurement, if a company or client secures a satisfactory engagement, when similar projects emerge, the need to go through the same sieving

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exercises are not considered. The basis upon which tenders are given rests on the previous records of accomplishment. The solid ethical and moral aspects, which governmental organizations lean on, account for some unnecessary engagements. Public sector procurement demands that adherence to rules and procedures are unquestionable (Edquist, 1997).

The formal protocol on responsibility, liability, accountability, and the need to protect government information constrains public procurement. On the other hand, the private sector procurement extends freedom on contractual engagements. The private sector clients focus on the market share, competitiveness, and visibility, fees, and contracts act as a measure towards achieving these goals. The moment corporate professionalism is established with a private sector client, the credibility set is useful in determining fruitful future engagements.

Of late, governments are embracing e-Procurement; this embracement is based on the realization made concerning the beneficial attributes arising from both administrative and cost reductions associated with such in the private sector (Malerba, 2002). Tendering platforms, desktop purchasing systems, and e-marketplaces, features common in private sector procurement have been adopted in the public sector procurement. This is a positive step, which should pave way for similar improvements towards the promotion of efficiency and effectiveness.

The nature of public sector procurement goes through rigorous bureaucratic procedures based on institutional demands (Miles, 2004). The regulation process of public procurement, which witnesses different roles played by

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international, national, and regional authorities, implies that this type of procurement faces a number of hurdles to overcome. This regulation is meant to ensure competition and transparency in the procurement exercise. To cite an example, public procurement in the UK has to be consistent with the European Union procurement guidelines, which offer a framework of rules on the issue.

These rules and regulations deter EU member countries from distorting competition in public procurement on the basis of geographical or national basis. The creation of the European market provides an avenue for getting value for money in the procurement sector. Apart from adhering to the European Union policy on public procurement, the public institutions must also comply with the requirements imposed by the government as reflected by the Value for Money policy. This policy demands that procurement choices should be premised on whole life cost assessment as opposed to lowest price only.

On the basis of this synopsis, it is clear that government procurement is diverse in respect to what it has to cover. This extension and complexity implies that achieving efficiency and lower costs is hard to make operational. Reducing the complexity characterising public sector procurement is thus a challenge. The tendering process is designed in a way that ensures that work done by the government is given out fairly. The government considers the pricing and the nature of the entity offering the required services.

The aim is to ensure that tender processing is fairly done based on governmental policies. Though important, pricing is not the major focus in

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public procurement (Malone, 2001). On the other hand, private sector tendering focuses on fairness and effectiveness in reference to competition. This is based on the drive towards achieving the most cost-effective outcomes in the tendering process. The primary focus is the cost effect, an attribute the government needs to learn from the private sector tendering (Malone, 2001).

The political elite holds a lot of power when it comes to public tendering. This is partly due to the fact that the political class hold executive powers in country leaderships. On the other hand, in the private sector, key officials of companies who hold the required expertise holds the power of making decisions on the tendering processes (Malone, 2001). The public sector should learn from the private sector by fully authorising the bureaucratic experts to control the tendering process. If the public sector is to be in a position to operate competitively, it needs to possess buyer power.

As in the case of the private buyer power, the public purchasing power may rise from the size of demand in reference to the public sector against the total market demand or due to strategic importance (Cohen and Levinthal, 2006). The size of the market however big, it may be affected by the uncoordinated and fragmented approach by the public procurement sector. This uncoordinated approach lowers the purchasing power of the public procurement sector. This presents one area the public sector needs to learn from the private sector.

Towards this end, the public procurement sector should learn how to coordinate its activities properly in order to take advantage of its access to big

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markets. The public procurement sector is fraught with unnecessary restrictions on participation (Cohen and Levinthal, 2006). The sector is also characterised with cost escalation. This especially affects small bidders. Such represent the level of discrimination in the sector. Large firms who are at a sound financial standing are thus the ones favoured in the public procurement sector.

Towards reducing the chances of participation from the procurement process, the nature of restricted communication as reflected in the limited publication of contracting opportunities, this coupled with the narrow based qualification criteria place too much focus on firm size and experience. There are both benefits associated with increasing the number of bidders. However, the question of whether the government attains the balance between increased costs due to the higher number of participants and the expected drop in the prices as a result of the fierce competition both within the short term and the long-term.

The pursuit of value for money should ensure the correct trade off is made, however, this may never be the case. This is attributable to the fact that the administrative costs are more visible as compared to the cost savings obtained from intense competition. Further, afield, risk aversion may lead to favouritism in which case, well-established companies and incumbents take the opportunities ahead of new entrants. Incumbency may limit participation. This is possible if minor suppliers believe that the public procurement sector is friendly to senior suppliers.

This implies that some suppliers may boycott the bidding exercises, as they fear their success chances are limited. Such boycotts may in turn trigger price increases due to lowered competition (Cohen and Levinthal, 2006). Openness and publicness pass as challenges on the public procurement sector. Everything, which is done by public procurement, is subject to scrutiny from the public. The public purchases are normally orchestrated through invitations for bids. This opens the process to public bidding. In public procurement, public bid tabulations, which are posted on government websites.

This implies that everybody understands what is going on. Overall, the private sector procurement focuses on profit, which is achievable through fierce competition. In practice, there is great variation in the way in which private managers go about establishing links with the customers. This is captured by the pursuit of firms' attempts to lock opponents out of the market (Malone, 2001). Some firms operate in unstable environments, others like do like monopolies, while others operate in relatively protected niches where entrants find it difficult to make inroads, this under-lies the kind of challenges facing private businesses.

Some sectors and businesses adopt methods, which are technologically advanced than others, further compounding the challenges (Egeberg, 1995). On the other hand, the public sector passes as a more homogeneous entity operating in a placid environment. Bureaucratic organisations are in most cases long establishments, which act, as monopolistic suppliers. The supply is to the society as opposed to the market, further to this, the pursuit of

profits do not take precedence ahead of the provision of services to the citizens.

The assumption that the public sector has been lacking in innovation is often advanced. However, Tan, (2004) notes that the spur of competition lacks in public procurement, a stark contrast with the private sector procurement.

The public procurement sector should embrace new technological innovations like e-Procurement if it is to gain from benefits associated with such advancements, as is the case in private procurement (Fagerberg, Mowery and Nelson, 2000). Conclusion

The drive towards introducing private-like procurement style into the public procurement sector is a plausible effort as this in the end translates into a number of benefits desirable to the needs of the clients its serves. Such adoption is bound to increase efficiency thorough cost reductions and improvement on service provision. The social responsibility is the major bottleneck affecting the public sector procurement. The public institutions remain accused of being irresponsive to the needs of the people they serve.

However, all public organisations exist in a global setting, which heavily bears on how operations are conducted. This co-existence; between public and the other sectors imply that there is a lot to be passed or transferred through learning. The continued nature of existence of the public sector also indicates that learning through experience is a possibility since the various governments institutions are in a position to determine what works and the others which fail.

The role of competition however desirable it is may prove inapplicable to the public sector procurement. This is the case in reference to when the public institutions are bidding for example, weaponry and other sensitive products. The public sector is also charged with diverse responsibilities, which are not based on economic terms but rather on the social responsibility aspect. Despite this, the public sector should learn from the public sector on how to become competitive on various fronts.

On the basis of the above realisation, it is hypothetically presented that adopting measures to delink the public procurement sector from the diplomatic and political machinations presents a way out in the area. The sector should also encourage more competition in terms of recruiting skilful personnel and in allowing a level playground when it comes to the tendering process. The sector is equally expected to alter the procedural requirements, which mire the bidding and tendering exercises. Such a move should lead to a flexible system, which paves way for the achievement of efficiency and effectiveness in the sector.