

Differences among corporate, institutional and government procurement

[Government](#)



The procurement strategies differ greatly in the government, corporate and institutional sectors. First and foremost, there are some key distinctions in the supply chain management (SCM), that is in the “ process-oriented system of purchasing, producing, and delivering product to customers” that includes the complete supply chain, i. e. “ demand, supply, manufacturing, transportation and distribution”(1, 2006).

Recently the industrial sector has increased the SCM standards with emphasis on speed and turnover of goods. For example, the turnover of inventory in Wal-Mart is approximately 12 hours (2, 2006). The government sector is less efficient in the SCM due to legal, cultural or material complexities, not to mention the bureaucracy that can influence the speed of logistics and supply. However, in the military industry the big contractors and the Pentagon are theoretically able to interact through “ the revolving door”.

In practice, it can lead to the conflicts of interests, when the businesses hire government officials with a view to influence the government procurement strategies - for instance, Darleen Druyun’s case, the deputy acquisition chief for the Air Force, hired by Boeing in 2003) (3, 2004). Government purchasing can be more large-scale in terms of allocated funds; however, it complies not only to the matters of immediate financial benefit, but also to the state-level concerns.

For example, the Government Purchasing Project by the Center for Responsive Law is regulated by environmentally preferable purchasing policies on the federal, state and local government level (4, 2006).

Institutional purchasing faces fewer barriers in the form of formalities and large-scale commitments. Government procurement is an effective process of supplying necessary goods and services because of its holistic quality. The government establishes its own rules in view of the internal and external state policy and economic conditions.

This is a flexible procurement process, and if rules were adequate to the demand, it is highly effective. By administering contracts the government agencies can choose the most favourable deal for supplying the required goods and services. However, here is a danger of making rules for their own sake, i. e. bureaucracy. To sum up, the differences between corporate, institutional, and government procurement lie in SCM (turnover speed), purchasing strategies and long-term perspectives, as well as general economic and political context.