

International Research Study  
of Public Procurement

**BUILDING PUBLIC PROCUREMENT CAPACITY & CAPABILITY**

**EXECUTIVE REPORT OF THE THIRD WORKSHOP  
15<sup>TH</sup> – 18<sup>TH</sup> SEPTEMBER, 2008  
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## **Executive summary**

This research study brought together senior practitioners and leading academics from 17 countries to discuss and analyse case studies relating to the building of public procurement capacity and capability.

Despite the fact that the case studies were from significantly different situations in different countries facing different problems in public procurement, similar issues arose. Across the cases four key motives driving public procurement capacity and capability building became evident:

1. The drive to develop public procurement as a profession
2. The desire to use public procurement as a lever for delivering government policies
3. The need to ensure procurement knowledge and information is available with decision makers.
4. Making organisation structural changes to deliver procurement efficiencies.

Professionalisation of public procurement capability was recognised as a way of raising the profile and credibility of procurement and promoting the development of a common, transferable body of knowledge. It also supported the development of individuals' abilities to pursue policy objectives and deliver best practice.

The study also found that during the implementation of procurement capacity and capability building programmes tensions develop between delivering short-term economic objectives alongside broader long-term objectives. Suggested solutions included promoting the contribution made by procurement through the use of meaningful performance indicators and closer engagement with politicians. The importance of strong leaders in public service with an understanding of procurement was also recognised.

The influence of different procurement structures upon procurement performance was also considered. The three main structures evident were:

1. Centralised
2. Decentralised
3. Collaborative procurement

There was no clear agreement on which of these structural options were better than others; rather a pendulum swing away from a previous structural form was evident. Countries that previously had centrally controlled regimes were keen to pursue decentralised approaches. Northern European and North American nations where decentralised procurement was evident appeared to be considering the benefits of more centralised and collaborative approaches.

Although the study identified some common themes and approaches, the importance of addressing contextual and cultural differences was also acknowledged, underlining the need to respect and work with an organisation's cultural identity. Finally, it was

also noted that many of the cases were in differing stages of development and that a “one size fits all” approach would not be appropriate, although much could be learnt from the experience of other nations, sectors and levels of government.

## **Background**

Internationally governments are confronted with increasing demands from their citizens and users of their services influenced by changes such as devolution of government, technology shifts, increasing engagement of the private sector in service delivery and globalisation of service providers. Consequently public sector agencies are required to respond and adapt in a manner that meets these challenges. Such transformations are often associated with building capacity and capability, which has become a central theme for public policy, evident in a wide range of areas including sustainable development, healthcare provision, home security, education and, increasingly, public procurement.

Public procurement of goods, services and works represents a considerable proportion of any nation’s expenditure, accounting for around 15% of the world’s Gross Domestic Product. According to the UN in some developing countries it may be as much as 70% of the economy. In recent years attention has been paid towards the importance of public procurement in stimulating national, regional and local development. A consequence of this interest has been a realisation that if public procurement is to fulfil its potential as a driver of social and economic improvements, there is a need to focus its role in enhancing capacity and capability. For example, in March 2005 the Paris Declaration on Aid Effectiveness highlighted the need to develop the procurement capacity of developing nations. In response, the United Nations Development Programme (UNDP) developed tools and techniques for procurement capacity development and procurement capacity assessment, offering a systematic and integrated means of strengthening and optimising national or local capacities.

In the UK the Office of Government Commerce (OGC) has recently implemented Procurement Capability Reviews, which aim to assess the capacity and capability of central government procurement to deliver value for money (VfM), today and in years to come. According to John Healy MP, Financial secretary to the Treasury:

*“Good procurement is essential to delivering good quality public services, and we will only achieve good procurement across Government if we know we have the right skills and capability in place. This programme of Procurement Capability Reviews draws on the very valuable learning that has been obtained through the Treasury’s Financial Management Reviews and the Cabinet Office’s Departmental Capability Reviews, and will allow us to ensure that we have the information on which we can build a world class procurement capability across Government.”*

## **The International Research Study on Public Procurement**

The International Research Study on Public Procurement (IRSPP) started in 2003 examining differences and similarities in international practice in public procurement. The first study highlighted that some nations were taking a much more policy and strategy led approach to public procurement than others. In the second study four specific parts of public sector were focused on and public procurement practice in

health, defence, education and local government was examined. IRSP2 highlighted a number of key difficulties facing public procurement, one of which was the lack of capacity and capability in the field internationally; this became the focus for IRSP3 which was held in Paris on 15<sup>th</sup>-18<sup>th</sup> September 2007 and was entitled "Building Public Procurement Capacity and Capability". IRSP3 brought together leading public procurement practitioners and academics from 17 countries (see Table 1) to identify the gaps between *providers* of capacity and capability and *doers*. The doers were public sector service organisations that had experienced difficulties because of lack of public procurement capacity and capability and the policy makers/providers were organisations that attempted to support public procurement development locally, regionally, nationally and internationally.

**Table 1 Countries represented at IRSP 3**

Australia	Belgium	Canada	Denmark
Finland	France	Germany	Hungary
Ireland	Italy	Netherlands	Portugal
Tanzania	Russia	South Africa	UK
USA			

'Doer' organisations are public sector organisations with an executive role to perform a public service. They may well have a procurement function or department, but procurement isn't their core role. They may outsource their procurement. Capacity and capability development may involve using consultants, interims, providing training, recruitment, outsourcing etc.

'Provider' organisations' core role is to provide some form of service relating to procurement, or including procurement, to public sector (and possibly private as well) doer organizations. They may not necessarily be within the public sector. Providers range in size and structure and include professional associations such as the National Institute of Governmental Purchasing (NIGP), the Chartered Institute of Purchasing and Supply (CIPS) and xxx (NEVI), education establishments offering research and education, training companies, management consultancies and trade associations. Some may contract for and on behalf of other doers (e.g. a collaborative procurement hub or procurement agency), others may provide framework agreements for doer organisations to use, and some may act as a centre of advice, guidance and policy. Capacity and capability may relate to their own internal capacity and capability but the purpose of this will be to enhance capacity and capability to support doers. Alternatively, it may be directly related to the doers' organisations e.g. providing training, education to them.

The aim and objectives of IRSP 3 were:

- To conduct exploratory, qualitative research to identify the gaps between *providers* of capacity and capability and *doers* - those involved in implementing capacity and capability building programmes.
- 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 addressing capacity and capability issues
- To undertake a systematic literature review to provide a systematic and comprehensive review of current knowledge on capacity and capability and to gain an understanding of the approaches employed by different sectors when tackling issues relating to capacity and capability.
- To publish two reports, one for practitioners, the other a more detailed academic report of the research

The study group was comprised of leading public procurement practitioners and academics who were invited by the organisers to present cases either from the perspective of a doer or provider organisation. The organisers also invited individuals to act as inquisitors; these were very senior practitioners and academics from various nations and parts of the public sector. The role of the inquisitors was to support the critical evaluation of cases, promote discussion following presentation of the cases and explore the key issues arising in more depth.

The method for the study was rigorous using a systematic literature review to generate the structure for the case studies and the main themes to be explored. Expert panels were used to validate each step. All discussions in the workshop were documented and analysed using rigorous tools to analyse qualitative data.

## **Summary and conclusions**

### ***Nature of the problem***

Despite variation across the cases, particularly contextually, four recurrent themes were identified during the analysis:

1. The development of public procurement as a profession
2. The use of public procurement as a lever for change .i.e. policy through procurement
3. Addressing the information imbalance
4. Delivering procurement efficiencies through structural change.

The development of public procurement as a profession was common across the majority of the cases and was perceived as a means of not only raising the profile and credibility of procurement, but also as a means of positioning procurement strategically.

The use of public procurement as a lever for change was evident in several of the cases. The use of procurement as a policy lever was particularly pertinent in developing nations e.g. The Royal Kingdom of Bhutan and South Africa, where procurement was employed as a means of bringing about social reform. However, in these cases procurement was faced with difficulties in achieving immediate short-term economic objectives against long-term social goals.

In addressing the information balance, a number of issues were discussed which included the need to enable the transfer of information both inter- and intra-organisationally, the need to develop a common, standardised format and the need to improve the way in which procurement knowledge and understanding is disseminated.

The influence of procurement structure upon performance was also considered by some of the cases. Overall, three structures were considered:

1. Centralised
2. Decentralised
3. Collaborative procurement

There was no consensus on the optimal approach, although it was interesting to note that nations recently emerged from centrally controlled regimes were more prone towards decentralised approaches. Northern European and North American organisations looked to be moving towards more centralised and collaborative structures.

### ***Main actors***

Due to contextual variety and the sample size it was difficult to draw solid findings from the cases. However it was clear that central government bodies play a key role in building public procurement capacity and capability, particularly in terms of employing procurement as a means of achieving policy objectives.

Professional bodies were identified as a common means of building the capabilities of public procurement professionals through training and the provision of formally recognised qualification. Other key players identified included consultants – as an external source of expertise – and service users, in terms of the difficulties of enabling their involvement in procurement processes and suppliers, focusing on the difficulties of supporting supplier engagement.

### ***Resource issues***

Three key resource issues were identified during the analysis:

1. Education, training and development
2. Qualifications and skills
3. Funding

Education, training and development focused on:

- Developing individuals with an understanding of best procurement practice
- As a means of developing strategic thinkers who could deliver policy/strategic objectives
- To raise the profile and credibility of procurement as a profession.

Qualifications and skills were seen as an important means of raising the profile and credibility of procurement as a profession and to enable the advancement of procurement professionals to executive positions.

Although funding was perceived as a major resource issue, it was particularly for developing nations, which were extremely reliant upon external development agencies such as the UN, World Bank and the UK's Department for International Development.

The impending shortage of procurement professionals was touched on: in nations with increasingly ageing populations, many procurement figures will retire within the next five years.

### ***Key issues raised***

The key issues were grouped into five categories:

1. Environmental
2. Managerial
3. Structural
4. Operational
5. Future issues

Key environmental issues related to political, cultural and regulatory/legislative factors. It was clear that the successful implementation of any procurement programmes required political support and engagement and that politicians are increasingly viewing procurement as a policy lever.

Cultural issues focused on two areas:

1. Fear of losing cultural heritage as procurement initiatives were overseen by external organisations, which also had their own strong cultural identity.
2. Recognition of the need to adopt a new cultural ethos and to adopt new, different and potentially conflicting ways of working.

The influence of regulatory and legislative issues upon procurement initiatives was discussed, noting how EU legislation was transposed differently across member states. It was also noted how regulatory regimes varied across different levels of government, which gave rise to co-ordination issues. Developing nations highlighted the problems associated with donor organisations imposing their own regulatory structures upon the recipient nations, which resulted in complexity and high levels of non-compliance.

Managerial issues centred on non-compliance and knowledge sharing. Discussions on non-compliance focused on why organisations fail to comply and how the situation could be improved. The need to promote knowledge sharing on procurement issues was recognised. It was suggested that this could be promoted not only nationally, but also internationally.

The third category of “structural issues” addressed the centralised versus decentralised debate and also noted the growing shift towards collaborative purchasing structures, particularly in Northern European and North American nations.

The main operational issues identified related to the need to engage more closely with SMEs, the increasing pressure on procurement to present evidence and the consequent shift towards evidence-based purchasing. A further operational issue included the development of more meaningful procurement indicators, which could be employed to emphasise the contribution made by procurement in achieving social and economic objectives.

Much of the data on future issues focused on the development of procurement as a profession, highlighting the need to develop a common body of knowledge and to build the credibility of both procurement individuals and leaders. However it was recognised that contextual differences needed to be recognised and reflected in any future initiatives.

## **Participants’ summary**

During the closing plenary session, participants were asked to reflect on the key issues that had arisen from the cases, as summarised in the plenaries following each case session and to identify which of these were important. In order to do this the participants were divided into the following three groups:

1. Practitioners
2. Consultants
3. Academics

## ***Practitioners’ summary***

During their discussions the practitioners identified the following issues as important:

1. Value within and value of procurement
2. Defining value
3. Measuring/demonstrating value
4. Short-term versus long-term objectives
5. Human resource management and skills

In discussing the first point, the practitioners considered addressing the value within procurement as a short-term issue that could be addressed through highlighting the contribution made by those within procurement. This could potentially be through the development of separate teams dealing with different technical issues and through strong leadership. The value of procurement was perceived as a long-term issue that could be tackled through emphasising procurement’s contribution towards economic growth, both strategically and economically. This would require engagement with politicians. Attention was drawn to the fact that politicians already see procurement as a tool and the procurement community needs to act on this. This could be supported through “icons of progress” – making public any significant achievements that have been realised through procurement.

Defining value gave rise to discussions on “*what is value*” and “*what is value in VfM?*” For instance, is it politically driven or, in the case of developing nations, externally driven by donor agencies such as the World Bank? It was concluded that the definition of value is the same, it is the context that varies and this is reflected in society i.e. a focus on sustainability or on localisation.

It was suggested that the measurement of value should focus on levels and emphasised performance as a key issue. It was noted that procurement needs to define its accountability.

Balancing the tension between long-term and short-term objectives required the development of an arsenal of short-term measures and long-term objectives, ensuring the necessary skills are present within the procurement community. Short-term measures involved identifying those skills gaps that are preventing short-term objectives from being fulfilled and filling these gaps. The achievement of long-term objectives would require investing in the education of “next-generation” procurers, countering the shortage of procurement professionals that may soon confront many nations with aging populations. Here, the value of the academic community was recognised through the creation of work or study programmes.

The focus on human resource management related to the development and building of competencies within procurement. The importance of strong leadership was acknowledged alongside identifying “best practice” in leadership. It was also noted that there was a need to develop individuals with both a strong understanding of business allied with an understanding of procurement. It was suggested that education bodies should exchange training material to ensure the development of a standard and shared understanding of procurement practice and that “t”-type learning plan should be employed that included both general management and procurement.

### ***Consultants’ summary***

The consultants identified 5 key issues:

1. Gap in strategy and leadership capabilities
2. A need to enhance the image and profile of procurement
3. The influence of non-professional buyers
4. Difficulties in accessing specialised expertise
5. Dealing with new business paradigms e.g. globalisation

The solutions provided by the consultants were, respectively:

1. Recruiting people with a business mindset
2. Adopt a marketing culture to promote the profession
3. Endeavour to have procurement recognised as a business function.
4. Creating learning and development plans for
5. Professional procurers
6. Non-professional procurers
7. Looking at ideas from other sectors and cultures

## ***Academics' summary***

The academics discussed the summary of key issues and ranked them in terms of their research importance. The research priorities identified using this approach were:

1. The tension between economic and broader objectives
2. Competency & capability development
3. The value of a procurement mindset

In researching the first point relating to the tension that exists in achieving economic objectives versus broader objectives, the academics acknowledged the need to recognise and understand contextual differences such as differences between public sectors, variation in size, the level of transparency in different organisations and consequently how applicable it would be to apply theory in the face of such variation.

With respect to the second two points, the academic group considered the need for professionalisation and how this should be achieved. It was suggested that the attributes of a “procurement mindset” needed to be identified and promoted through the development of a common body of knowledge and the building of core competencies. However, there was recognition that there would be variation across nations.

## **Concluding comments**

This study was organised in response to recognition of the growing emphasis that is being placed on building procurement capacity and capability and the lack of research that exists in terms of the approaches and processes that may be adopted to tackle this objective. Despite the contextual variety, the framework for analysis provided a structure that supported cross-case comparisons and the identification of common themes.

In investigating procurement capacity and capability it has become evident that the professionalisation of procurement is seen as a key element. Professionalisation has been identified as a means of raising the profile and credibility of procurement, a means of promoting the development of a common, transferable body of knowledge; as way of positioning procurement strategically and of developing individuals with the ability to pursue policy objectives and deliver best practice.

The study also highlighted that the implementation of procurement capacity and capability building programmes often heightens the tensions between delivering short-term economic objectives alongside broader long-term objectives. Suggested solutions included promoting the contribution made by procurement through the use of meaningful performance indicators and closer engagement with politicians. The importance of strong leaders with an understanding of procurement was also recognised.

Although the study identified some common themes and approaches, the importance of addressing contextual and cultural differences was also acknowledged, underlining the need to respect and work with an organisation’s cultural identity. Finally, it was also noted that many of the cases were in differing stages of development and that a

“one size fits all” approach would not be appropriate, although much could be learnt from the experience of other nations, sectors and levels of government.

At the end of the workshop, participants were asked which issues IRSPS should focus on in the future. The following points were raised:

1. Developing an understanding of performance measurement
  - What is value?
  - How do we differentiate between output and outcome?
  - What constitutes evidence?
  - What difference does procurement make and how can this be measured?
2. How should procurement be portrayed?
  - What is procurement’s purpose/role/identity?
3. Identifying best practice
  - Learning from both failure and success.

Participants were also asked to consider the format of IRSPS 4. It was agreed that more countries should be involved and that the agenda should enable information exchange and should include a practitioner forum. The focus of the workshop should be on the identification of common measures that could be implemented across nations and levels. In terms of the format, participants suggested that individuals should be divided into small groups that would support in-depth discussion; the streams should be arranged around focused disciplines.