

Meaningful involvement of municipal purchasing departments in the procurement of consulting services: Case studies from Ontario, Canada

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Abstract

This paper describes the types of activities that were associated with meaningful involvement of municipal purchasing departments in the procurement of consulting services in Ontario, Canada. Included is a discussion of some of the key contextual factors found to enable meaningful involvement and the type of value that results as it relates to the needs of the client department and the overall goals and objectives of the municipalities as a whole. Ten case studies were conducted that involved in-depth interviews with twenty case study informants including ten purchasing agents, nine client department managers, and a consultant. The findings provide a basis for increasing the involvement of municipal purchasing departments in acquisition processes for these services and address some very important gaps in a particularly arid body of research related to local government purchasing. A number of testable hypotheses and research questions that may enable future researchers to address some of the gaps identified by this work are also presented.

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1. Introduction

Consulting services can be one of the most difficult types of services to purchase (Mitchell, 1994; Shetterly, 2002; Soriano, 2001). The purchasing process required for these services can involve major investments in time, money, and people with no real assurance of a successful result (Mitchell, 1994). Making these types of decisions effectively may in fact require a special set of skills not normally associated with public sector purchasers (Smeltzer and Ogden, 2002) who have commonly been referred to as a clerical, process-oriented function that adds little value to non-traditional purchase decisions, such as those related to consulting services (Gordon

et al. 2000; Keating, 2002; Murray 2001; Pettijohn and Qiao, 2000).

These perceptions may help to explain why a study that surveyed 34 government organizations in the United States found that in terms of the total dollars spent on consulting services (\$522 million dollars US) only five per cent (27 million dollars US) included any input from the purchasing department (Fearon and Bales, 1995). This involvement can be considered low especially when compared to other type purchases including office supplies, resale items, capital equipment, and printing services that for government organizations located in the US have involvement levels by the purchasing department of 100, 98, 97, and 92 percent, respectively (Fearon and Bales, 1995). Considering the importance of consulting service purchase decisions (Canback, 1999) and the value that can be associated with purchasing department involvement (Leenders

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et al., 2002) these low involvement levels may be an indication of a very serious problem.

This research involved the examination of ten cases where municipal purchasing departments, located in Ontario, Canada, were meaningfully involved (Johnson and Leenders, 2003; Stuart, 1991) in acquisition processes for consulting services. In-depth interviews were conducted with twenty-five informants including five purchasing managers, ten purchasing agents, nine client department representatives, and a consultant. These cases were used as a basis for addressing three primary research questions: How does meaningful involvement occur in terms of the types of activities performed by the purchasing department throughout the various stages of the acquisition process? What key factors affect this involvement? What value results from this involvement? Findings from these research questions are presented herein.

2. Background

2.1. The challenge of public sector procurement

Canadian municipal government purchasers spent 45 872 million Canadian dollars on goods and services in 2001 (Statistics Canada, 2002). These purchasers face continuous pressure to improve upon the way that they spend these funds (de Boer and Telgen, 1998). Unfortunately, public purchasers also face a number of obstacles that impede their ability to make effective purchase decisions.

Public purchasers are faced with continual scrutiny of their activities through audit and in-house reviews, intensive reviews by the media for any suggestion of mismanagement or impropriety, and a myriad of required policies and procedures that characterize government decision-making (Bray, 2001; Pettijohn and Qiao, 2000). This causes public purchasers to be much more focused on the public's perception that they are following the policies and procedures in place (Statistics Canada, 2002). This in turn restricts the ability of public purchasers to focus on value for money spent, sustainability (namely, local economic development, environment, and quality of life), quality, customer focus in service delivery, and cost reduction (Murray, 2001).

The imperative for public accountability and the difficulties associated with meeting this responsibility make studying the challenges associated with public sector procurement important. Despite this, public sector procurement still remains an area of traditional neglect within the research hierarchy of the supply management field (ibid.). This is particularly true regarding topics related to local government purchasing (Davies, 2002).

2.2. Consulting services and the problem of low involvement

A consulting service is a service contracted for and provided to organizations by specially trained persons who help client organizations identify management problems, examine such problems, propose solutions to these problems, and in some cases, when requested to do so, help in the implementation of proposed solutions (Greiner and Metzger, 1983). The output from a consulting service is generally used as an input to other key processes within an organization. Within the public sector, consultants provide consulting advice concerning training, the provision of public services, ongoing management of governmental departments, environmental planning and assessment, engineering, architectural planning, public communication, and political strategy.

These types of services can have a significant impact on the functioning of organizations. Not only have they been responsible, in part, for the propagation of new frameworks, tools, and techniques in organizations, they may well have been one of the most important and enduring types of services purchased by organizations over the last 50 years (Canback, 1998). It is estimated that there are more than 5000 consulting firms that employ more than 20 000 consultants in Canada (Statistics Canada, 2002). Consulting revenue for 2000 amounted to nearly 6.7 billion Canadian dollars (Statistics Canada, 2002). Current growth rates are estimated to be in the range of 20% per year (Statistics Canada, 2002). It is believed, that consultants will continue to play an increasingly important role in the world's developing economy (Canback, 1999).

This has generated a great deal of concern among many purchasing managers (Smeltzer and Ogden, 2002). These managers have stated simply that they do not have a clear understanding of how to manage the buying process for these types of purchase decisions (Smeltzer and Ogden, 2002). While purchasers acknowledge that the purchasing department is capable of adding value to more traditional types of purchase decisions, consulting services as a purchase category has not typically been considered to be within the realm of the purchasing department's acquisition capabilities. This may be especially true within the public sector where purchasing departments have been involved in only 5% of the purchase decisions related to consulting services.

In spite of findings that have shown that the purchasing department can play a central role in helping to ensure that funds are spent properly, improving the quality of goods and services purchased, and saving both time and money (Ellram and Birou, 1995; Leenders et al., 2002; Mendez and Pearson, 1995; Murray, 2001), public sector purchase decisions relating to consulting services have included very little involvement by the

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