

# Promoting competitive markets: The role of public procurement

Nigel Caldwell<sup>a,\*</sup>, Helen Walker<sup>a</sup>, Christine Harland<sup>a</sup>, Louise Knight<sup>a</sup>,  
Jurong Zheng<sup>a</sup>, Tim Wakeley<sup>b</sup>

<sup>a</sup>Centre for Research in Strategic Purchasing and Supply, School of Management, University of Bath, Claverton Down, Bath BA2 7AY, UK

<sup>b</sup>School of Management, University of Bath, Claverton Down, Bath BA2 7AY, UK

Received 26 May 2005; received in revised form 6 December 2005; accepted 13 December 2005

## Abstract

The study presented here examines how public procurement agencies address establishing and maintaining competitive markets; a topic still in its academic infancy. Cases are used to address impediments and improve understanding of strategic priorities in managing for competitive markets. Public policy academics have observed many competing policies in the wider public sector. Specifically, this paper identifies a need for research on supplier incentives at a market level, on the post contract management of suppliers and as an important sub-set, key supplier relationship management, along with professional development.

© 2006 Elsevier Ltd. All rights reserved.

*Keywords:* Competitive markets; Public procurement; Strategic supplier management

## 1. Introduction

This paper discusses the role of public sector procurement agencies in influencing the development of competitive markets. Managing for competitive markets is an area that has been neglected in the procurement literature. However, at a recently organised international public procurement conference (Knight et al., 2003), the need to manage markets was deemed a major emerging issue. As there is so little guidance the aim of this paper is to bring together a number of themes that public procurement needs to address to become effective at managing markets for competition.

The paper seeks to address the following research question: from a public procurement perspective, what issues need to be considered in managing markets for competitiveness? The paper starts with a literature review that identifies key issues in promoting competitive markets. The next section introduces the case methodology, and describes three cases, each with a summary of key findings. The discussion provides both case and cross case analysis.

Finally, conclusions are presented, along with the limitations of the research and areas for future research.

## 2. Literature review

### 2.1. 'Muddling through': policy as successive-limited comparisons

In a seminal paper on policy-making in the public sector, Lindblom (1959) proposes that unlike the policy process set out in text books, most policy makers 'muddle through', setting policy by making 'successive-limited comparisons' with imperfect information, and complex and competing values. Kickert et al. (1997) discuss three perspectives on policy-making and governance: the rational central rule perspective, the multi-actor perspective and the network perspective. The network perspective sees policy-making and governance taking place in complex networks consisting of various actors none of which possess the power to determine the strategies of the other actors.

Eden and Cropper (1992) note a new drive in the public sector towards clearly stated objectives, measurable indicators of performance and a well-articulated system of accountability. Their concern is not with the new systems of measurement, but the wider issue of what public sector

\*Corresponding author. Tel.: +44 1225 383881;

fax: +44 1225 383233.

E-mail address: [mnsndc@management.bath.ac.uk](mailto:mnsndc@management.bath.ac.uk) (N. Caldwell).

systems are tasked with achieving. Academics such as Thai (2001) have noted a trend toward strategic procurement and professional development in public procurement.

## 2.2. Defining competition

Thus public sector solutions to dealing with turbulent environments have been to shift policy towards greater competition in the public sector and to apply private-sector style management practice to the public domain (Hood, 2000, p. 164).

In seeking here to provide some definition of what competition means in the public sector, the above quotation is interesting in that it implies competition is 'low' or at least *below* its potential level. The economist Galbraith (1980/1952, p. 58) suggests: "A market is workably competitive if, among other things, there is a progressive technology, [and] the passing on to consumers of the results of this progressiveness in the form of lower prices, larger output, improved prices."

Galbraith's initial qualifier 'workably competitive' suggests pragmatism towards the perfectibility of markets. His emphasis upon low prices is unlikely to appeal to suppliers. Smaller suppliers define competitive markets in terms of lack of impediments to their ways of doing business, such as 'unbundled', appropriately sized packages of work (Badenhorst and Hugo, 2001) and simple, fast and efficient tendering processes (van Vuuren and Badenhorst-Weiss, 2003). In an essay on the meaning of competition, Hayek (1948) explicitly contrasts the conception of competition used by economists with those employed by business people. Hayek sees competitive markets as envisaged by business people presented as 'aberrations' or 'imperfections' to the competitive equilibrium model economists present. "That in conditions of real life the position even of any two producers is hardly ever the same due to facts which the theory of perfect competition eliminates by its concentration on a long-term equilibrium, which in an ever changing world can never be achieved" (Hayek, 1948, p. 101).

In drawing the conclusion that there is a bigger divide between competition and no competition than between perfect and imperfect competition, he believes more is to be gained by studying Government suppression (either by assistance or by tolerance) of competition, than by studying the imperfections of competition. Kirzner (1997) builds upon Hayek's views on competitive markets, exploring how Austrian economists in particular perceive a failure in neo-classical economics in understanding the role of entrepreneurial discovery (Kirzner, 1997) in markets. However, Kirzner goes on to differentiate between the Austrian position of opposing government regulation of market activity as it is likely to '...obstruct and frustrate the spontaneous, corrective forces of entrepreneurial adjustments' (Kirzner, 1997, p. 81) and that of the '*laissez faire*' or pure competition of the Chicago school. Again the distinguishing factor is how each school treats [the

likelihood] of there being an equilibrium point where markets are fully competitive. Richardson (1990) cogently argued against the equilibrium view of competition, and its failure to appreciate the entrepreneur and the role of information. 'Perfect competition... represents a system in which entrepreneurs would be unable to obtain the minimum necessary information; for this reason, it cannot serve as a model of the working of actual competitive economies (Richardson, 1990, p. 2)'.

With such opposition to a neoclassical view of competitive markets as an ideal to be strived for, the most recent UK Government has looked to other sources. Written in the 1950s, Galbraith's emphasis on innovation (and learning from the private sector) still resonates with a recent UK government's 'White Paper', which stated:

Government needs to learn and innovate as much as the private sector and it must create new mechanisms for sharing ideas and best practice. Just as the UK needs more entrepreneurs in business, it needs a new generation of innovation in the public sector (Department of Trade and Industry, 1998).

The current UK Government and Galbraith concur on the importance of innovation, but Galbraith (and Hood, 1991, as quoted in the opening paragraph of this section) suggests pragmatic limits to competition.

## 2.3. The limits of competition

Public markets are often uncompetitive in that they fail the tests of economic models that require features such as perfect information and particularly low barriers to supplier entry (and exit). For Telecommunications and IT/IS the nature of the sector will involve concentration of spend with relatively few players. A UK white paper has specifically addressed this issue in the market for communications networks where "... high barriers to entry for new businesses, economies of scope and scale, networks effects, and technical gateways or bottlenecks ... may give their owners market power" (Department of Trade and Industry, 2000).

In certain sectors relations with key suppliers will determine how competitive the market is. However, the tradition and legacy of public sector contracting is to adopt an arms length approach and avoid forms such as partnering. Erridge and Nondi (1994) note that public accountability and competitive frameworks may limit the degree to which partnering can be pursued.

Having acknowledged the limits of competition in terms of classical views of markets, the pragmatism of those who suggest that public markets are not fully competitive is discussed here in terms of competing agendas.

If multiple and sometimes conflicting stakeholder goals can be identified in the cases, then the added dynamic of variations between stakeholder goals over time must also be included. That is it appears public procurement

متن کامل مقاله

دریافت فوری ←

**ISI**Articles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات