

Innovative practices in public procurement partnerships: The case of the United States[☆]

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Abstract

Public procurement partnerships represent a new approach to conducting government acquisition. These partnerships are predicated on the notion that governments today simply lack the requisite knowledge, skills and financing to provide core public services and acquire sophisticated services, IT and knowledge development by themselves. Instead, governments need to enlist the collective energies of the governmental, business and non-profit (third) sectors. This research looks at the concept of public procurement partnerships in the United States and the major trends promoting their use. Two case examples of public procurement partnerships are presented; one from the perspective of a government partner, the other from the perspective of a private (third) sector partner.

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1. Introduction

Public procurement does not take place in a societal vacuum. Social, economic and political trends largely define the context in which public procurement occurs. Over the last 70 plus years, evolutionary changes in social, economic and political thinking in the United States (US) have significantly altered how government is conducted and consequently how public procurement is carried out. ‘Public procurement partnerships’ appear to be the next evolutionary step in what might be called ‘21st Century governance’. This new paradigm can be thought of as a synthesis of the direct government approach and the market.

Beginning in the 1930s, government in the US was seen as the answer to most societal problems, particularly market failure. The size of government increased in direct proportion to the number of societal problems needing to

be addressed. Government provided the majority of its activities in-house with public employees. Consequently, the primary mission of public procurement was the acquisition of goods, supplies and equipment to enable public employees to successfully discharge their responsibilities.

In the late 1970s and 1980s, government began to be identified in the minds of many as the problem, not the solution. Prime Minister Margaret Thatcher in the United Kingdom and President Ronald Reagan in the United States became the champions of this perspective. With the collapse of the Soviet Union and the ‘triumph’ of capitalism over socialism around the world, a renewed confidence was placed in the market. Privatization, contracting out, public private competition, vouchers and other tools (Salamon, 2002) of a reinvented and entrepreneurial government (Osborne and Gaebler, 1992) began to appear in the US. This new approach was predicated on the belief that competition and market forces could be harnessed to serve the public interest. The mission of public procurement changed as a result of this new social, economic and political thinking. The job of public procurement became one of facilitating the delivery of core government services by independent contractors.

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The business excesses of the 1990s (e. g. Worldcom and Enron) led to a questioning of the newfound trust that US citizens had placed in competition and market forces. This reevaluation led to yet another social, economic and political reappraisal and to an uncomfortable realization: *if* government was not the solution and *if* the market was not the solution, *then* what was the solution? With the advent of the 21st Century, a new paradigm began to appear in the US. In this new paradigm, public procurement is being encouraged to abandon its traditional ways of doing business and to move towards more ‘relationship contracting’ (Lawther, 2003a; Welch, 2003). The age-old focus on the process of buying, it is said, should shift to concentrate more on the goals of the acquisition (Kelman, 2004).

The new paradigm goes by many names: collaboration, networks, strategic alliances, partnerships, and others (Agranoff, 2003; Gribben et al., 2001; Salamon, 2002; Bailey and Kooney, 2000). However, the concept of *governing by network* (Goldsmith and Eggers, 2004) arguably best captures the essence of this new paradigm. What these terms, and the concepts they represent, all share in common is a search for a middle ground between government and the market. This new paradigm is predicated on the belief that the world has become too complex, too interdependent and too risky for governments to rely solely on the market or themselves to provide core public services and address social problems. In the words of the Copenhagen Centre (Schedsted, 2003, p. 89), *no single actor, public or private, has the all-encompassing knowledge, overview, information or resources to solve complex and diversified problems.*

The new paradigm argues that what is needed for effective 21st Century governance is a non-competitive form of cooperative interaction between government, business and the nonprofit (or *third*) sector designed to combine and harness the collective energies and expertise of all three sectors (e.g. Salamon, 2002; Gribben et al., 2001). The inclusion of the non-profit (third) sector incorporates into the new paradigm the ‘civil society’ and ‘social capital’ schools of thought which are predicated upon similar assumptions (e.g. Martin, 2005; Robinson, 1997).

This article attempts to add to the knowledge base about the various means by which the public, private, and nonprofit sectors can work together through the use of public procurement partnerships. *First*, we provide a detailed discussion concerning the nature of public procurement partnerships, contrasting them with traditional government procurement and contracting approaches. *Second*, partnerships, we argue, are becoming increasingly necessary as public procurement and contracting become more complex and risky. The arrow of causality here is bi-directional. Complexity begets risk and risk begets complexity. *Third*, we suggest that the high levels of complexity and risk in public procurement and contracting today have changed how the public and private

sectors must interact. We see an approach predicated on a *partnership relationship* between the public and private as perhaps the only viable solution. *Finally*, we provide two case examples that illustrate how governments in one state, Florida, are using public procurement partnership to advance the goals of their organizations while boldly addressing the issues of complexity and risk.

2. Defining public procurement partnerships

No generally agreed upon definition of ‘public procurement partnerships’ is known to exist. In general, definitions of inter-sector (public and private) partnerships are not easily identifiable; and those that do exist vary considerably from place-to-place and do not travel well ... particularly when international borders are crossed. Nevertheless, some attempt to define the term is warranted.

Gribben et al. (2001) provide a useful definition of the term ‘partnership’ which is sufficiently broad, yet sufficiently precise, to provide both context and clarity and thus can be pressed into service as a definition of public procurement partnerships:

People and organizations from some combination of public, business and civil constituencies (non-profits) who engage in voluntary, mutually beneficial, innovative relationships to address common societal aims through combining their resources and competencies (p. 8)

The definition clearly suggests a departure from the more traditional buyer/seller ‘arms length’ relationships that have characterized public procurement and contracting in the past. This relationship change has numerous implications. For example, in traditional public procurement and contracting relationships, governments attempt to deal with complexity by transferring as much risk as possible for performance failure to contractors. In a partnership relationship, however, the partners should share in both the risks and the rewards. A public procurement partnership alters the nature of risk, risk assessment and risk management. Risk for all partners needs to be clearly identified and managed in the context of dealing with complexity and in the assignment of roles and responsibilities within the partnership. In this new partnerships relationship, *trust* and the assessment of trust between the partners becomes an integral part of risk assessment and risk management.

Commenting on the importance of trust in managing complexity and risk in public private sector relations, Lewis (n.d.) of the National Australian Bank notes that public procurement partnerships cannot be reduced to writing. A detailed contract that covers all aspects and contingencies defies reduction to contract language. Consequently, a public procurement partnership “has to be build on trust, like all successful partnerships” (Lewis, n. d., p. 2). Trust in public procurement partnerships fulfils the same role that *authority* does in government and *price* does in the market; it is the lubricant that facilitates action.

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