



Is local authority procurement ‘lean’? An exploration to determine if ‘lean’ can provide a useful explanation of practice

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ABSTRACT

This article makes a contribution to the research debate examining relationships between public and private sector procurement practice by exploring the influence of ‘lean’ upon procurement practices in English local authorities. A survey found that whilst some characteristics, such as a reducing supply base, resembled those of lean thinking, they could also be associated with a partnership approach. Other evidence highlighted gaps between practice and lean, leading to the conclusion that lean is not currently an influence. However, many procurement officers are aware of the concept and are willing to embrace the idea. There is a need to monitor and examine progress further.

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1. Introduction

UK public sector procurement has been undergoing a period of extensive change and development over the last 25 years. This has stemmed from changes in private sector procurement practice, and recognition of the role that procurement can play in public service delivery. As public sector procurement has found itself subject to an increasing amount of government attention, so too has the research community recognised the claim of public procurement to merit being an object of discrete investigation. This is evidenced by, for example, the International Public Procurement Conference attracting both academic and practitioner interest, and the Journal of Public Procurement, entering its ninth year. The aim of this paper is to contribute to the previous research that has examined relationships between private and public sector procurement practice (for example Burnes and Anastasiadis, 2003; Lian and Laing, 2004; Murray, 2001). Specifically, it aims to advance our knowledge of the influence of the approach known as lean upon public procurement practice.

The concepts of lean production and the lean enterprise have been a part of supply chain management debate in the private sector since the early 1990s (Hines et al., 2004). The lean concept embraces a wide range of activities and tools within and beyond an organisation’s boundary but the scope of this paper is to focus upon the role of procurement. In contrast to the private sector, there has been only limited consideration of lean supply and the UK public sector until recently, for example Erridge and Murray

(1998). A study commissioned by the Scottish Executive into the applicability of lean to the public sector found that it had received little attention from the academic community, restricted mainly to the health sector (Radnor et al., 2006). However, the findings of their review and more recent evidence demonstrate that lean practices are being considered and implemented across a variety of public sector settings (for example see Hines and Lethbridge, 2008; Hines et al., 2008; Radnor and Walley, 2008).

The current dynamic public sector procurement environment, considered in Section 2.1, and the growing interest of lean approaches within the UK public sector have therefore provided the impetus for this study. It extends the research debate by updating our existing knowledge of procurement practice in the local government sector, employing a survey to establish the extent of the influence, if any, of lean supply upon local government procurement and to determine the need for further inquiry.

The scope of the paper extends to a consideration of procurement, defined as “the purchase of goods or services from third parties” (HM Treasury, 2007, p. 4) but does not include the broader issues of public private partnerships and outsourcing, involving joint working between public and private sectors, although it is acknowledged that they may provide useful avenues for further work.

2. Literature review

This section presents reviews of both the public procurement and lean literatures.

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2.1. Procurement in the UK public sector

Procurement has become an increasingly significant activity for the UK public sector (Erridge, 2007). The main developments since the first significant review of government purchasing in 1984 (Cabinet Office, 1984) are summarised in Table 1. This demonstrates that the primary objective throughout is the necessity to achieve value for money. However, procurement's role has become broad and ever more demanding, with a remit, for example, to provide savings (Gershon, 2004), to support wider objectives such as sustainable development, diversity and support for industry (HM Treasury, 2007; National Audit Office [NAO], 2004; Telgen et al., 2007) and to improve service delivery (Office of Government Commerce/Cabinet Office Regulatory Impact Unit, 2003). A useful analysis by Erridge (2007) determined that the role of public sector procurement comprises three sets of goals: regulatory, commercial and socio-economic. To an extent, this increasingly important role reflects a private sector trend which has seen procurement rise from a support function to strategic activity (Cousins and Spekman, 2003; Morrissey and Pittaway, 2004). However, whilst in the private sector this has seen procurement promoted to a mainstream, value adding activity (Cousins et al., 2006), in the public sector procurement is becoming more strategically important through its role in both supporting and delivering broader government objectives (Harland et al., 2007).

Erridge's regulatory goals are associated with transparency and probity, necessary conditions to ensure that competition is seen to operate and that market efficiency is enhanced in the award of public contracts (Bovis, 1996). The commercial goals relate to the principal need to achieve value for money (Erridge, 2007). Both these sets of procurement objectives lead the UK public sector toward "a policy which is centred on buying the products it needs under a fair and open competitive tendering process" (HM Treasury, 2007, p. 4). Competitive tendering is most commonly associated with an arm's length approach to procurement (Axelsson et al., 2002), usually identified as the traditional UK public sector model (Bovaird, 2006; Lian and Laing, 2004). Both competitive tendering and the public sector traditional model have been described as adversarial (Bovaird, 2006; Burnes and Anastasiadis, 2003). However, reference to Table 1 shows that over the last 15 years developments have required public procurers to embrace greater use of partnerships in their supply relations (HM Treasury, 1995; HM Treasury/Cabinet Office, 1998). In line with private sector developments, partnership was recognised by the UK government to bring benefits (Bovaird, 2006), and was identified as a means of achieving continuous improvement in both cost and quality (HM Treasury, 1995; NAO, 1999). In their study of partnership and public procurement Erridge and Greer (2002) found evidence of partnership-based procurement producing reduced transaction costs and efficiency improvements. However, they also alerted us to the potential risk of close, lengthy partnership relations favouring one supplier, thereby harming competition and increasing costs. Providing some support for this argument they found evidence of partnership arrangements resulting in reductions to the supplier base, a feature identified previously by Parker and Hartley (1997). Similarly, Smith and Hobbs (2002) determined that most public sector organisations are developing relationships with fewer but more strategically important suppliers and also found evidence of lengthier contracts being used.

Parker and Hartley (1997) suggested that the developments driving public sector procurement were conflicting, although they went on to state that the partnership model of purchasing was not entirely consistent with the UK public sector's partnership approach, which incorporates elements of competitive selection

Table 1

Main developments in UK public sector procurement.

Year	Report/initiative	Themes
1984	'Government Purchasing: A Multi-Department Review of Government Contract and Procurement Procedures', Cabinet Office	The primary objective of government purchasing is to "provide the accounting officer, and through him Parliament and the taxpayer, with value for money from expenditure on procurement" (para 1.4)
1995	White paper 'Setting New Standards: A Strategy for Government Procurement' HM Treasury	Primary objective is value for money Partnership: "Departments will work together with suppliers to secure improvements in the performance of both parties. Although they will press suppliers to reduce cost and improve quality, they will recognise that mutually satisfactory relationships are in the interests of both sides and will avoid an unnecessarily adversarial approach" (p. 13) Inter-departmental co-operation on procurement
1998	'Efficiency in Civil Government Procurement' HM Treasury/Cabinet Office	"All procurement of goods and services should be based on value for money" (para 2) Strategic purchasing Co-operation Collaboration
1999	'Modernising Civil Government Procurement' The Gershon Report (Gershon, 1999)	Value for money Proposed the creation of the Office of Government Commerce
1999	Government Procurement Website established	
1999	Government Procurement Service created	
2000	Office of Government Commerce established	Role: "working with civil government as a catalyst to achieve best value for money in commercial activities" (OGC, 2000, p. 12)
2004	'Releasing resources to the front line' Gershon Review, HM Treasury	Value for money Cost savings Enhancing procurement capability Strategy and leadership
2007	Transforming Government Procurement HM' Innovative, outcome-based procurement	Value for money Sustainability
2008	Procurement capability reviews OGC	Procurement capability in: Leadership, skills development and deployment, systems and processes to deliver value for money and procurement-driven public service improvements

Adapted and developed from: Loader (2005).

and contract monitoring and management. The Office of Government Commerce (OGC) position reflects this latter version of partnership. It stipulates that value for money is best achieved through competition, followed by closer co-operative working once the contract had been awarded. In particular, public sector

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