

# Public sector purchasing of health services: A comparison with private sector purchasing

Paul C.S. Lian<sup>a,1</sup>, Angus W. Laing<sup>b,\*</sup>

<sup>a</sup>*Department of Management Studies, University of Aberdeen, Edward Wright Building, Old Aberdeen AB, UK*

<sup>b</sup>*Beneficial Bank Chair of Marketing, Open University Business School, Walton Hall, Milton Keynes MK7 6AA, UK*

Received 1 August 2003; received in revised form 18 February 2004; accepted 24 November 2004

## Abstract

Recent research has highlighted the existence of important differences between public and private sector procurement practices. Drawing on established transactional and relational conceptual frameworks, this paper examines whether the differing environments confronting public and private sector organisations affects procurement practices. By focusing solely on occupational health services as an example of a complex business service, the research allows the influence of environmental factors, notably policy drivers, to be considered across both public and private sector settings while service specific factors remain largely constant. Utilising a combination of questionnaires and in-depth interviews the research suggests that policy drivers had a major bearing on procurement practices adopted in the public sector, resulting in a very different pattern of engagement with service providers from that prevailing in the private sector. Specifically whereas private sector organisations utilised a range of approaches, which can broadly be classified as relational in nature, public sector organisations almost exclusively relied on transactional-based approaches. The nature of these services suggests that relational based procurement constitutes the optimal approach to the acquisition of such services. However, for public sector organisations the perceived restrictions imposed by public policy on procurement practices resulted in the adoption of an approach which can be viewed as resulting in sub-optimal outcomes.

© 2005 Elsevier Ltd. All rights reserved.

*Keywords:* Purchasing; Health services; Transactional; Relationships; Public sector

## 1. Introduction

The public and private sector purchasing environments are seen to be different. With the transactional and relational paradigms as its conceptual base, this paper seeks to determine whether differing public and private sector environments affects the purchasing of a professional service, namely occupational health services. The nature of a professional service like an occupational health service suggests that due to the

characteristics of the service, a relational stance of purchasing is more appropriate.

A unique element of this research is in confining the research to one particular service whose characteristics are such that a transactional approach it is argued is completely inappropriate, it will become possible to isolate the purchasing process and keep some factors constant. This in turn will help provide a better understanding of how the environment can affect the manner in which a particular service is purchased.

Another contribution of this study is that in the current climate of relational purchasing, the purchasing process was predominantly examined through a transactional framework while keeping an open mind to existence of relationships. To achieve this, a questionnaire survey of a selection of private and public sector organisations were undertaken to get an overview of the

\*Corresponding author. Tel.: +44 1908 652787; fax: +44 1908 655898.

E-mail addresses: [plian@yahoo.com](mailto:plian@yahoo.com) (P.C.S. Lian),  
[a.w.laing@open.ac.uk](mailto:a.w.laing@open.ac.uk) (A.W. Laing).

<sup>1</sup>Present address: Ward 1A, Raigmore Hospital, Old Perth Road Inverness, IV2 3UJ, UK.

process. Subsequently, one public sector buyer–service provider dyad was selected for in-depth analysis to help form an understanding of the purchasing process in public sector organisations.

## 2. Transactional and relational paradigms

It is crucial to develop understand the role of the different purchasing paradigms in the public sector context. Transactional purchasing is underpinned by neo-classical economic assumptions, in particular that in a perfect market, open market competition is the most efficient form of exchange. Exchanges are viewed as discrete arms-length, one off transactions (Campbell, 1985). This perspective is encapsulated in models such as those developed by Robinson et al. (1967), Webster and Wind (1972), and Sheth (1973). One consistent feature of the transactional models typified by the Buygrid framework (Robinson et al., 1967) is that the buying process is framed in terms of a buy stage or buy phase approach describing a discrete, linear sequence of activities in the buying process. Within the public sector, the transactional paradigm has been embraced by the European Union (EU) and United Kingdom (UK) governments, as evidenced in purchasing guidance for public sector organisations which emphasises competitive tendering as the means of optimising procurement efficiency (HM Treasury, 1998).

Nonetheless, recent research has shown that beyond the public sector there is a changing emphasis in the management of procurement from an emphasis on competition to co-operation (Axelson and Easton, 1992; Ford, 1997). Sanderson (1998) argued that

the best practice approach in the private sector is for the purchaser to work in close collaboration or partnership with one or two suppliers.

This highlights the transition in private sector contexts from transactional models to more co-operative, relational ones. The relational models have their base in the interaction model developed by the European dominated IMP group (Ford, 2002). In relational models of purchasing, the buyer is seen as being active to the point where adaptations are made and a more personalised view of marketing is adopted. The exchange is through an ongoing interaction, with the process being less formal and supplemented by informal contacts at business and at social levels. There is recognition that keeping existing customers is just as important as attracting new ones and a longer-term perspective is adopted. This has been accompanied by a shift towards more co-operative exchanges with fewer suppliers. This close co-operation has been the basis for the formation of long-term relationships with preferred suppliers. As these relationships overlap, the boundaries

of organisations effectively dissolve with each relationship lying in a wider network of inter-dependent professional and social relationships.

## 3. Public sector purchasing of services

### 3.1. Public sector purchasing

Procurement in the public sector differs from the private sector in a number of ways, the most notable being that it is more highly regulated and politically constrained than the private sector (Ferlie, 1992; Furlong et al., 1994; Boyett et al., 1996; Bryntse, 1996). The EU and UK governments, through various purchasing guidance documents, have promoted a public procurement policy of fair and open competition as the best way to attain efficient and effective purchasing (HM Treasury, 1998). There remains a strong emphasis on formal contracts with adherence to tight terms and conditions of contracts and service delivery being closely monitored (Jones, 1997). The monitoring of services for contractual purposes can be an expensive process, costing up to 50–60% of the cost of the client/purchasing function (Audit Commission, 1993).

Despite these guidance and regulations, some services, for example, health services are exempt from open competition. Additionally, the EU and UK governments seek to promote relationships with suppliers combining competition with co-operation (HM Treasury, 1995). The current UK government purchasing guidelines states that

The form of competition should be appropriate to the value and complexity of the goods or services to be acquired. For example, the cost to both the purchaser and potential suppliers will need to be taken into account in deciding whether a full competitive tender is appropriate (HM Treasury, 1998).

This outlines a recent change in the legislation whereby compulsory competitive tendering legislation has been repealed for purchasing in general (Department of Environment, Transport and the Regions, 1999). There has been a shift in emphasis from compulsory competitive tendering to one of creating value through partnerships. Studies of public sector purchasing reflect this change (Boyett et al., 1996; Hoxley, 2001). However, from results of previous studies of purchasing prior to this change in legislation, public sector purchasing was found to be a mixed picture, with a hybrid of models with a slight emphasis on the competition rather than partnership end of the model (Furlong et al., 1994).

Another distinct feature of public sector purchasing is the demand for high levels of accountability and openness (Baily et al., 1994). Related to this need for

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