



## Notes and Debates

## Towards a common understanding of the differences between purchasing, procurement and commissioning in the UK public sector

J. Gordon Murray\*

6 Fairtree Hill, Lisburn BT27 4NR, UK

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## ABSTRACT

This paper recognises that commissioning has now become an important term in the lexicon of UK public policy but the term 'commissioning' is taking on a different meaning than that traditionally used within the purchasing and supply management community. The frequent inter-changeability of the terms 'commissioning', 'procurement' and 'purchasing' is now causing confusion and means different things to different people. Therefore the academic community needs to help practitioners understand the differences and implications. A document analysis of various UK Central Government departments' commissioning frameworks was used to establish the key themes and compare commissioning, procurement and purchasing. This paper discusses the similarities and differences, and argues that commissioning is different from procurement, but that commissioning offers major opportunities for Procurement practitioners to make a strategic contribution.

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## 1. Introduction

This paper is concerned with the commissioning, procurement and purchasing processes as opposed to Commissioning and Procurement functions or professionals. Paulraj et al. (2006) and Bernardes and Zsideisin (2008) have separately discussed what is meant by the 'strategic purchasing' and 'supply management' functions, while Ramsay and Crom (2008) have discussed problems in the application of terminology relating to the 'function' and the activities it carries out. The paper does not imply a hierarchical status but that procurement professionals have differing roles, in terms of their potential leadership and contribution, within commissioning, procurement and purchasing processes. The paper's major contribution is in helping to differentiate between commissioning, procurement and purchasing processes as they are now being applied within the UK public policy environment. The differences in terminology are directly applicable to the UK and will have relevance to others drawing on UK literature. Therefore the paper does not seek to create new definitions but merely to provide clarity on how the terms are emerging within UK public policy; it is therefore descriptive.

The paper recognises that commissioning has now become an important term in the lexicon of UK public policy (for example, Cabinet Office, 2006; Communities and Local Government, 2006) but the term 'commissioning' is taking on a different meaning than that traditionally used within the purchasing and supply

management community. The frequent inter-changeability of the terms 'commissioning', 'procurement' and 'purchasing' is now causing confusion, meaning different things to different people.

Indeed the potential detrimental impact on public policy and the need for a common understanding were highlighted by the UK Public Administration Select Committee of the House of Commons:

If there is no common understanding of what commissioning means, that can only be a barrier to effective relationships. Government and the private and third sector need to come to a commonly accepted definition of commissioning if it is to continue to be the State's preferred method of interacting with the sector. In particular, Government needs to convince the third sector that commissioning is something distinct from procurement. (Public Administration Select Committee, 2008, para 38).

Anecdotal evidence suggests that practitioners are also confused in understanding the differences between commissioning, procurement and purchasing (for example, Davies, 2007). This anecdotal evidence also was supported by focus group research, with 30 pan-public sector participants completed by the author during the summer of 2008, and a subsequent questionnaire survey of lead procurement managers within English local government in the Autumn of 2008. Those investigations suggested that 36% and 53%, respectively, of those participating, felt procurement and commissioning were synonymous.

\* Tel.: +44 28 92 607487.

E-mail address: [drgordonmurray@hotmail.co.uk](mailto:drgordonmurray@hotmail.co.uk)

van Weele (2007, pp. 204–205), contributing to a debate on research methods in purchasing and supply management, stated:

Academic research in purchasing and supply management is needed since, as an academic community, we feel the need to contribute to insight into and describe patterns of human behavior in organisations or networks against different contextual backgrounds. We need to contribute and build theories through which we can better understand purchasing and supply chain management phenomena... to provide managers with some clear guidelines to make better decisions in these areas.

Therefore, it is argued, the academic community needs to help practitioners understand the differences between commissioning, procurement and purchasing and the implications. In doing so the academic community could also provide the clarity called for by the Public Administration Select Committee of the House of Commons.

This paper discusses the similarities and differences. It argues that commissioning is different from procurement, that commissioning encompasses procurement, which in turn encompasses purchasing. The paper also suggests that commissioning offers major opportunities for Procurement practitioners to make a strategic contribution.

## 2. What are commissioning and the commissioning cycle?

The commissioning process is defined in Partnership in Public Services (Cabinet Office, 2006, p. 4) as: “*The cycle of assessing the needs of people in an area, designing and then securing appropriate service*”.

Various UK Central Government departments have set out their commissioning frameworks (Communities and Local Government, 2006; Department for Education and Skills and Department of Health, 2006; Department of Health, 2006, 2007; Department for Work and Pensions, 2007; Home Office, 2007). A document analysis (Hussey and Hussey, 1997, pp. 149–150) was used to establish the key themes of those frameworks. From the document analysis the commissioning cycle can be generalised as

- a strategic needs assessment;
- deciding priorities and outcomes;
- planning and designing services;
- options appraisal;
- sourcing;
- delivery; and
- monitoring and review.

This was well articulated by the Minister for the third sector:

Commissioning takes a local authority or commissioner in Central Government too, through a process where it starts off with the needs of the users. It says, what are the user's needs, what are the needs of the families in our area, what are the problems that we need to address?

...it then asks what are the kind of services that might address those needs and do we have the people that are good enough and qualified enough, ourselves, [or] others to provide those needs and to meet those services, if not, should we invest in building to provide the base, whoever that might be? [Options appraisal: including the strategic make or buy decision].

...It then moves to a process of contracting where people are invited to bid. Then there's the process of choosing and

selecting [the purchasing cycle] (Phil Hope MP, Evidence to Public Administration Select Committee, 20 November 2007).

Although the Minister refers to ‘contracting’, ‘choosing and selecting’, he appears to be referring to van Weele’s (2002, p. 15) purchasing process of determining (specifying) the buying need, supplier selection, contracting, ordering, expediting and follow-up/evaluation—a ‘purchasing cycle’. It therefore appears that purchasing is a discrete stage of commissioning, but how does this relate to procurement?

## 3. A comparison of commissioning and procurement

The Cabinet Office defines the procurement process as “the specific aspects of the commissioning cycle that focus on the process of buying services, from initial advertising through to appropriate contract arrangement (2006, p. 4)”. That definition appears very narrow as, starting with the advertisement of a contract and ending with putting a contract in place, it implies that procurement actually sits within purchasing, which is contrary to the definition within the National Procurement Strategy (NPS) (Office of the Deputy Prime Minister/Local Government Association, 2003, p. 17), namely,

‘procurement’ is the process of acquiring goods, works and services, covering both acquisition from third parties and from in-house providers. This process spans the whole cycle from identification of the needs, through to the end of a services contracts or the end of the useful life of an asset. It involves options appraisal and the critical ‘make or buy’ decision which may result in the provision of services in-house in appropriate circumstances.

The NPS definition appears to link with the view of strategic procurement put forward by Cox (1997), Cox and Lamming (1997) and Ramsay (2001). While they fall short of providing a definition, it could be inferred from their discussion that strategic procurement relates to those senior executive ‘strategic’ decisions that determine the ‘make-or-buy’ option. Yet the make-or-buy decision is presented as something that the purchasing function should contribute to as part of a cross-functional team, but is pre-purchasing (Saunders, 1994, pp. 128–134; van Weele, 2002; Mclvor, 2005). It is therefore argued that the significant difference between the purchasing and procurement processes, within the UK public sector, is that procurement encompasses the make-or-buy decision, whereas purchasing does not. Or, in the context of Ramsay and Crom’s (2008) discussion, purchasing comprises the tactical processes that ‘conventional wisdom’ frequently considers routine and suitable for application or e-procurement.

Accepting that procurement encompasses the purchasing cycle and make-or-buy options appraisal, the crux of the confusion as to whether or not commissioning and procurement are synonymous appears to be, ‘does procurement include assessing the needs of people in an area, and, in the light of those needs, deciding priorities and outcomes, and, designing and then securing appropriate service?’

Assessing the needs of a nation or area is not something that procurement professionals have the ‘know how’ to do. For example, arriving at answers to questions such as, ‘is a new prison required or crime reduction strategy required, or a new care package required for individuals’.

Equally, making the strategic corporate decision regarding the allocation of budget and priorities and outcomes is pre-procurement. Deciding priorities and outcomes for public services, and indeed whether services should be provided at all, within the

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