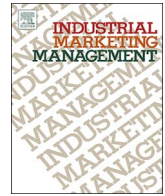




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Dynamics of the transition process towards partnership thinking in centralized public procurement

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ABSTRACT

This research paper seeks to increase the knowledge of the transition process from transactional arm's length tendering towards partnership thinking in centralized public procurement. In centralized public procurement, the professional public purchaser forms a triadic partnership relationship with the public unit managing the procurement implementation and the private organization. A triadic partnership relationship in a home nursing procurement setting is investigated to further the understanding of the relationship dynamics related to the transitioning of public and private actors towards partnership thinking. The research shows how transactional procurement logic hinders the transition to partnering by establishing challenges for initiating and nurturing public–private partnerships (PPPs) and how partnership thinking changes this procurement logic. It illustrates the transactional procurement logic of single actor and the logic underlying the relationship of two actors to engender and intensify the problems of triad in the centralized public procurement process and vice versa; that is, a shared understanding from jointly agreed procurement goals between two actors is identified as promoting triadic partnering. Managerial implications are given for those public and private organizations engaging in PPPs and seeking to understand the ways of managing them in the context of centralized public procurement, particularly during the transition towards partnership thinking.

1. Introduction

The ineffectiveness of a rational and legalistic public procurement system to deliver public services effectively with limited budgets (Hood, 1991; Rees & Gardner, 2003) has promoted public authorities to learn from private markets and thus renew their procurement practices and management models (Arlbjørn & Freytag, 2012; Essig & Batran, 2005). These procurement reforms show the modernization of public management (Guzmán & Sierra, 2012), which increasingly relies on reciprocally rewarding and trusting partnership relationships with private organizations (Lawther & Martin, 2005). In the literature, different collaborative public–private efforts are referred to as public–private partnerships (PPPs) (Roehrich, Lewis, & George, 2014; Schaeffer & Loveridge, 2002) that are institutional arrangements between public and private organizations (Hodge & Greve, 2007) to reach a shared goal of delivering goods and services to the public (Jamali, 2004).

The emergent interest in PPPs has drawn scholars to examine what promotes (e.g., Jamali, 2004; Li, Akintoye, Edwards, & Hardcastle, 2005; Zou, Kumaraswamy, Chung, & Wong, 2014) or hinders PPPs (e.g., Erridge & Greer, 2000; Jamali, 2004; Klijn & Teisman, 2003) and to investigate how partnering might advantage (e.g., Barlow,

Roehrich, & Wright, 2013; Erridge & Greer, 2002) or disadvantage public procurement (e.g., Roehrich & Caldwell, 2012; Zheng, Roehrich, & Lewis, 2008). If properly managed, PPPs facilitate the delivery of high quality public services by expanding interorganizational collaboration and resource exchange, mitigating risks and promoting innovation (Erridge & Greer, 2002; Kwak, Chih, & Ibbes, 2009). Nevertheless, PPPs are different from relationships between private firms (Bovaird, 2006); that is, their development is governed by the regulatory framework and is influenced by the public procurement culture (Erridge & Greer, 2000), which tend to stress transactional exchange and arm's length relationships (Lian & Laing, 2004). This is argued to generate problems of instability and inadequate relationship quality (Zou et al., 2014) that emerge when public organizations merely react to the changes in markets rather than proactively attempt to initiate trustful partnership relationships with private organizations (Smyth & Edkins, 2007). Therefore, public and private actors must now learn how to implement procurements more collaboratively instead of using traditional transactional arm's length tendering.

Partnering in public procurement differs from traditional tendering (Smith & Wohlstetter, 2006) by changing the way of how public and private actors interact (Lawther & Martin, 2005) and how their long-term relationships are governed (Zheng et al., 2008). Regardless of

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these changes that partnership thinking is argued to engender for public–private collaboration, little research has examined the transition process from transactional arm's length procurement towards partnership thinking in a public setting (Hartmann, Roerich, Frederiksen, & Davies, 2014; Schaeffer & Loveridge, 2002). Furthermore, although delivering public goods and services requires nowadays collaboration with the network of actors (Bovaird, 2006), the transitioning literature has primarily involved dyadic settings and left the influence of third actors and surrounding relationship dynamics on the process under-researched.

The purpose of this research paper is to increase understanding of the transition process of public and private actors, moving from transactional arm's length tendering towards partnership thinking, particularly in centralized public procurement. In centralized public procurement, three actors – the professional public purchaser, the public unit managing the procurement implementation and the private organization – form a triadic partnership relationship by collaborating repeatedly to deliver public services. The interaction in triads is highly interlinked (Caplow, 1956) and the third actor tends to influence the other two actors, either by positively keeping the triad together or negatively disturbing the relationship (Simmel, 1950: 135). Furthermore, the roles of the actors and the relationships between them change during the procurement process (Li & Choi, 2009). Triads are thus dynamic (Guttek, Groth, & Cherry, 2002) and by incorporating a third actor into the relationship setting the triad may further the understanding of the relationship dynamics influencing the transition process towards partnership thinking in public procurement and contribute to the knowledge of this transitioning. The purpose of this paper is to emphasize the subsequent research question, which seeks to give managerial insights for actors looking to build stronger PPP relationships:

How is the transition process of public and private actors towards partnership thinking influenced by the relationship dynamics in the triadic setting?

The research question is supplemented by two sub-questions:

What are the challenges that hinder the transitioning towards partnership thinking in public procurement?

How is partnering promoted during the transitioning towards partnership thinking in the triad?

The remainder of this paper reviews the literature on different forms of relationships between public and private actors and the mechanisms underlying them. Then, the research related to the dynamics of triadic relationships is introduced and brought into the context of centralized public procurement to theoretically understand the relationship dynamics influencing the transition process towards partnership thinking in centralized public procurement. Thereafter, the research methods are described and the key findings from centralized home nursing procurement presented. In the last chapters, the theoretical and managerial implications are discussed, the limitations assessed, and suggestions for future research proposed.

2. Transitioning towards partnership thinking in public procurement

Public procurement has traditionally applied the transactional paradigm where savings and effectiveness are reached through competitive tendering (Lian & Laing, 2004). This paradigm is promoted by the regulations and principles surrounding public procurement (Erridge & Greer, 2000), requiring public purchasers to strive for delivering better services to the public for fewer costs and stress fairness and transparency of their contracting practices by using designated procurement procedures (Erridge & McIlroy, 2002; Rainey & Bozeman, 2000). In traditional public tendering, the purchaser determines the requirements and manages primarily suppliers meeting these requirements. Therefore, their exchange is transactional and relationships are characterized by short-term agreements and arm's length negotiations.

(Erridge & McIlroy, 2002.) Nevertheless, this type of competitiveness tends to increase the length and formality of the procurement process (Erridge & Greer, 2002; Rainey & Bozeman, 2000), which establish transaction costs and diminish the freedom of public organizations to render procurement decisions, while the arm's length relationships limit their opportunity to estimate the risks and other uncertainties related to procurement agreements (Erridge & McIlroy, 2002).

Research has shown the paradigm shift within public management. This has led to the development of new kinds of public strategies and practices that promote the change from transactional arm's length relationships to building reciprocally rewarding and trustworthy partnership relationships with private organizations (Lawther & Martin, 2005). PPPs are recognized to improve public procurement (Kumaraswamy, Ling, Anvuur, & Rahman, 2007); they reinforce contractual ties (Brown, Potoski, & Van Slyke, 2007) and foster inter-organizational collaboration (Smyth & Edkins, 2007) by establishing trust and knowledge exchange between public and private actors (Erridge & Greer, 2002).

Scholars suggest that the transition process towards partnership thinking rests on different levels and depth of interaction, with the process being less formal and supplemented by informal ties between the members of exchanging organizations (Lian & Laing, 2004). The coordination between relationship parties thus increases in partnering (Erridge & McIlroy, 2002; Schaeffer & Loveridge, 2002), particularly through informal relational governing mechanisms, like trust (Zheng et al., 2008). The degree of coordination, in turn, illustrates the co-operation of relationship parties (Metcalfe, Frear, & Krishnan, 1992) and it influences the realization of agreed rules and norms, which are required to reach shared goals (Anderson & Narus, 1990). Partnering thus influences actors' collaborative attitude; that is, willingness to resolve problems and commitment in the relationship (Campbell, 1985). In a public setting, determining jointly the relationship goals (Jamali, 2004; Lawther & Martin, 2005) and an unambiguous, though resilient co-ordination of responsibilities and roles, and forming shared working practices (Jacobson & Choi, 2008; Jamali, 2004) are found important in creating commitment (Jacobson & Choi, 2008; Zou et al., 2014).

The degree of cooperation and coordination are reliant on information exchange (Wang & Bunn, 2004). That is, partnering changes knowledge sharing routines from top down to the two-way flow of information, which supports the establishment of shared understanding and determination of joint procurement goals, rules and norms (Jamali, 2004; Schaeffer & Loveridge, 2002). Increased interaction and information exchange are further suggested to promote the development of trust and reciprocity, which are likely to work as informal governing mechanisms in partnerships (Erridge & Greer, 2002). In partnering, particularly interpersonal relationships are important; they facilitate problem solving, surpassing the barriers of information exchange and building mutual trust (Metcalfe et al., 1992).

Regardless of that the term 'PPP' has initially related to the privatization of public services, it is admitted that there is no single PPP model and that PPPs refer to a wide range of relationships between public and private organizations (Jamali, 2004). PPPs thus differ by their origin, content, form and depth and they diverge from 'weak' and insubstantial to 'strong' and meaningful partnership relations (Smith & Wohlstetter, 2006). In the categorization of Schaeffer and Loveridge (2002), for example, the leader-follower relationship is the most implicit form of collaboration between public and private organizations, although its coordination rests on formal agreements. This relationship reminds somewhat transactional arm's length relationships, characterized by infrequent information exchange and remote relational norms (Wang & Bunn, 2004). In this type of relationship, the information sharing relates either purely to tendering or it is guided by the public purchaser and thus the relationship remains distant (Erridge & McIlroy, 2002).

If relationship parties find being better off after transaction, unambiguous and extensive exchange relationships

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