

Enhancing Public Procurement Practices in Ghana

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Abstract

Business Executives in the private sector recognized long ago that effective procurement management can support their number one strategic goal; profitability. In contrast, elected officials and senior technocrats in government are only now beginning to recognize that effective procurement management can support the strategic goals of public sector enterprises and service delivery. Those strategic goals, which best practice procurement management unquestionably can support, include or should include making ends meet in dire financial circumstances and responding timely in the wake of natural disasters. In today's global economy of competition in the private sector and ever-shrinking budgets in the public sector, procurement strategy is becoming increasingly important. This is especially true given that over the last decade goods and service costs account for more than 60% of the total costs for most organizations (Degraeve, Roodhooft & van Doveren, 2005). In the public sector, over the same time span, the total financial activities are estimated to be may be as great as 10-20% of the gross national product (Mori & Doni, 2010). Consequently, the selection of effective procurement strategies can lead to, among other things, significant cost savings. Surprisingly, in both the public and private sectors, procurement has been an undervalued activity in terms of its contribution to organization performance improvement and value for money management (Degraeve, Roodhooft & van Doveren, 2005). Though public procurement is a salient government function, it has historically been a neglected area of academic research (Thai, 2001). However, a trend has emerged as the study of public sector procurement has become more present in academic research. A number of authors proposed that the procurement strategies and purchasing management practices, in the private sector could be applied the public sector. (Johnson, Leenders & McCue, 2003; Murray, 2007 Thai, 2005). Nevertheless, cross sector application is not a "cut and paste" process given the fundamental differences between the private and public sector goals and purpose (McCue and Pitzer, 2005).

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I. DIFFERENCES IN PUBLIC AND PRIVATE SECTOR PROCUREMENT

Fundamental differences exist between the public and private sector in reporting structure, regulating bodies, funding sources and operating motives (Larson, 2009). First, the public sector is governed by legislative bodies, laws, and untold numbers of state and state regulations. The private sector is guided by boards of directors, business plans and the organization's procurement policies. Second, the public sector funding sources are drawn from taxes and fees and carry with them innate external regulations regarding their use. Private sector organizations generate revenue through sale of goods and services and face no external requirements for use. Third, the scope of public procurement is broader than simply procuring required goods and services. Public sector procurement considers aspects such as the development of its local economy and small business therein, job creation, promotion of open equitable markets and strict adherence to clear procedures, fair competition, and transparency (Telgen, Zomer & de Boer, 1997). In the public sector, transparency is critical to ensure appropriate accountability, minimize corruption in procurement and promote trust by allowing citizens to see and judge the quality of government actions and decisions (Arrowsmith, 1998; Smith-Deighton, 2004). The private sector is profit driven and though adherence to federal regulations is important in the private sector, public external transparency can be detrimental.

Finally, McCue and Pitzer (2005) acknowledged that the over-arching private sector purchasing strategy has been redefined as supply chain management (SCM). Supply Chain management is a competitive strategy for integrating suppliers and customers with the objective of improving responsiveness and flexibility of manufacturing organizations (Gunasekaran, 2004).

SCM strategy is grounded on a paradigm of management theory that emphasizes the development of "collaborative advantage" as opposed to "competitive advantage" (Dyer, 2000). Within the collaborative paradigm, the private sector is composed of a network of interdependent relationships built through strategic collaboration with the goal of mutual benefits (Ahuja, 2000). However, given the numerous constraints from rules and regulations as well as other differences previously discussed, the public sector seems faces considerable obstacles in its incorporation of supply chain management.

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Despite these differences, the mission of the procurement function, in public and private sector organizations, is to efficiently manage the forecast, procurement and delivery of goods and services through the supply chain in a cost effective manner. Notwithstanding the great potential that private sector strategy and practices hold for public procurement, a careful exploration of the differences between public and private sector procurement is essential before cross sector implementation (Reed, Bowman & Knipper, 2005).

Procurement in the public sector historically has been viewed and executed as a compliance process; as an unpopular but legally mandated cause of delay and inefficiency that must be suffered. The individuals who run governments have not envisioned procurement as a strategic programmatic activity which, if properly resourced and empowered, can reduce costs, extend resources, and optimize the timeliness, responsiveness, and efficiency of governmental operation and service delivery. Instead, as a result of the heavy emphasis in procurement statutes, codes, and regulations on assuring fairness, openness, and integrity in the award of contracts, they have paid much more attention to assuring at least the appearance of compliance, despite possibly cutting a corner or two in the process along the way.

Most procurement statutes, codes, and regulations in place today can be traced directly or indirectly to the Reform Era of the early Twentieth Century. Thus, it should come as no surprise that today's procurement policies and laws are designed primarily to mitigate fraud, waste, and abuse; not to assure that a public entity gets the best deal or that the entity operates as efficiently as it should. Even where statutes, codes, and regulations have been updated to enable public entities to pursue best value and mitigate risks in the award of contracts through the use of more flexible and business-like methods of source selection, a surprising number of large, significant contracts still are awarded to respondents to solicitations based exclusively or primarily on the lowest initial price offered..

As strange as it might seem to a business executive or a taxpayer, many public entities routinely assign the highest possible number of evaluation points to "cost" in the evaluation of competing proposals; strangely define cost as "price, objectively measured". They reason it would be easier to defend an award based on cost defined that way than to defend an award based on cost as it should be defined: as the true cost/value of a proposal relative to the management and technical (non-cost) merits of the proposal. Fears of protests in an environment increasingly populated by "contract attorneys" have reinforced the inclination of some public officials to play it safe when awarding contracts, even if that means not making the best possible award.

On average, public entity will spend approximately a fourth to a fifth of its budget to acquire goods, works and services in the marketplace, and the items procured will directly affect the ability of the entity as a whole and its component units to achieve strategic goals. Yet, elected officials and technocrats, while recognizing the cedis/dollar value and the strategic and operational impact of procurement, have tended to cast procurement as a reactive, operational-support activity performed on-demand by a procurement office and its staff; not as a strategic program comprising all parties that can impact or be impacted by procurement of goods, works and services.

Even in entities where the policy makers and technocrats assert that they manage for results, it is not unusual to see procurement buried as a tactical line of business. Not only does such placement further distance procurement structurally from the policy-making and decision-making core of the entity; it also places procurement practitioners in an environment where the prevailing culture and orientation of the "host" program may not be compatible with, and may even stifle, best practice procurement management.

The common, longstanding practice of procurement offices delegating some of their procurement authority to line and administrative business units indicates that it is not only possible but beneficial to involve business units outside the procurement office in the planning, execution, and administration of contracts. However, there are policy-makers, technocrats, and procurement officials who are either unable or unwilling to entertain moving beyond the concept of procurement as an action or set of actions that one business unit (the procurement office) undertakes on behalf of another (the client business unit) at the initiation of the latter.

When policy makers and technocrats conceive of procurement management as a tactical, transactional activity, little or nothing is done to address those areas which historically have been Achilles heels in public procurement management: plans for individual procurements are not developed to align with the goals of the client business unit or the entity as an enterprise; requirements for goods, works and services are poorly defined; contracts are not awarded with the goal of providing the best practicable support for strategic goals; and far too little attention is paid to the administration of contracts.

Failures to strategically plan procurements, define requirements well, and properly award and administer contracts have cost public entities dearly – in both cents/dollars and opportunity, and in both the short term and the long term. Some public procurement management officials have compounded the problem by building a cocoon around their offices and acting as if the goals, objectives, tactics, and actions of their offices were independent of the goals of the enterprise. Others have created ill-will by acting as policemen rather than enablers. Still others have either be unable or unwilling to press for strategic public procurement and contract management.

The time for public procurement management to play a strategic programmatic role within strategically managed organizations is now. Making this a reality will require all participants and stakeholders to work together to effect a transition from assuring compliance to providing best practicable support of enterprise goals.

In conclusion, Public procurement is an extremely complicated function of government. The scope of the public procurement system is very broad and influenced by a number of variables that make public procurement especially difficult to manage. As a result it is one of the least understood and most vulnerable areas of public administration. Some have argued that effective public procurement requires procurement managers to understand various aspects of private sector supply chain management theory and adeptly incorporate private sector supply chain strategies into public procurement. This is most effectively done if public procurement managers understand and successfully navigate the many variables that complicate the adoption of private sector procurement strategies and practices.

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