

JOURNAL OF PUBLIC PROCUREMENT, VOLUME 14, ISSUE 3, 293-445 FALL 2014

**SYMPOSIUM ON PREFERENTIAL PROCUREMENT OR PROCUREMENT
PREFERENCES**

Editors: Paul Davis and Khi V. Thai

Copyright © 2014 by PrAcademics Press

SYMPOSIUM INTRODUCTION

Paul Davis and Khi V. Thai*

Starting with the early 1990s, public procurement reemerged as a critical aspect of governance and as the focal point of considerable academic attention (Thai, 2001). The numerous scholarly publications, educational programs and public procurement conferences that have appeared all over the world suggest that awareness regarding public procurement is on the upswing both as a public policy tool and as the means to accomplishing policy goals. If the quality of the final 104 papers (selected from 171 total abstracts) submitted for the 6th International Public Procurement Conference (IPPC6) is any indication – we can be a little more than cautiously optimistic about the future of public procurement practice and research.

According to an arrangement between the International Public Procurement Conference and the publisher of the *Journal of Public Procurement (JoPP)*, and based on the 6th International Public Procurement Conference Scientific Committee's peer reviews process, eight best papers are to be published in two consecutive issues of *JoPP*. Spanning over a decade, this collaboration has benefited both the *JoPP* and the IPPC as

- *JoPP*'s publisher has sponsored the conference Best Paper Awards program,¹ which provides authors a good incentive to submit better quality papers; and

Paul Davis, Ph.D., is an Associate Professor, Business School, Dublin City University, Ireland. His research interests include public procurement, supply chain management, and information technology. Khi V. Thai, Ph.D., is a Professor and Director, School of Public Administration, Florida Atlantic University. His research interests are in public budgeting, fund accounting and public procurement.

- IPPC helps select 8 to 9 best papers from a pool of 100-170 IPPC papers for two special issues (Issues 3 and 4) of *JoPP*. In other words, about 6% to 10% submitted papers have been selected.

Once again we are pleased to offer our readers the culmination of this very rigorous academic process. In addition, as co-chairs of IPPC6 and co-editors of this special issue of *JoP*, we would like to thank the entire members of the IPPC6 Scientific Committee for their efforts in making sure that the integrity of the review process was maintained according to academic standards. As we know, there are few academic conferences which offer participants the opportunity not only to have their papers peer reviewed, but to provide them the opportunity to have the top articles published in a top ranked scholarly journal. Additionally the International Public Procurement Conference provides a peer reviewed (double-blind) process for its publications.

Four of nine selected papers focus on two social issues: sustainability and small- and medium-size enterprises (SMEs), and are published in this *JoPP* issue, under the “Symposium on Procurement Preferences” theme. The other five papers covering a variety of topics in different countries are published in the next issue of *JoPP* (Issue 4), and these papers are under the “International Public Procurement” theme.

David Jones (2011, p. 61) stated: “Widely accepted principles of public procurement are value for money and fairness based on equal access for all suitable suppliers. These are considered to be best guaranteed by open and non-discriminatory competition, in which the main methods of procurement of goods, services and works are the competitive quotation for low value purchases and the open tender or selective open tender for high value purchases.” But, as governments in all countries spend significantly large amount of its budget (ranging from 15% of GDP in the Organisation for Economic and Cooperation Development up to 25%-30% of GDP in developing countries (Roos, 2013, p. 1) on constructions or works (such as infrastructure), goods and services, they have used their large procurement outlays for many policy purposes, called “procurement preferences,” including economic stabilization, preferring national or local firms over firms from other countries or other geographic locations, enhancing market competition, environment protection, and social purposes (Bolton, 2006; Clark, & Moutray, 2004; Coggburn, 2003; Coggburn & Rahm,

2005; Enchautegui, Fix, Loprest, Lippe, & Wissoker, 1997; Foresti, Arantes, & Rossetto, 2007; Jones, 2011; McCue & Gianakis, 2001; McCrudden, 2007; National Association of State Purchasing Officials, 1999; Prier, McCue, & Bevis, 2008; Qiao, Thai, & Cummings, 2009; Rice, 1992; Rice & Mongkuo, 1998; Roos, 2013; Short, 1993; Sadikin, 2008; Sadikin, 2008; Thomas, 1919; Thai, 2001; Tolley, Bernstein, & Lesage, 1999; UN Environment Programme, 2013; U.S. Department of Justice, 1995; U.S. Environmental Protection Agency, 1998a, 1998b; U.S. Environmental Protection Agency, 2000; Wallace, 1999; Watermeyer, 2000). Procurement preferences have received considerable attention in print and on-line writings. Studies and analyses of these preferences have encompassed procurement journals (Coggburn, 2003), public administration journals (most recently Celec, Voich, Nosari, & Stith, 2003), law reviews (Brody, 1996), newspapers touting the availability of the programs (Chandonnet, 2002), official government web sites (including that of U.S. Small Business Administration [www.sba.gov]), and even attorneys offering legal assistance on the subject (Gordan, 2001). There are various domestic socioeconomic and political goals that the preferential procurement aims to achieve (McCrudden, 2007). Among them are 1) protecting national (or local) industry against foreign competition; 2) improving the competitiveness of certain industry scope, and 3) attempting to achieve particular social policy goals. The best example of protecting national (or local) industry is the “Buy American Act” and the various geographic preferential policies. Small business preferences, the largest procurement preferences program in the U.S., best illustrate how public procurement is used to improve the competitiveness of certain industry. Similar preferences are given to women and minority-owned business. The wide range of specific social goals that governments try to reach through public procurement includes the following: to promote fair labor conditions and minimum wages, to remedy past discriminations, to sustain economic development, and to protect the environment (Qiao, Thai, & Cummings, 2009).

The terms “preferential procurement” imply all public procurement policies and practices that government uses for economic, social, and **political** purposes (McCrudden, 2007; Thai, 2001). Thus, “preferential procurement” is different from “sustainable procurement,” which is defined as follows:

Sustainable Procurement is a process whereby organizations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organization, but also to society and the economy whilst minimizing damage to the environment (UK Sustainable Procurement Task Force, 2006, p. 10).

This definition is the most frequently cited definition (Roos, 2013). The UN Environment Programme (2012, p. 2) identified three following pillars in sustainable public procurement:

- **Economic factors or pillar:** which includes the cost of products and services over their entire life time as well as cost for society or external costs a whole to ensure real value for money over the longer term;
- **Environmental factors or pillar** (also referred to as “green procurement”): which reduces the environmental impact of goods, works, and services (impacts on health and well-being, air quality, generation and disposal of hazardous material) and to minimize the use of resources (reduce, recycle, reuse) throughout the supply chain.
- **Social factors or pillar** (also referred to as “socially responsible procurement”): which includes recognizing equality and diversity; observing core labor standards; ensuring fair working conditions; increasing employment and skills; and developing local communities.

“Preferential procurement” has the fourth factors or pillar, a political tool, which is related to trade embargoes, the partial or complete prohibition of commerce and trade with a particular country. Recently, there have been questions about and studies of benefits and costs as well as barriers or obstacles in preferential procurement policy and implementation (for a more comprehensive analysis, see Davis & Thai, 2015).

In this “Symposium on Preferential Procurement,” two issues major issues are covered small and medium size enterprise procurement and sustainable procurement.

Small and Medium Size Enterprise Procurement Policy and Management

In “Market Orientation and SMEs’ Activity in Public Sector Procurement Participation,” Timo Tammi, Jani Saastamoinen and Helen Reijonen observe that small and medium enterprises (SMEs) have been under-represented in the awarding of public sector procurement contracts. Currently, very little is known about the strategic and behavioral aspects associated with SMEs’ participation in public sector procurement. To take a step in filling the gap, the authors used a conceptual construct known as market orientation (MO). The construct comprises a firm’s orientation in gathering information on competitors and customers, and using the information to gain competitive advantage. The study findings prove that MO has a positive effect on how active SMEs are in searching information on available requests for tenders and how actively they participate in bidding contests. Thus, the authors strongly suggest that MO should be taken into account when designing procurement contracts, and MO should be fostered among SMEs.

In “Small and Medium-Sized Enterprises Policies in Public Procurement: Time for a Rethink?” Caroline Nicholas and Michael Fruhmann state that the link between SMEs, innovation and economic growth has often been assumed in public procurement policy-making. Recent researchers questioned this assumption, both within and outside the public procurement context: while some studies show higher growth rates in small than larger firms, others indicate, to the contrary, that many micro and small enterprises, and particularly informal businesses, are not actively seeking to grow. As regards innovativeness, while some studies show that smaller firms have generally higher levels of innovation, others indicate that only a sub-set of firms, of whatever size, do so. Studies also show that public procurement may trigger greater innovation than direct State investment in research and development. Government policies geared towards increasing the research and innovation potential of PP and SME policies are generally not linked and may run contrary to each other. In this article, the authors considers how effective SME policies may be, and questions the extent to which they are properly evaluated. It concludes that SME policies are asserted to be pursued for broad socio-economic policy reasons, but that, in reality, the rationale appears to be largely political. For this reason, it is hardly

surprising that their effectiveness is largely unassessed outside the academic sphere. Then, the authors recommend a proper evaluation approach of SME policies.

Sustainable Public Procurement Policy and Management

In “Examining the Relationship between the Barriers and Current Practices of Sustainable Procurement: A Survey of UN Organizations,” Jacob Hasselbalch, Nives Costa and Alexander Blecken present the results of a survey of perceptions on sustainable procurement (SP) in the United Nations (UN). It is the first of its kind to systematically analyse the issue of SP in the UN system. While the UN has a tremendous opportunity to support their objective of sustainable development through sustainable procurement practices, significant obstacles still block the full implementation of this goal. Based on an online survey that yielded 282 responses, the authors identified a framework of SP measures and barriers, and conducted a regression analysis to identify underlying correlations. The study shows a significant correlation between good SP practices and low demand, performance measurement and tool barriers.

Joey Gormly states that it is unclear as to what extent sustainable procurement is being practiced in Ireland and what barriers there are to implementing it in organizations. In his article, “What Are the Challenges to Sustainable Procurement in Commercial Semi-State Bodies in Ireland?” he provides a complete insight into the use of sustainable procurement in Irish commercial semi-state bodies. He explores the extent and type of use of sustainable procurement plus identifies and examines the challenges to its use. He uses a deductive approach to determine the barriers. Eleven participants, nine from the commercial semi-state bodies and two experts with knowledge of this subject, were interviewed using semi-structured questions. The research findings show that sustainable procurement is being practiced in the majority of the commercial semi-state bodies. Definition of sustainable procurement, the absence of mandatory guidelines, cost, time and a dearth of sustainable procurement knowledge by suppliers are some of the main barriers put forward by participants.

REFERENCES

- Bolton, P. (2006). "Government Procurement as a Policy Tool in South Africa." *Journal of Public Procurement*, 6 (3): 193-217.
- Brody, C. (1996). "A Historical Review of Affirmative Action and the Interpretation of its Legislative Intent by the Supreme Court." *Akron Law Review*, 29 (2). [On-line]. Available at www3.uakron.edu/lawrev/brody.html.
- Celec, S., Voich, D., Nosari, E. & Stith, M. (2003). "Measuring Disparity in Government Procurement: Problems with Using Census Data in Estimating Availability." *Public Administration Review*, 60 (2): 134-142.
- Chandonnet, A. (2002). "Getting a Piece of the Government Contract Pie." [On-line]. Available at http://www.juneauempire.com/stories/020602/Biz_govcontract.shtml.
- Clark, M., & Moutray, C. (2004). "The Future of Small Businesses in the U.S. Federal Government Marketplace." *Journal of Public Procurement*, 4 (3): 450-470.
- Coggburn, J. (2003). "Exploring Differences in the American States' Procurement Practices." *Journal of Public Procurement*, 3 (1): 3-28.
- Coggburn, J. D. & Rahm (2005). "Environmentally Preferable Purchasing: Who Is Doing What in the United States?" *Journal of Public Procurement*, 5(1): 23-55.
- Enchautegui, M., Fix, M., Loprest, P., Lippe, S. v.d., & Wissoker, D. (1997). *Do Minority-Owned Businesses Get a Fair Share of Government Contracts?* Washington, DC: The Urban Institute. [On-line]. Available at www.urban.org/url.cfm?ID=307416.
- Foresti, L. F. Arantes, R. S., & Rossetto, V. (2007). "The Use of the Public Procurement Power to Promote the Development of Small Businesses: The Brazilian Experience." In Gustavo Piga and Khi V. Thai (Eds.), *Advancing Public Procurement: Experience, Innovation and Knowledge Sharing* (pp. 334-372). Boca Raton, FL: PrAcademics Press.
- Gordan, E. (2001). *Supreme Court Revisits Landmark DBE Case, Then Refuses It*. [On-line]. Available at www.gordanlaw.com/id56.htm.

- Jones, D. S. (2011). Recent Reforms to Promote Social Responsibility Procurement in East Asian States: A Comparative Analysis." *Journal of Public Procurement*, 11(1): 61-94.
- Kunzlik, P. (2003). "International Procurement Regimes and the Scope for the Inclusion of Environmental Factors in Public Procurement." *OECD Journal on Budgeting*, 3(4): 107-152. [Online]. Available at
- McCrudden, C. (2007). *Buying Social Justice: Equality, Government Procurement, and Legal Change*. New York: Oxford University Press.
- National Association of State Purchasing Officials (1999). *Survey of State & Local Government: Purchasing Practices* (5th ed., revised). Lexington, KY: Author.
- Prier, E., McCue, C. P., & Bevis, M. E. (2008). "Making it Happen: Public Procurement's Role in Integrating economic Development and Sustainability Strategies for Local Governments in the U.S.A." In *3rd International Public Procurement Conference Proceedings*, (pp. 637-654). [Online]. Available at www.ippa.org.
- Qiao, Y., Thai, K. V., & Cummings, G. (2009). "State and Local Procurement Preferences: A Survey." *Journal of Public Procurement*, 11(3&4): 371-410.
- Rice, M. (1992). "Justifying State and Local Government Set-Aside Programs through Disparity Studies in the Post-Croson Era." *Public Administration Review*, 52 (5): 482-490.
- Rice, M. & Mongkuo, M. (1998). "Did Adarand Kill Minority Set-Asides?" *Public Administration Review*, 58 (1): 82-86.
- Roos, R. (2013, April). *Sustainable Public Procurement in LICs Implications for the Ongoing World Bank Procurement Review*. Berlin, Germany: Deutsche Gesellschaft für Internationale Zusammenarbeit.
- Short, J. (1993). *Issues in Public Purchasing: A Guidebook for Policymakers*. Lexington, KY: The Council of State Governments.
- Sadikin, S. R. (2008). "Public Procurement Sustainability in Indonesia: Environmental, Social or Economic Tradeoffs." In *3rd International Public Procurement Conference Proceedings* (pp. 587- 617). [Online]. Available at www.ippa.org.

- Thomas, A. (1919). *Principles of Government Purchasing*. New York: D. Appleton.
- Tolley, G., Bernstein, P. & Lesage, M. (1999). *Economic Analysis of a Living Wage Ordinance*. Washington, DC: Employment Policies Institute.
- UK Sustainable Procurement Task Force (2006). *Procuring the Future: Sustainable National Action Plan*. London, UK: Department for Environment Food and Rural Affairs. [Online]. Available at <http://www.defra.gov.uk/publications/files/pb11710-procuring-the-future-060607.pdf>.
- United Nations Environment Programme (2012). [Online]. Available at http://www.unpcdc.org/media/390120/spp_brief_en_2012-02-06.pdf.
- U.S. Department of Justice (1995, June 28). *Legal Guidance on the Implications of the Supreme Court's Decision in Adarand Constructors, Inc. v. Peña* (U.S. Department of Justice memo from Assistant Attorney General Walter Dellenger). [On-line]. Available at www.usdoj.gov/olc/adarand.htm.
- U.S. Environmental Protection Agency (1998a). *The City of Santa Monica's Environmental Purchasing: A Case Study* (Report EPA742-R-98-001). [On-line]. Available at www.greenercomputing.com/resources/resource/city-santa-monica%E2%80%99s-environmental-purchasing-a-case-study.
- U.S. Environmental Protection Agency (1998b). *Green Spending: A Case Study of Massachusetts' Environmental Purchasing Program* (Report EPA742-R-98-002). [On-line]. Available at www.epa.gov/opptintr/epp.
- U.S. Environmental Protection Agency (2000). *Environmentally Preferable Purchasing Program: State and Local Government Pioneers* (Report EPA742-R-00-004). [On-line]. Available at www.epa.gov/opptintr/epp.
- Vaart, B. v.d. (2011, March). "Investing in SMEs: The SEAF Model." *SME/Issues*, 2(1): 1-4.
- Wallace, S. L. (1999, Summer). "Minority Procurement: Beyond Affirmative Action to Economic Empowerment." *The Review of Black Political Economy*: 73-98.

Watermeyer, R. (2000). "The Use of Targeted Procurement as an Instrument of Poverty Alleviation and Job Creation in Infrastructure Projects." *Public Procurement Law Review*, 9 (5): 226-250.