

**IMPLEMENTING SUSTAINABILITY IN PUBLIC PROCUREMENT:
THE LIMITED ROLE OF PROCUREMENT MANAGERS AND PARTY-
POLITICAL EXECUTIVES**

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ABSTRACT. Little is known about the way local government utilizes the procurement function to promote sustainability. Sustainability is a political theme of considerable importance at the local government level. We investigated the relationships between municipal executive councillors and procurement managers in three Dutch municipalities. We found that the party-political councillors focus on initiatives affecting citizens to create public visibility and electoral support. Procurement managers however, are primarily concerned with stakeholders within the organization serving different interests. Sustainability initiatives appear largely input-based rather than result-based. Procurement managers rarely consult with the councillors. Rather, department heads have the final say in allocating funds in the course of sustainability initiatives.

INTRODUCTION

The need for sustainable development has promoted many companies to include environmental aspects into their corporate agenda (Vachon & Klassen, 2007). The last twenty years have seen a

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growing number of studies and publications on sustainability issues (Giunipero, Hooker & Denslow, 2012; Tate, Ellram & Dooley, 2012). During the 1990s, the main focus was on how companies could incorporate sustainability to provide economic profitability and competitive advantage (e.g. Porter & Van der Linde, 1995; Schmidheiny, 1992; Sharma, Gopalakrishnan, Mehrotra & Krishnan, 2010). More recently, sustainability issues have moved into proactive approaches to the implementation of sustainability through supply chain management (e.g. Ates, Bloemhof, Van Raaij & Wynstra, 2012; Carter & Rogers, 2008; Svensson, 2007). Many studies have focussed on the identification of forces driving firms to sustainability (drivers) and factors that hinder a firm's effort to adopt sustainable practices (barriers). Typically, these studies are concerned with sustainability in profit-driven organisations (e.g. Bansal & Roth, 2000; Berns et al., 2009; Giunipero, Hooker & Denslow, 2012; Hojmosse & Adrien-Kirby, 2012; Nidumolu, Prahalad & Rangaswami, 2009).

Little is known about the way local government utilizes the procurement function to promote sustainability. The procurement portfolio of local governments has a broad and diverse character, stretching from dustcarts to office supplies, and from hiring architects to cleaning services. The potential contribution of public procurement to sustainability is large, considering the size of public sector expenditure (Preuss, 2009). In addition, through spill-overs on markets and consumers, public procurement can work as a catalyst for sustainable development (Bosch et al., 2012). Despite the importance of the public sector and public procurement, only a limited number of studies investigates the role of local governments in sustainable development (e.g. Preuss, 2009; Thomas & Jackson, 2007; Swanson et al., 2005; Walker & Brammer, 2009; Warner & Ryall, 2001).

Elected representatives in public administration are likely to be sensitive to external pressure from interest groups. Policy makers, bureaucrats and interest groups are involved in various aspects of the public procurement system (Thai, 2001). A characteristic feature of public procurement is the interface with political policy makers, a topic in need of more attention in academic studies (Murray, 2009). More insights and more understanding can be gained by investigating the involvement of political stakeholders in the strategy and management of public procurement (Murray, 2009). Sustainability is

a theme of great political importance. Therefore the relationship between party-political officials and procurement managers is likely to play an important role in procurement initiatives related to sustainable development.

Preuss (2009) took the perspective of procurement managers to investigate how local government in the UK stimulates sustainable development through the purchase function. Our study takes a broader perspective by investigating both procurement managers and elected representatives in Dutch municipalities. In Dutch municipal politics there are three functions: the mayor, the city council and the “wethouders.” There is no standard translation for the Dutch term “wethouder,” although there is some similarity with the term “alderman” or “municipal councilor.” These municipal councilors are elected by the members of the city council representing different political parties. The municipal councilor is thus chosen along party lines and has political responsibilities, and can be considered a party-political post. In this paper we will address the Dutch “wethouders” as municipal (party-political) executives (or municipal councilors) with the notion that they function as elected representatives with political responsibilities. We use a case study approach to investigate both procurement managers’ and municipal executives’ perspectives, concerning the success, the drivers and the barriers of sustainable initiatives in their municipality.

BACKGROUND

Public Procurement

Public procurement refers to the acquisition of goods and services by government of public sector organizations (Uyerra & Flanagan, 2010). Public procurement could help to achieve outcomes in society that are consistent with broader policy goals (Brammer & Walker, 2011). The public sector is responsible for providing a range of services and could use its purchasing power for stimulating sustainable development (Preuss, 2009). Public procurement is said to be an extremely complicated function, considering its environment that influences and limits the possibilities to accomplish procurement policies/goals. The public procurement system includes many environments, such as the internal environment, the market environment, the legal environment, and the political environment (Thai, 2001). Conflicting goals complicate matters significantly within

public purchasing (Loader, 2007). Typical for public procurement is the long chain of accountability that stretches from politicians to the daily practice of purchasers. These layers of accountability contributes to a situation where buyers have to deal with conflicting goals and have to serve multiple stakeholders (McCue & Prier, 2008). Unlike private sector purchasers public purchasers are faced with a myriad of divided loyalties which are a result of their relationships with multiple stakeholders who are often pursuing conflicting goals (McCue & Prier, 2008). Also, unlike the private sector, public sector procurement is submitted to public accountability of procurement decisions and to achieving value for money for citizens and taxpayers (Walker & Brammer, 2009).

Purchasing Initiatives by Local Government to Encourage Sustainable Development

Sustainable public procurement refers to the integration of social and environmental impacts within procurement undertaken by government or public sector bodies (Brammer & Walker, 2011). Sustainable procurement initiatives by local government can be categorized in different ways. Preuss (2009) examined how sustainable development is encouraged through public purchase on the basis of the definition of sustainable supply chain management (SSCM) of Carter and Rogers (2008): sustainable development is the integral realization of progress on economic, environmental and social fields with a distinction between product-based, process-based and support activities. Departing from this conceptualization, Preuss (2009) developed a comprehensive and integrated view of the broad variety of sustainability initiatives by local governments. Roman (2014) identified distinct decision making patterns within public procurement, stressing the impact of political volatility. Brammer and Walker (2011) investigated commitment to sustainability by using the purchasing social responsibility (PSR) format. This format consists of five dimensions: environment, diversity, human rights, philanthropy and safety. In comparison to the typology of Preuss (2009) this format does not fully cover the world of local government procurement. Brammer and Walker (2011) concluded that most public organizations do include sustainability criteria in their purchases, although many aspects of sustainability are not addressed properly yet.

Drivers and Barriers

Many studies have investigated the drivers and barriers to sustainable practices in organisations. However, the vast majority of these studies is concerned with organisations in the private sector (Brammer & Walker, 2011; Walker, Di Sisto & McBain, 2008). Specific motives for corporate 'greening' were found in regulatory compliance, competitive advantage, stakeholder pressures, ethical concerns and top management initiatives (e.g. Vredenburg & Westley, 1993; Bansal & Roth, 2000; Berns et al., 2009; Giunipero, Hooker & Denslow, 2012; Ates et al., 2012), while barriers in profit-driven organisations were connected to a lack of top management support, the cost of sustainability, inappropriate standards and regulations, and a lack of understanding among business leaders (e.g. Nidumolu, Prahalad & Rangaswami, 2009; Berns et al., 2009; Giunipero, Hooker & Denslow, 2012). Relatively little research has address sustainable procurement in the public sector (Preuss, 2009; Brammer & Walker, 2011).

An important theme in the sustainable procurement literature focuses on stimulating environmental benefits through exerting pressure on suppliers (e.g. Kunzlik, 2003; Faith-Ell et al., 2006; Thomson and Jackson, 2007). Another stream of research investigates drivers and barriers within the private sector. A good understanding of the drivers and barriers is indispensable for developing better strategies that are able to promote sustainable development initiatives (Gunther and Scheibe, 2006). Appropriate leadership and the implementation of concrete plans are considered as important drivers for sustainable development (Brammer & Walker, 2011). The risk of public embarrassment has been reported as a driver for sustainability, since the image of public sector organisations can be harmed by suppliers' poor environmental performance (Walker et al., 2008). Another facilitator is a supportive governmental and legislative climate (Brammer & Walker, 2011). Financial constraints and perceived costs are regularly reported barriers to sustainable procurement (e.g. Min and Galle, 2001; Brammer & Walker, 2011). Thomson and Jackson (2007) reported that a lack of priority at senior level in the council is a critical barrier to sustainable procurement. Policy makers are facing difficult decisions when they assess trade-offs between conflicting procurement goals and policies, for instance between cost, quality,

timeliness, risk, economic goals, social goals, competition, environment protection and green procurement (Thai, 2001). Barriers are likely to occur, considering the complexity and variety of public procurement in combination with multiple stakeholders and conflicting goals (Uyarra & Flanagan, 2010). Some point at the lack of information about market opportunities and the back office personnel's resistance in connection with it (Brammer & Walker, 2011). Although internal factors are considered in studies to drivers and barriers, studies do not explicitly make a distinction between party-political decision makers and the procurement staff. Considering the importance and impact of political policy makers (cf. Murray, 2009, 2012), our study will shed light on the relationship between party-political executives and procurement managers.

Research so far does not provide a framework for the integration of the different factors. Carter and Rogers (2008) presented a model with four supporting factors for achieving sustainability: strategy, culture, transparency and risk management. Risk management refers to the ability of an organization to manage its economic, environmental and social risks. Transparency is the active connection with internal and external stakeholders (Preuss, 2009) with the aim to improve processes, ensure cooperation and to encourage a wider vendor base when competing for public contracts. Sustainability initiatives must be linked to the organization strategy instead of several individual projects and programs that are controlled independently of each other. Our theoretical expectations draw on the model of Carter and Rogers (2008) and laid the foundations for the empirical part of our study.

Principal Agency Theory

In the principal agency theory, a first party (the principal) delegates work to another party (the agent) who performs that work (Eisenhardt, 1989a). The delegation of work involves delegating some decision marketing authority to the agent (Jensen & Meckling, 1976). Within the relationship, the agent must choose actions that have consequences for both the agent as the principal. The principal is faced with many problems in governing the relationship with the agent (McCue & Prier, 2008). These problems arise from the condition of *information asymmetry*: the agent has more information than the principal. The agent has an information advantage through skill or expertise and a better understanding of the efforts and

resources required for task execution. This condition makes it difficult or expensive for the principal to verify what the agent exactly does (Eisenhardt, 1989a; Neelen, 1993), and results in the problem of monitoring and metering costs (Williamson, 1985).

In case of (partly) conflicting interests, agents might be induced to behave opportunistically. The relationship might be characterized by a *moral hazard*, which is a situation where the agent takes unjustified risks, because the cost that could be incurred will be felt by the principal, not by the agent (e.g. Soudry, 2007). A related agency problem is *adverse selection*, which refers to the situation that the agent can do other things with the resulting policy freedom than the full pursuit of the goals of the principal (Eisenhardt, 1989a). A lack of accountability may lead to lower commitment and a greater integration of personal preferences of the agent (Soudry, 2007). The relationship between principal and agent leads to three different types of agency costs: monitoring costs, binding and remaining costs (Jensen & Meckling, 1976).

Principal agency theory holds promise as theoretical foundation for analyzing the relationship between purchasing professionals and party-political executives in local government. Municipal executives with political responsibilities delegate work to procurement managers, which constitutes a principal-agent relationship. The interests of principals and agents might often differ, since party-political executives have to manage multiple competing interests (Hill & Jones, 1992; Van Puyvelde, Caers, Du Bois & Jegers, 2011). Instead, the objectives represent a composite set of goals that are difficult to express in financial terms (Soudry, 2007). The principal agency theory is likely to be relevant, since the principal and agent do not share the same levels of information, do not automatically have the same goals and interests, and as such places the agent in a position to (opportunistically) take advantage of the situation (McCue & Prier, 2008). For example, a procurement manager could withhold information from city management for achieving a favourable job evaluation.

METHOD

Research Design

A case study approach is best-suited for an exploratory study that investigates the specific relationship between procurement managers

and party-political municipal executives and its impact on sustainable initiatives in public procurement (Yin, 2009). Both procurement managers' and municipal executives' perspectives were investigated, concerning the success, the drivers and the barriers of sustainable initiatives in their municipality. Three municipalities were selected, based on their proven efforts on sustainability. In fact, they are leading municipalities in the field of sustainable development, considering their top positions in the Dutch municipal sustainability ranking (<http://www.duurzaamheidsmeter.nl/LDM>). The positions in the list are determined by the ambitions and initiatives of municipalities in the area of sustainable development, the position of sustainability on the strategic agenda, and the ability of using the procurement function as an instrument to achieve sustainable development. The chosen municipalities, ranging in size between 90,000 and 180,000 inhabitants, are likely to be quite experienced with initiatives in the field of sustainable development, offering a wide and potentially rich source of research information. Michelsen and De Boer (2009) found that sustainable procurement is significantly developed more in larger municipalities. The selected municipalities can be characterized as medium-sized to large municipalities.

Interviews

Municipal executives with political responsibilities were asked to clarify and elaborate on the political perspectives of sustainable initiatives. In addition, procurement managers and senior buyers acted as informants about the purchasing scope of sustainable initiatives in the selected municipalities. Each municipality was represented by a municipal executive and a purchasing professional. In general, interviews are suitable for investigating behaviour about decision-making (Ghauri, 2004). Prior to the interviews, we studied and analysed the publicly published policy documents of the case organisations. These include agreements by local politicians on sustainability and procurement, relevant news items published by the municipalities, and information on the web sites. This information was used as input for the interviews. Interviews took place at city hall, lasting about 90 minutes each. Before an interview took place, we were informed about the sustainability initiatives in a specific municipality.

The interviews were guided by an interview protocol which was based on the results of the literature review. The protocol covered

themes such as sustainability initiatives, policy guidelines for sustainable development, and interaction between politics and procurement. We tried to reveal and identify the factors that accounted for the success or the failure of the sustainability initiatives. The protocol made, whenever necessary, a distinction between questions for the municipal executives and questions for the purchasers. Respondents were interviewed on the basis of semi-structured questionnaire, allowing for elucidation, elaboration and clarification. The use of semi-structured interviews gave us the necessary flexibility and allowed us to zoom in on matters that were important from the perspective of the procurement manager and the municipal executive. This approach also provided the possibility to identify other factors that were not found in literature, which is in line with the descriptive and explorative nature of our study.

The interviewees were given a warranty that their answers would be handled in complete anonymity. Obviously, we wanted to create situations in which the interviewees would be willing to provide honest and valid answers to our questions. We were aware of the potential sensitivities of the party-political executives and procurement managers to elaborate on for instance very unsuccessful sustainability initiatives. We made clear that we were not interested in 'politically correct' answers. The interviews were recorded with the permission of the interviewees. The interviews were processed based on the recordings. The tentative analysis and conclusions were reported back to the interviewees which provided them with the opportunity to check the interim reports, to improve the match between the intended information, and to explore issues in more detail (Yin, 2009). The interview results were initially merged without additional encoding. Then the resulting data matrix was analysed on the basis of similarities and differences between the cases (Eisenhardt, 1989b): the similarities and differences between municipalities, procurement managers, municipal executives and between procurement managers and municipal executives. Finally the results were compared with the findings of the literature review. This sequence is based on the chronological steps and techniques of data analysis in case study research (Ghauri, 2004). Obviously, the results of the case studies do not allow for any statistical generalization to other local governments. Still, the findings will be related to the current body of knowledge, allowing for some analytical generalization. According to Yin (2009, p. 37), the analogy to samples

and universes is incorrect when dealing with case studies: “survey research relies on statistical generalization whereas case studies rely on analytical generalization”. However, our findings should be tested by replication in comparable case where the same results should occur. Although our study of three municipalities reflect particular experiences, they cover broader issues in municipal decision making. Hence, a different logic is appropriate compared to a survey research.

RESULTS

About the Municipalities

All municipalities had formulated an overarching sustainability objective in terms of “energy or climate neutrality.” The municipalities also recognized several sub-goals and sustainable initiatives. The main goals appear to refer not only to the internal organization but also the whole municipality/community. The goals mainly focused on influencing the behaviour of companies and individual citizens. Objectives were believed to be achieved by stimulating proper behaviour of companies and citizens in the desired, sustainable direction.

Initiatives for Stimulating Sustainable Developments

The study revealed many different purchasing initiatives directed at sustainable development. The initiatives covered environmental protection, social affairs, and economic (regional) development. In addition, municipalities took a number of overarching initiatives. In Table 1 the initiatives are merged and clustered into categories (cf. Preuss, 2009).

**TABLE 1
Purchase Initiatives for Sustainable Development**

Environmental Protection	<ul style="list-style-type: none"> - Greening energy for schools. Search for cooperation outside the organization limits; - Sustainable energy and energy solutions in the municipal offices; - Recyclable asphalt; - Purchase green cars and buses on natural gas; - Along with other municipalities environmentally friendly garbage cars;
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TABLE 1 (Continued)

	<ul style="list-style-type: none"> - Tender parking garage with sustainable solutions, such as LED lighting; - Sustainable catering and use of local products; - Electric Segways for the parking company as an environmentally friendly means of transport between parking garages.
Social issues	<ul style="list-style-type: none"> - Fair Trade related actions; - (5%) Regulation social return; - Project for wider attention to sustainability in the internal organizations; - Conversations with entrepreneurs on sustainable procurement; - Cleaning buildings with deployment of the sheltered employment; - Heating network development; - Subsidising petrol stations as a contribution support in production infrastructure, of which the municipality intends to use.
Economic development	<ul style="list-style-type: none"> - Sustainability ladder. A purchasing criterion for local business opportunities based on distinctive sustainable developments; - Always invite one local party.
Overarching	<ul style="list-style-type: none"> - Yammer group (internal forum for sustainable development); - Working group on sustainable procurement. With representative sustainability department; - Explaining to managers, often in combination with the discussion of the spend view; - Workshops, training and courses; - Communications, intranet, national, regional presentations; - Rewarding commitment with 'sustainability cake' - Notification duty for purchases, so a purchase advice can be provided

Effectiveness of Initiatives

Procurement managers and municipal councillors were asked to specify very successful and very unsuccessful initiatives. The

distinction between successful and unsuccessful was made to the extent to which the objectives of an initiative were achieved. One of the seven *successful initiatives* was related to social issues. The other six successful initiatives focused on environmental protection. One of these initiatives covered economic development in combination with environmental protection. As could be expected, the party-political executives demonstrated a strong focus on external visibility.

The respondents reported on six *unsuccessful initiatives*, of which two focused on environmental protection. One initiative related to social issues and three initiative included environmental and social issues. Remarkably, the unsuccessful initiatives mentioned by party-political executives were project related, while the procurement managers discussed broader initiatives aimed at promoting sustainability. The goals for these sustainability initiatives are less specific than described in the successful examples.

Initiatives that were classified as successful appear to have well-defined goals, while the less successful initiatives showed a lack of clear and realistic goals. In terms of agency theory, this is typically what benefits agents (adverse selection): ambiguity in goals allows agents to act in their best interest, while results are open to interpretation. Perceptions and opinions play an important role in making assessments about the effectiveness of initiatives. Remarkably, most initiatives focus on effort (as described in policy documents) and are not results-oriented. The contribution of the initiatives is therefore hard to assess, because of the absence of controllable and quantifiable goals which hampers thorough evaluation of policy effectiveness.

Drivers for Achieving Sustainable Goals

Many drivers have been put forward with a positive impact on achieving objectives in sustainable procurement. The executive councillors emphasize initiatives that meet the ideal scenario where sustainability is achieved and the financial aspects lead to benefits. The executive councillors feel that cooperation with other organizations and utilizing an integral approach are necessary conditions for successful sustainability initiatives. Procurement managers discussed different factors that have a positive relationship with their playing field within the organization and specifically to

influence the department managers who are responsible for the budgets. Procurement managers stressed the importance of a proactive attitude of purchasers.

Visibility of the initiative is also a very important factor, especially from the perspective of party-political executives. Visibility affects the awareness and behaviour of citizens, thereby supporting the local policy. Visibility is also important, since it is an indicator for political progress and it sets an example in the area of sustainability.

A good interplay with the market was also mentioned by councillors and procurement managers as a success factor, because different interests must be served, including those of internal and external stakeholders. Procurement managers apparently stress the interests of internal stakeholders (such as other departments and politicians), while the party-political executives have an eye for external stakeholders (such as citizens/voters and companies).

It is our responsibility to balance internal and external objectives and to make sure that our sustainability efforts are appreciated by citizens.

Table 2 shows the different drivers as perceived by municipal councillors and procurement managers. Councillors appear to be more concerned about the balance among social, economic, and environmental aspects of sustainability. They tend to emphasize a more collaborative approach with a regional focus. Procurement managers focussed on internal aspects, such as educating other departments and the need for a more proactive attitude.

Barriers to Achieving Sustainable Goals

Municipal councillors and procurement managers are in agreement on many barriers. Municipalities are not always able to contract suitable suppliers with the necessary competences and capabilities. Organizational torpidity was also mentioned as a barrier to success. Bottlenecks arise because of slow decision-making, poorly formulated objectives, and insufficient monitoring. Procurement managers elaborated on different bottlenecks related to the playing field of sustainable procurement initiatives. They mainly point to external influences, such as the different views of

TABLE 2
Drivers as Perceived by Municipal Councillors and by Procurement Managers

	municipal councillors	procurement managers
1. Support from the Board and City Council.	x	x
2. Exemplary behaviour by the municipality.	x	x
3. Balance among the three aspects of sustainable development.	x	
4. Regional approach and cooperation with other organizations.	x	
5. Encourage multiple smaller sustainable initiatives.	x	x
6. Procurement acting as business partner of all stakeholders concerned.	x	
7. Educate the municipal organisation to reduce misconceptions.		x
8. Awareness of innovative solutions by suppliers.	x	x
9. Proactive procurement department.		x
10. Share the credits of sustainability achievements with budget holders.		x
11. Set targets that are aligned with common goals and objectives.	x	
12. Transparent financial structure so procurement initiatives gain visibility.	x	

stakeholders and conflicting interests. Also the power of department managers was underlined as a major negative factor for the success of sustainable initiatives.

Table 3 shows the barriers as perceived by politicians and procurement managers. The municipal councillors are concerned with the high costs, societal pressure, and monitoring sustainability initiatives. Procurement managers pointed at internal issues, such as late involvement, relationship with department heads, the flexibility of municipal staff, and their own workload.

TABLE 3
Barriers as Perceived by Municipal Councillors and Procurement Managers

	municipal councillors	procurement managers
1. Awareness and behavioural change grow slowly.	x	x
2. The market in many cases is not ready yet.	x	x
3. Too strict handling of regulations and legality.	x	x
4. Conflicting interests in external partnerships.		x
5. Late involvement of procurement in projects.		x
6. Perceived additional procurement risk.		x
7. Power of the department heads/budget holders.		x
8. Separation between costs and benefits of purchasing decisions.	x	x
9. Lack of flexibility of municipal staff.		x
10. Slow decision-making, missed opportunities.	x	x
11. Procurement manager workload.		x
12. High costs associated with initiatives.	x	
13. Fluctuating societal pressure for sustainability.	x	
14. Consistent implementation and monitoring of sustainability initiatives.	x	

Relationship Procurement-Politics

Procurement managers within the municipalities all have relationships with different municipal executives, based on the policy area under their responsibility. No structurally periodic consultation takes place between procurement managers and municipal executives, the contact is rather limited. Municipal executives acknowledged the scope of the purchase function which includes much more than the work of procurement managers and the procurement department. Anyone within the municipality that is involved in the purchasing process, performs some sort of purchasing function, including those who are responsible for the budgets (budget

holders). Municipal executives expect integral and creative thinking of procurement managers and believe that they have sufficient room and discretion within the frameworks of the procurement policy. These circumstances allow procurement managers to develop and implement sustainable initiatives. Procurement managers need to understand the underlying attitudes and interests of municipal executives. These insights are useful for procurement managers in situations where they have to make trade-offs between conflicting goals and interests. The information advantage of the procurement managers leads to a situation of information asymmetry between principal and agent.

According to procurement managers, party-political municipal executives are ambitious and have a tendency to go further than what is possible in all fairness. Procurement managers do not question or oppose these ambitions, at least publically. Procurement managers and municipal executives do not appear to hold conflicting goals and interests in the area of sustainability goals. Still, procurement managers have problems in achieving some of the political ambitions. Procurement managers are faced with a large number of external and particularly internal stakeholders. Procurement's discretion is striking in relation to the need of alignment with municipal executives and the difficulties to define the 'optimal ratio' of sustainability goals within procurement initiatives. Municipal executives emphasize the role and importance of external stakeholders and in particular the market (suppliers) and citizens (voters). Procurement managers emphasize the role of internal stakeholders who are involved in the field of force in the development and management of procurement initiatives for sustainable development.

As predicted by the agency theory, we found a control problem. The municipal executives (principals) were not able to follow and assess the choices that were made by procurement managers (agents). Discretion is partly governed by the relationship with the department managers who are responsible for the budgets. Department managers have other priorities than achieving political goals and procurement managers with respect to spending money on sustainability initiatives.

Procurement managers have to follow the arguments, views and ultimately the decisions of the department managers in cases of budgetary problems. Procurement managers have to put the

sustainability ambition into practice, only by rendering account of the power and budgetary control of department managers. Agency theory gives a warning about the occurrence of moral hazard. Indeed, procurement managers might be inclined to pursue their own interests, instead of the politician's interests. In this study none of the respondents reported problems and risks of a moral hazard. The absence of a moral hazard can be explained by the advisory function of procurement managers, which does not leave much place for a decision-making role of procurement managers. Figure 1 shows the relationships between the main actors in the local sustainability initiatives of municipalities. The figure emphasizes the decisive role of department managers and their impact on local sustainability effects.

DISCUSSION

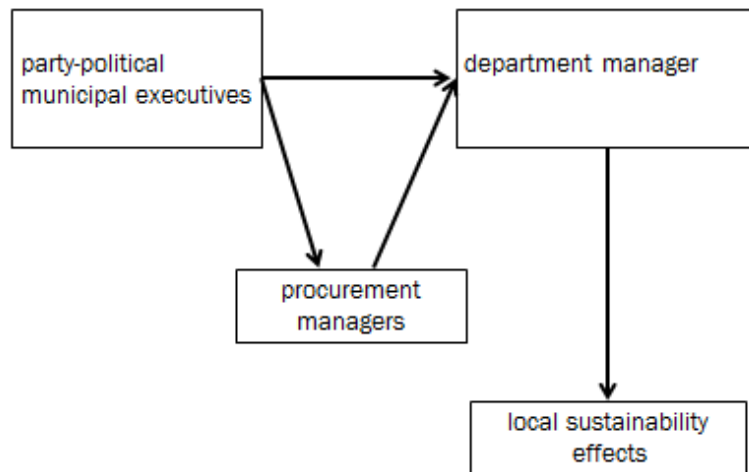
The procurement managers in our study all confirmed that sustainability goals are mutually competitive and may conflict with central government targets (cf. Preuss, 2009). Visibility and social support are important aspect for party-political municipal executives. Executives with political responsibilities hold an uncompromising view about sustainability initiatives: initiatives should not be executed in case of any kind of conflict. This view is in line with the conclusion of Carter and Rogers (2009) that 'true' sustainability is located in the interface of the three elements of sustainability: social, economic and environmental criteria and factors.

Factors in Successful Initiatives

The party-political executives in this study seem more focused on initiatives with external visibility. The PR aspect of the sustainable initiatives was paramount (cf. Walker et al., 2008). Purchasers pay much attention to internal organizational aspects. The most successful initiatives combine the various sustainability aspects. Successful initiatives have measurable targets. The study confirms the quest of local government organizations for monitoring instruments to assess the realization in relation to the (project) goals. The importance of monitoring is recognized, as well as the observation that there are many different instruments in use, of which none is actually satisfactory. Although similar monitoring systems are applied by the municipalities, which often are based on national standards, the trust in these systems is limited. Party-

political municipal executives are typically aware of the successful initiatives, including their own involvement.

FIGURE 1
Sustainable Public Procurement at the Local Government Level



(National policy context on sustainable procurement)

Factors in Less Successful Initiatives

A lack of political commitment and visibility is an inhibiting factor that was found among the municipal executives. Other barriers appear to be: unclear project definitions and a lack of an appropriate monitoring system. Procurement managers focus on supportive and implementation oriented activities that relate to their own responsibilities. Conflicting interests were strongly put forward, which is in line with other studies (e.g. Walker & Brammer, 2009; Gunther & Scheibe, 2006; Loader, 2007).

The five determining factors are:

- (1) Political involvement (support, priority and direction).

- (2) A clear link between procurement initiatives and the organizational strategy.
- (3) Transparency (to internal and external stakeholders).
- (4) A proactive procurement department (professional and passionate).
- (5) Financial controls exercised by budget holders/departmental managers.

The Relationship between Procurement Managers and Politicians

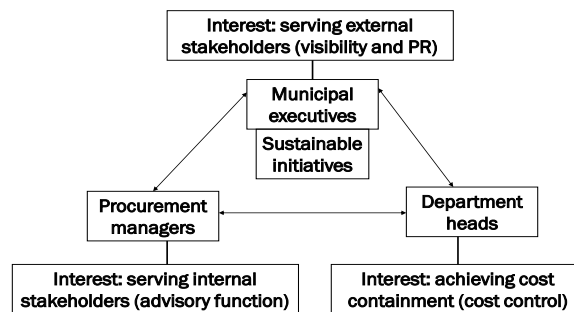
Procurement in municipalities appears to be situated relatively far from municipal councillors. The procurement function is not structurally involved in goal formulation. Procurement managers attach great importance to the role of party-political executives in sustainable purchasing initiatives. The relationship between procurement managers and councillors is explored with the principal agency theory. We found that information asymmetry is created by limited monitoring in combination with limited contacts. Purchasers do not seem to use their information advantage, because there is no conflict in interests on sustainability goals. However, political officials seem to have a focus on the interests of external stakeholders, while procurement managers have an eye for the interests of internal stakeholders. Since the municipal councillors are not able to follow and evaluate the work and decisions of procurement managers, there is a typical agency control problem. Procurement managers are tied to the limited possibilities within the functional structure and the laws and regulations.

The results of the study indicate that in case of competing interests the trade-off is more often made in favour of the department manager (with the budget) than in favour of the municipal executives. The procurement manager seems to play an important role in the success of a sustainability initiative. The purchase manager is often placed in a risky position, having to struggle to find a balance in conflicting interests and making trade-off decisions. Many purchase methods, laws and regulations are risk-averse, while achieving optimal solutions require more flexibility. Our results highlight the precarious position of the purchasing manager, struggling to find a balance in conflicting interests and regulations, while making trade-off decisions (Thai, 2001). This struggle is strengthened by the

advisory role of procurement managers, rather than a decisive or decision-making role.

The results of our study indicate that a third party (department management) plays a critical role with a potentially negative impact on sustainability initiatives. We found that department managers have a significant impact on purchasing decisions and decisions with respect to sustainability initiatives (cf. Gunther & Scheibe, 2006). Their impact is especially important when expenditures do not suit the budget (budgetary control and cost containment). Application of the agency theory might provide new insights in a research design that considers the department managers as agents, instead of procurement managers. The moral hazard of these agents is illustrated by the many initiatives of department managers outside purchase to purchase. Adverse selection can be expected in situations where department managers hold other priorities than the sustainability goals of municipal executives. According to procurement managers too much power has been handed over to budget holders. From the perspective of the procurement managers, this use of power by the department heads can easily result in less optimal decisions. Our findings support the conclusion that in government organizations the position of 'principal' is not so clear (cf. Van Puyvelde et al., 2011). Figure 2 provides an overview of the observed interests and relationships.

FIGURE 2
Interests and Relations of Municipal Executives, Procurement and Department Heads



CONCLUSION AND RECOMMENDATIONS

This study provides insight in the way local government utilizes the procurement function to promote sustainable development. In general, many party-political executives in municipalities are strong supporters of sustainability, although their interest appears to be limited to initiatives with a high level of visibility to the general public and to external stakeholders. Procurement managers try to stimulate and facilitate sustainability initiatives, mainly based on an advisory function. Procurement managers have difficulties achieving all, including conflicting, goals of procurement and sustainable development. During the interviews it became clear that department managers played an important role in the course of sustainability projects, since they are responsible for cost containment and budgetary control. Cost control takes priority over sustainability effects. Effective procurement initiatives do not depend so much on the relationship between procurement managers and political municipal executives, rather between procurement managers and department managers within the internal organization.

Successful sustainability initiatives should be guided by the development and use of well-defined targets. For this purpose it could be useful to use the values analysis model of Erridge (2007) as a starting point. This model connects sustainability goals with different aspects that are important for internal and external stakeholders. The goals are associated with the broader sustainability goals, coordination and are more precisely formulated. The principle-based approach of Pope, Annandale and Morrison-Saunders (2004) would be a supportive element with respect to policy documents, with principles derived from the sustainability approach instead of the total goals per sustainability aspect.

A major limitation of this study is the number of municipalities involved and the number of respondents within these municipalities. It would be useful to replicate this study to a larger number of municipalities in order to establish relationships between sustainability and organizational characteristics. At the same time, it would be interesting to involve more respondents, including budget holders and department heads, representatives from the working sector, programme managers for sustainable development and several politicians, within municipalities.

Our study was limited to the perspectives of party-political municipal executives and procurement managers. A promising line of research would be to include more stakeholders and their impact on sustainability initiatives. The reality of sustainable initiatives within municipalities cannot be fully captured in one single principal-agent relationship. For a better understanding of public procurement, we must acknowledge that there is a chain of agency relationships in local government (cf. McCue & Prier, 2008). This proposition calls for further research into the interrelationships and the interests of various internal and external stakeholders. First of all, elected politicians act as agents for their voters and for other citizens. Governments exist for the benefit of the people, the beginning and original principals. Secondly, the procurement department becomes an agent of the government entity, represented by (elected) executives. However and thirdly, there is another level of agency in the chain. This level consists of the procurement department (labelled procurement managers) that contracts suppliers. Adding to the complexity of public purchasing, there are external and internal stakeholders with conflicting interests, influencing the parties involved (Moe, 2009). Diverse groups of stakeholders, representing multiple interests which are (partly) formed by lobbyists are actively trying to influence public policies and the public opinion (Soudry, 2007). Such a comprehensive approach would allow for gaining additional insights in the dynamics and practice of public procurement in relation to sustainable development. Another avenue for research could be the stewardship theory as a point of departure for such research (e.g. Hill & Jones, 1992; Caers et al., 2006; Puyvelde et al., 2011).

Our study focused on the agency relationship between procurement managers and political executives in local government. Future studies could examine how procurement managers are dealing with trade-offs between (conflicting) goals and many different stakeholders. Regarding the external validity it should be noted that this research is performed on leading municipalities. The results are therefore not representative for all local governments, especially not for municipalities that are lagging behind municipalities with many (successful) sustainable initiatives. More research could be conducted amongst public sector organisations that lag behind in developing sustainable initiatives.

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