

Chapter 6

SUSTAINABLE PUBLIC PROCUREMENT IN PRACTICE: CASE STUDY EVIDENCE FROM IRELAND

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INTRODUCTION

Across a range of jurisdictions research is beginning to concern itself with the contribution that procurement practice can make to the realisation of local government objectives. From Northern Ireland, Erridge and Murray (1998) explore the applicability of lean supply concepts to local government purchasing, finding that it has the potential to yield benefits in the form of inventory reduction, improvements in quality, cost efficiency, reduction in inspection and better relationships with suppliers and customers. Walker and Brammer (2009) investigate sustainable procurement practice across the UK public sector and locate its primary manifestation in the form of engaging with small local suppliers. Likewise, Preuss (2007, 2009) explores the extent and nature of sustainable procurement practice in 16 UK local authorities, uncovering a diverse range of initiatives relating to local economic development, environmental protection and social equity. Again in a U.K context, Loader (2010) reveals through her survey of approximately 100 local authorities that purchasing is increasingly assuming strategic connotations and is receiving growing support from senior management. Gianakis and McCue (2012) analyse the applicability of supply chain management processes in U.S. local government and identify factors conducive to the successful application of such processes. De Boer and Telgen (1998) paint a somewhat pessimistic view of local government purchasing. Emerging from their surveys carried out in 1994 and in

1995 of Dutch municipalities, it is found that neither a professional nor a strategic approach to purchasing is the norm.

Gordon Murray has consistently argued that the strategic goals of local authorities, qualitatively different from both private and other public sector organisations, ought to be reflected in procurement objectives and supported by bespoke procurement strategies (1999, 2001, 2001a). In a similar vein, other contributors speak of the need for an alignment between procurement processes and the myriad objectives of local authorities by articulating the concept of “sustainable procurement” (Nijaki & Worrel, 2012; Preuss, 2007, 2009; Walker & Brammer, 2009). Sustainable procurement in this sense is said to encompass not only concerns for the natural environment but equally concerns for the sustainability of the local economy and its relationship to the social environment (Morgan, 2008). Nijaki and Worrel (2012) describe this as the “triple bottom line” for assessing the impact of procurement decisions at local government level.

It is this sustainable procurement concept that serves as the focus for an exploratory case study of a local government authority in Ireland and its attempts to match procurement processes to corporate objectives. In so doing it helps to address the paucity of research on local government procurement in an Irish context. It is reported that maximising value for money and regulatory compliance need not come at the expense of facilitating small indigenous suppliers, supporting local supply chains, improving environmental outcomes and delivering a better public service. Moreover, the findings show that procurement can play a critical role in giving effect to the corporate objectives of local government authorities. The structure of the paper is as follows. Firstly, an analysis of recent policy as it relates to public sector procurement in Ireland is overviewed. The next section charts the expanding role of public procurement as reflected in both academic and policy developments. Findings from the small but growing literature on sustainable public procurement are then discussed. Thereafter, the research methodology will be outlined and the research findings described.

POLICY ANALYSIS

A more sustainable and strategic approach to public procurement is now on the radar of policy makers and politicians in Ireland.¹

Recent years have witnessed a range of initiatives designed to make public procurement more cost-effective, competitive and consistent with policies for enterprise development, innovation and the creation of a green economy.² Following on from a precipitous decline in the fortunes of the Irish economy, particular emphasis has been placed on creating a “level playing field” on which Irish-based SMEs can compete for, and have a realistic chance of winning, a slice of the estimated €14-15 billion public sector contract market. To this end a series of reforms focusing on ways to facilitate SME participation in competing for public sector contracts was implemented in 2010, with all public sector organisations made aware of these changes in the public procurement system.³ These reforms, including lower thresholds for the open advertising of contracts of a national e-procurement portal, and ensuring financial and insurance capacity criteria are proportionate to the value of the contract, are intended to act as a fillip to an enterprise population which is contending with depressed domestic demand and reduced capital availability. That SME access to the Irish public procurement market has attracted the interest of politicians and industry representative groups must be seen in the context of the SME sector’s contribution to the Irish economy falling five percentage points from 53% to 48% between 2007 and 2010, losing 15% of its workforce and producing 18% less final output (European Commission, 2011).

In addition to SME access issues, environmentally sensitive procurement practice has emerged onto the Irish policy agenda, enunciated in *Green Tenders: An Action Plan on Green Public Procurement* (DECLG, 2011). This Action Plan sets out a strategy for mobilising procurement to promote the development and adoption of eco-technology and reduce the environmental footprint of the public sector. Consistent with Ireland’s aspiration to become a “knowledge-based” economy, public procurement policy has also sought to make itself relevant to the agenda for product and process innovation by exploiting its potential as a demand side stimulant. This is evidenced in *Buying Innovation – The 10 Step Guide to Smart Procurement and SME Access to Public Contracts* (DETE, 2009). Most recently, the potential to link new job creation to the award of public sector contracts has been mooted as one means to address the 14% unemployment rate in Ireland (O’Connor, 2012). While not exhaustive, the initiatives identified above represent the main policy

developments in the evolution of public procurement in Ireland over the last five years.

It is within this policy context of aligning public procurement objectives to economic, environmental and social policy goals that Irish local authorities are under pressure to reform their procurement function. The extent to which public policy is enacted in both its spirit and in its letter is, ultimately, dependent on the behaviour of public sector organisations (Beyer, Stevens & Harrison, 1983). As the same authors correctly point out, public sector organisations are policy implementers, and it is through the behaviour of public sector employees and the decisions they take that sustainable procurement policy will or will not translate into practice. Using this as the point of departure, our paper describes an exemplar case of sustainable procurement practice in a local government authority in the Southeast of Ireland set against a backdrop of growing institutional pressures to put procurement on a strategic footing. It provides evidence that procurement policies are beginning to percolate down to local government level and are being put into practice. The insights generated from this research are germane to revealing not only how sustainable procurement policy translates into practice but also sheds light on the organisational processes and structural changes that make this outcome possible.

THE EXPANDING ROLE OF PUBLIC PROCUREMENT

Far from being definable solely in terms of procurement of goods and services by the most economic means, the remit of contemporary public procurement stretches into areas of economic, social, environmental and ethical concern (Arrowsmith, 1995; McCrudden, 2007; Snider & Rendon, 2008). In so far as public procurement encompasses both procurement-specific goals like obtaining the right goods or services at the best price as well as non-procurement economic, social, environmental and international development goals, it can be described as multi-dimensional in character (Thai, 2001). It has ever been thus according to Qiao, Thai and Cummings (2009, p. 398), as “.....procurement has always been and will continue to be used as an important policy tool for a wide range of socioeconomic and political purposes.” Parallel to this development is discussion of procurement performing a strategic role in public sector organisations (Quayle, 1998; Quayle & Quayle, 2000). Their survey

findings from across the UK public sector show that in terms of its perceived importance and functional relationships procurement has emerged out of the back office and is starting to position itself in the foreground of corporate planning. The strategic management of public procurement is supported still further. Smith and Hobbs (2001) identify a range of indicators which, when taken together, paint a more professional picture of procurement practice across the public sector than previously imagined. This trend appears to have gathered pace as the decade has progressed. Better leadership, a higher profile, greater professionalism and a more strategic approach are coming to define procurement practice at local government level across the UK (I&DEA, 2008).

Contemporary nomenclature has come to reflect the expansion of what we understand public procurement to mean. Arrowsmith (2010) coined the term “horizontal policies” in reference to the panoply of economic, social and environmental issues making their way into public procurement thinking and, to a lesser extent, public procurement practice. In using horizontal policies Arrowsmith contends that issues such as local economic development should not be thought of as incidental or ancillary to the financial aspect of procuring goods and services. According to Erridge (2009), we are now in the era of a “multi-stakeholder procurement environment”. This implies that public procurement can no longer be conceived of as a dyadic relationship between buyer and supplier but needs also take account of the users of public services, communities affected by procurement decisions and tax payers in general.

Not that a more holistic interpretation of the role of public procurement marks a fundamentally new departure in public administration. Beginning his extensive treatment of procurement linkages to social justice issues, Christopher McCrudden (2007) notes that non-commercial considerations in public buying and contracting are evident throughout 20th century history. He cites the use of procurement to further the agenda for non-discrimination on racial grounds as part of the Civil Rights Movement in the United States in the 1960s and, similarly, as part of a normalisation strategy for a divided and sectarian Northern Ireland society from the 1970s onwards.

Public procurement’s broadening scope, or what some might even interpret as “mission creep”, has also raised concerns and

questions, however. Erridge and McIlroy (2002) highlight the competing priorities for the public procurer, posing the question of if and how public procurers can reconcile commercial, regulatory and socio-economic priorities. This issue is taken up again by Erridge (2007) when he argues that commercial goals are overemphasised and what is needed is a concept of “public value” to be placed at the heart of procurement practice. Along similar lines, Pickernell et al. (2011) express concern over the “uneasy mixture” of public procurement policies in Britain wherein cost efficiencies compete with social policy objectives. Schapper, Malta, and Gilbert (2006) draw attention to a “conformance-performance tension”, suggesting that conformance to processes and regulations can potentially vitiate performance aspects like securing value for money. Cabras (2011) is also alert to the possible incongruence between the desire by the State and its organisations to secure the best price from suppliers and a simultaneously espoused desire to strengthen local supply chains and engender sustainable local economies. While public procurers may well be sympathetic to the goals of sustainable procurement, pressures to reduce costs can lead to a crowding out of anything apart from cost considerations (Preuss, 2007). “Regulatory ambiguity” as perceived by public procurers acts an impediment to sustainable procurement according to Morgan (2008, p. 1246). In such situations public procurers are inclined to eschew creativity and novelty in favour of tried, tested and standard approaches. On a similar theme, Loader (2007) surmises that what is required is an interpretation of “value for money” that incorporates criteria favourable to smaller suppliers – flexibility in service delivery and responsive to client need, for example. It is apparent from the literature, therefore, that as public procurement becomes more integrated into economic, social and environmental policies (or vice versa), its objectives and priorities are subject to growing debate and contestation.

SUSTAINABLE PROCUREMENT IN THE LOCAL GOVERNMENT SECTOR

That procurement in a local government context is increasingly talked about in reference to sustainability should come as no surprise. As Murray (1999) makes clear, the strategic goals of local government authorities are qualitatively different from other organisations, particularly private sector organisations. Inter alia, he finds that local economic development, tourism, environmental

stewardship, customer focus in service delivery, and political advocacy are the main foci of local authorities. Leading on from this, Murray in this and subsequent contributions (2000, 2001, 2001a 2007) claims a central role for procurement practices in supporting these corporate objectives. Hence, if the corporate objectives are themselves concerned with issues of sustainability – the sustainability of the local economy, the maintenance of a healthy living environment, and community cohesion, then procurement should logically reflect these aims. Likewise, Preuss (2007, 2009) and Walker and Preuss (2008) tease out the nexus between procurement and economic, social and environmental sustainability. Based on observations from 16 local authorities across the UK it is found that that economic sustainability is fostered through demand and supply side measures to accommodate locally based suppliers; social goals are supported through a willingness to procure from not-for-profit suppliers; and environmental sustainability is enhanced through phasing out the purchase of hazardous chemicals.

However, both Murray (2001) and Preuss (2007, 2009) acknowledge that there remains a considerable gap between the potential of procurement to influence local government objectives and its actual impact to date. Walker and Preuss (2008) suggest that resource limitations on the part of small suppliers as well as pressures from central government to aggregate contracts in the interests of cost savings collectively militate against sustainable procurement. Likewise, while Thomson and Jackson (2007) detect a level of progress made in incorporating environmental considerations into UK local authority procurement, they do not claim that such practice is embedded in everyday practice or behaviour. Failure to apply whole-life costing, a dearth of professionalism and skill, as well as a lack of political leadership go some way towards explaining why sustainable procurement is closer to rhetoric than reality in Morgan's (2008) estimation.

Fostering sustainability of the local economy and underpinning the local supply chain has arguably received most prominence from local government authorities. Walker and Brammer (2009) find this to be the case in their survey of 106 UK public sector organisations. They conclude that purchasing from small businesses and local suppliers is now well embedded across local government procurement practice. When set against the well documented

problems that small suppliers encounter when attempting to navigate the public procurement system (Anglund, 1999; Davis et al., 2012; Fee, Erridge & Hennigan, 2002; Greer, 1999; Kidalov & Snider, 2011; Loader, 2005; McManus, 1991), this suggests that progress is being made on the agenda for greater SME participation in the market for public sector contracts. Emphasis on one dimension of sustainability – engaging local suppliers and developing the local economy, does not have to come at the expense of either or both of the other sustainability dimensions (Nikake & Worrel, 2012). Instead of seeing the development of the local economy and environmental sustainability as discrete goals for public procurers, the same authors point to the synergistic outcomes that can be realised by combining local economic development goals with environmental goals so as to produce a “green” local economy. Murray’s (2000) overview of Belfast City Council’s procurement strategy is also instructive regarding the way in which environmental and economic sustainability goals can be integrated to encourage a local economic model that is sensitive to the environment at the same time as being conducive to entrepreneurship. Re-localizing the food chain is another way in which procurement stands to support economic, social and environmental goals (Morgan, 2008). Evidently, sustainability has made its way onto the agenda of public sector procurers. However, the small but growing body of research suggests that its application has been somewhat patchy and is not pursued in a systematic way.

METHODOLOGY

A longitudinal case study involving Kilkenny Local Authorities, Ireland (KLA) was initiated in 2011 as part of a larger public procurement research project. The research has as its focus the changing public procurement landscape in Ireland and, for the purposes of this case, sought to determine how public procurement policy influences sustainable public procurement practices at organisational level, and what factors facilitate or impede the translation of sustainable procurement policy into practice. KLA was identified as having recently re-configured its procurement function to make it more strategic and was in the process of initiating procurement approaches that would reflect best practice procurement, including sustainable procurement practices. It was therefore deemed suitable for the purposes of the research study.

Over a one year period three field visits were undertaken to KLA and relationships were fostered with Procurement Unit personnel. On each occasion the Procurement Unit as a whole was interviewed, and each interview was of 1 ½ - 2 hours in duration. Present during each interview was a Service Director (Finance) who also exercised overall responsibility for procurement, the Procurement Manager, and the Procurement Officer.

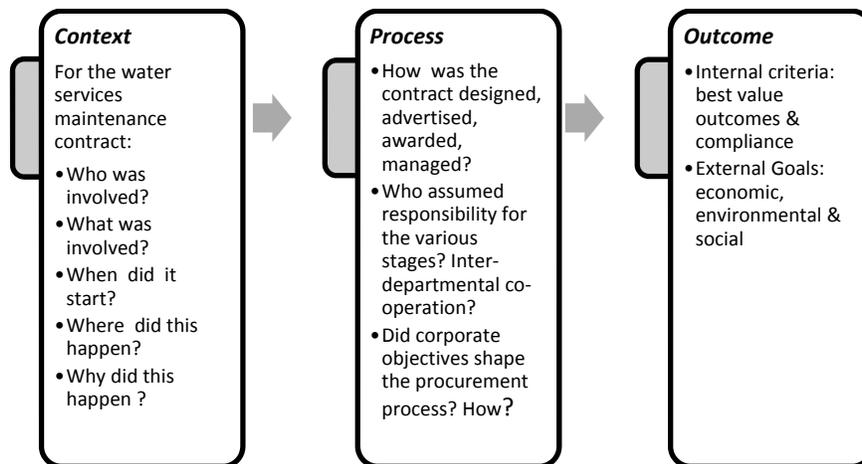
The initial field visit was exploratory in nature and aimed to form a broad impression of the structural re-organisation of procurement across KLA (including the establishment of a dedicated Procurement Unit), reform of procurement management processes, and the relevance of sustainability criteria (economic, social and environmental) to everyday procurement practice. Documents of relevance, such as KLA Corporate Strategy and KLA Corporate Procurement Plan were provided to the researchers at this initial stage. These documents were subsequently used to gain further insights into the changes that had occurred as well as the future goals of the Procurement Unit.

The initial field visit was also used to identify an impending competition for a public sector contract and to then follow it through from inception to award and post-contract management. The contract selected for this purpose was one for unscheduled water and waste water services maintenance. This contract was put out to open tender in 2011 for the first time and, in many respects, acted as a test case for KLA in implementing its avowed strategic approach to procurement. As part of its service remit to the people of Kilkenny, KLA is charged with maintaining 1,500km of water and waste water pipe networks at an approximate cost of €1 million per annum. The performance of this service contract is dependent not only on the satisfaction of proximate outcomes, namely value for money and regulatory compliance. It also has a direct bearing on the corporate goals of KLA, including quality service provision, supporting the local supply chain and minimising the impact on the natural environment through efficient water management.

The second and subsequent site visits focused on the unscheduled water and waste water services maintenance contract and analysed its various stages – contract design and specification, contract advertising, contract award, and post-contract management. A *Context-Process-Outcome Model* (Figure 1) was used in structuring

and making sense of the contract and its relationship to wider organisational goals and government policy objectives. In this way the researchers, using a case study approach, sought to explore the implementation of a more strategic and sustainable approach to local government procurement through a detailed examination of a water and waste water services maintenance contract.

FIGURE 1
Context-Process-Outcome Model



RESEARCH FINDINGS

Context: Making Procurement Strategic in KLA

The process of transforming procurement across KLA began in 2008 with the adoption of a Corporate Procurement Plan. Coming on foot of the identification of a significant performance gap in KLA procurement capacity, the Corporate Procurement Plan articulated a series of structural changes and procedural reforms designed to place procurement on a more strategic footing and better support KLA corporate objectives. Central to this change process was the establishment of a dedicated Procurement Unit, which assumed responsibility for purchasing activity across all KLA service areas in 2010, encompassing Housing, Roads, Water Services, Arts, Community and Enterprise, Fire Service, Higher Education, and

Environment. A specific Service Director was given overall procurement responsibility. In turn this gave rise to a sustained organisational focus on procurement.

Prior to the establishment of the Procurement Unit, each KLA service area exercised responsibility for its own procurement needs. Under this set-up the focus was very much on the transactional side of procurement rather than on strategic sourcing and planning. That procurement activity was dispersed across the organisation did not lend itself to consistency in procurement approach either. This had implications for organisational efficiency and compliance. It was these issues that the Procurement Unit was created to address. From here onwards all KLA procurement was to be centrally managed and coordinated by the Procurement Unit, with cost savings and enhanced compliance targeted.

Process: Contract Specification for Water and Waste Water Services Maintenance

Having previously been managed in-house, in more recent years KLA made the decision to use external contractors to carry out unscheduled water services maintenance. For approximately seven years three contractors were retained by KLA. Two of these three contractors were responsible for 95% of the contract work. While this arrangement proved effective in terms of cost and service quality, the contract specifications were never formalised nor had the contract been openly advertised on Ireland's national e-procurement portal. Against a backdrop of strategically managing procurement in KLA and institutional pressures to formalise and openly advertise contracts valued above €25,000, this was something that needed to be rectified.

In partnership with Water Services, the Procurement Unit devised a formal specification for the water services maintenance contract and, consistent with national guidelines on best-practice procurement, the contract was advertised on Ireland's public procurement portal. Prospective suppliers were requested to express their interest in the contract by filling out a Suitability Assessment Questionnaire. The Questionnaire contained minimum eligibility requirements pertaining to turnover, insurance cover, tax compliance, health and safety credentials and project supervisor credentials. This constituted the first stage of a two stage process. Suppliers who met

the minimum eligibility requirements were entered onto a framework agreement and were subsequently invited to tender by providing their hourly rates for the provision of labour, plant and machinery to carry out the unscheduled water services works. This represented stage two of the process. After evaluating the tenders, the contract was divided between four suppliers on a 35-25-20-20 percentage split. The lowest cost supplier was awarded 35% of work available in the first year (7 of every 20 contracts regardless of value), the supplier with the next lowest cost was awarded 25% of work available in the first year, and so on.

Before the contract was ever publicly advertised, a series of important decisions had to be taken by the Procurement Unit and Water Services. The first decision was “make or buy”. Analysis of cost and capability factors led to continuing with the policy of using external contractors. In other words, KLA would continue to buy in maintenance of unscheduled water services works. A decision also had to be made on whether to opt for a “winner takes all” approach or, alternatively, apportion the contract to several contractors as part of a multi-party framework agreement. The latter option was chosen as it was deemed consistent with supporting KLA corporate objectives – delivering high quality local services, fostering local economic development, and protecting the natural environment.

Outcomes: Internal Objectives – Value for Money and Regulatory Compliance

The decision to openly advertise the contract allowed for new contractors to bid in, which injected competition into the provision of water services works and, thus, greater choice for KLA. The way in which the contract is structured also lends itself to securing value for money. Successful contractors only have their rates fixed for one year before the contract is re-tendered. This enables KLA to exploit competition in the marketplace and ensure that tendered prices are reflective of prevailing market conditions on a year-by-year basis. KLA multi-party framework agreement has yielded annual cost savings of €120,000 from both negotiated and tendered savings.

Continuity of supply is a critical consideration for any procurement team. That there are four contractors involved in the provision of unscheduled water services maintenance helps to mitigate the risk of supply failure. It also keeps in check the power of any one supplier. In

this way KLA multi-party agreement is an exemplar of how local authorities specifically, and public sector organisations generally, can effectively “manage the market” to their own benefit.

In both its design and its advertising, the water services maintenance contract conforms to policy guidelines for facilitating small suppliers. From the outset, the Procurement Unit was mindful not to “over-spec” the contract and to accommodate small suppliers. Equally, the contract was advertised on www.etenders.gov.ie, which is Ireland’s national portal for public sector contract opportunities. Consequently, KLA has taken another step towards full compliance with the Irish regulatory regime.

External Considerations: Economic, Social and Environmental Sustainability

Four local suppliers qualified onto the framework for the provision of water and waste water maintenance works. Each contractor is guaranteed a minimum level of work for at least two years, with the possibility of the framework being extended for a third year. This arrangement helps to ensure that more than one locally based contractor remains in business and that more than one supplier has the capability and up to date expertise to undertake specialised water services maintenance in future years. With contracts totaling approximately €1 million annually, the fact that local suppliers were engaged for the purposes of this contract will undoubtedly have a multiplier effect on Kilkenny’s local economy.

The framework agreement is environmentally sustainable as it demands of suppliers faster service response times and high quality work standards; this helps to reduce the amount of water lost through leakage. There is also a good geographic dispersal in terms of the location of each of the four contractors. This helps to minimise the movement of vehicles and heavy duty machinery across Kilkenny County, reducing carbon emissions and noise pollution in the process.

Delivering high quality public services and remaining customer focused is at the heart of KLA mission. The procurement approach adopted for the water and waste water maintenance contract feeds into this objective and underpins the quality of life enjoyed by Kilkenny residents. One of the innovative features of the new contract

issued by KLA is the stipulation that contractors must be able to respond within two hours when emergency works are required. The effect is not only to reduce water leakage but also to minimise service disruption to households and local businesses. This high service standard is enforced by KLA having the power to apply sanctions to any contractor who fails on three or more occasions to respond to a call-out and be on site within two hours.

DISCUSSION

Researchers in the public procurement field have, with good reason, highlighted the oftentimes contradictory policies emanating from central government. For example, Preuss (2007) refers to the “twin pressures of efficiency and sustainability” confronting local authorities and Schapper, Malta and Gilbert (2006) point out the tensions that can so often exist between the goals of securing the best value for money versus complying with laws, regulations and national policies. These tensions have been voiced by public procurers and are acknowledged as an issue to be grappled with in attempting to make public procurement more effective (Glover, 2008). As with many other countries, local government authorities in Ireland are coming under pressure to realise even greater financial savings, in large part through aggregating contracts. On the other hand, local authorities are encouraged to use their procurement function in a way that supports local government objectives, including the development of the local economy, fostering community development and safeguarding the natural environment. What the findings of this KLA case clearly show, however, is that meeting internal procurement objectives need not come at the expense of sustainable outcomes, or vice versa. At the same time as €120,000 in savings was achieved and recently enacted State guidelines for local authorities was followed, a framework agreement that accommodates four local suppliers was put in place. Additionally, improved management and oversight of the water and waste water maintenance contract is having knock-on benefits for service delivery and even quality of life for the local population. Reduced water wastage is also leading to better environmental outcomes. In keeping with sentiments from other studies (Murray, 2000; Nijaki & Worrel, 2012), this case also demonstrates that sustainable procurement goals need not be mutually exclusive; in fact, quite the opposite is found. In seeking to minimise the amount of water lost through burst

pipes, KLA inserted a stipulation that contractors must be on site within 2 hours of notification. This stipulation had the effect of locally-based contractors qualifying onto the framework agreement.

That local suppliers are engaged for the purposes of this contract can also be expected to result in greater retention of money in the local economy. It has previously been shown by Cabras (2011) that locally-based suppliers and contractors have a much greater propensity to purchase locally compared to non-locally based suppliers. The framework agreement which KLA implemented helps to sustain the local supply chain in the construction sector. Apportioning a percentage of work available to four contractors is an attempt on the part of the procurer not only to maintain a critical level of capacity in the local supply market but also a critical level of capability among those same actors in the market. This finding has resonance with Caldwell et al.'s assertion (2005) that promoting a competitive market is within the power of public procurers. It also suggests that in many instances a "winner takes all" approach may neither be in the interests of the buyer nor the supplier. Moreover, localising your supply chain can act as a risk management strategy that helps to shield firms from external shocks of an economic, social or natural environment nature. Considering the heightened supply-side risks stemming from economic and geo-political volatility, not to mention climatic disasters, risk mitigation measures for the public sector could be bolstered by procurers engaging multiple suppliers through a framework arrangement as described in this case.

The drivers and enablers of sustainable procurement across the public sector have received scant attention by scholars. However, Preuss (2009) found that transparency, strategy, culture and risk management played an important role. In contemplating supply chain management innovation at local government level, Gianakis and McCue (2012) identify investment in information technology and partnering buyer expertise with supplier expertise as among the critical factors. In this case study it is observed that a range of interconnected factors – structural, procedural, human resource and attitudinal - are contributing to a more sustainable and strategic approach to procuring. In terms of structural changes, the adoption of a Corporate Procurement Plan in 2008 initiated the change process and served as the platform for future actions. The Plan explicitly set down the primary objectives of procurement and the way in which

these objectives fed into corporate goals. In other words, a link was established between KLA corporate strategy and the role of the procurement function therein. This finding complements Murray's (2001a) description of the repositioning of purchasing as a strategic function subsequent to the alignment of purchasing strategy with the strategic goals of a local council. Top management support is recognised as playing a key enabling role for the elevation of procurement in a local government context (Walker & Brammer, 2009). In KLA a Service Director was accorded responsibility for procurement across all KLA Divisions. This step ensured that procurement received greater attention and its potential as a value adding organisational function better appreciated. Leading on from this step was the creation of a dedicated Procurement Unit in 2010.

Structural changes begot procedural reform. Prior to the establishment of the Procurement Unit non-capital purchasing was carried out discretely by the various KLA Service Divisions. This dispersed, uncoordinated set-up militated against harnessing procurement strategically and made the performance indicators of value for money, compliance and policy coherence difficult to achieve. Countering this problem, the Procurement Unit was mandated to oversee all purchasing activity and ensure that all expenditure is justified in the first instance, value for money is obtained, the regulatory framework is respected, and the corporate objectives of KLA, including quality service delivery, local economic development and community enfranchisement, are best served. Each Service Division still maintains a role in procuring but this role operates in tandem with the Procurement Unit and within the KLA Corporate Procurement Plan.

The elevation of the procurement function in KLA is also evidenced by the fact that it is now a standing item on the weekly Management Team Meeting. Manifestly, the organisation has come to embrace the procurement function in more strategic terms and the prevailing organisational attitude to procurement has moved beyond a mere administrative, transactional function to one integral to corporate effectiveness. As the public procurement function grows in complexity, so the skill set of public procurers will have to adapt and upgrade to meet this challenge, so surmised McCue and Gianakis (2001). For KLA the knowledge, skills and attitudes of the Procurement Unit act as a critical success factor for sustainable

procurement practice. The Procurement Unit is comprised of two individuals with technical, legal and administrative expertise. A KLA Service Director with responsibility for procurement adds his expertise in finance as well as a postgraduate Master of Business qualification in strategic procurement. This repository of procurement expertise found expression in such actions as supplier engagement pre and post-tendering, a tender process that minimised the paperwork burden on suppliers, interfacing with the Water Services department from contract initiation right through to contract award and post contract management, and employing a novel framework approach to reconcile internal and external procurement goals.

Finally, it is not possible to understand the sustainable practices at play in KLA without mention of the policy environment in which it, as a local government authority, operates. As was described at the outset of this paper, Irish public sector organisations are under increasing pressure to leverage their procurement spend in pursuit of overarching policy trajectories associated with supporting small indigenous suppliers, encouraging innovation from this same enterprise cohort, and acting as a demand-side stimulant for a “green economy”. This is not surprising as procurement holds considerable potential to palliate some of the consequences of low growth and depressed economic circumstances (Murray, 2009). In this case study the Procurement Unit of KLA demonstrated a comprehensive knowledge of the policy environment and its relationship to formulating procurement strategies. If public sector organisations are, as Beyer, Stevens and Harrison (1983) label them, “policy implementers,” then procurer knowledge of the regulatory and policy environment will undoubtedly act as one of the key moderating variables on the extent to which such policy translates into practice. What is more, on the basis of this case study it can be tentatively suggested that policy measures pertaining to SME access and environmental stewardship can have a catalytic effect on local authority migration to more sustainable procurement practices.

CONCLUSION

Managing procurement strategically and in a sustainable manner has become a central theme of public sector reform in Ireland. Yet, little is known of what this means in practice and how it can be best achieved. The transformation of procurement in KLA presented in this

case overview, in particular the implementation of a multi-party framework agreement for water and waste water services maintenance, sheds light on what is possible when procurement moves from the transactional to the strategic. To date, annual operational cost savings of €1.4 million has been booked across KLA Service Areas and compliance with Irish State guidelines on all procurement expenditure is near total. As is evident in the water services maintenance contract, sustainability has assumed a central role in how procurement is undertaken in KLA. Not only is this contract a success in terms of value for money, a framework agreement is in place to sustain local supplier capacity and capability. Positive economic, environmental, quality of life and service level impacts have all flowed from this contract – an outcome that should be of interest to all public procurement stakeholders.

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NOTES

1. Central to efforts to managing procurement strategically across the Irish public sector was the establishment of the National Procurement Service (NPS) of Ireland. The NPS is mandated to create framework agreements from which public sector organisations are advised to procure with a view to realising cost savings. The NPS is also tasked with professionalising and up-skilling public procurers. Its remit and current strategy is set down in its Strategy Statement 2010-2012 (2009), National Procurement Service, Ireland.
2. Among the numerous reports which refer to public procurement as a policy tool to be leveraged in support of economic, environmental and social policy goals are (i) High Level Group on Green Enterprise, “Developing the Green Economy in Ireland” (2009), Department of Enterprise, Trade and Employment (ii) Forfas, “Making it Happen: Growing Enterprise for Ireland” (2010), (iii) National Economic and Social Development Office,

“Promoting Economic Recovery and Development in Ireland” (2012, No. 125).

3. In 2010 the Irish Department of Finance issued Circular 10/10 “Facilitating SME Access to Public Procurement” to all public sector organisations. This contains a range of measures designed to make public procurement more SME-friendly, principally by addressing barriers that are thought to inhibit SMEs from competing for public sector contracts.

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