

EXPLORING DIFFERENCES IN THE AMERICAN STATES' PROCUREMENT PRACTICES

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ABSTRACT. This exploratory article examines the issue of state government procurement. It uses original survey data to create a measure of reformed state procurement practices, as suggested by the literature, and explores the ability of several variables from the state policy literature to explain observed differences in state procurement. Findings suggest that the states' procurement practices possess varying degrees of reform characteristics, that interest group diversity, legislative professionalism, results-oriented management, and regional effects each have significant relationships to state procurement practices, and that several "classic" explanations of state policy are not significantly related to state procurement practices. One implication is that procurement, like other forms of state administrative policy, may not be readily explained by widely utilized theories of state policy.

INTRODUCTION

Government spends a lot of money. This simple observation holds no matter which level of government -- federal, state, or local -- one is talking about. In fiscal year 2000, for example, the federal government's total non-defense consumption and gross investment (i.e., total purchasing) was \$199.4 billion, while the combined level for state and local governments totaled \$1.031 trillion (Bureau of Economic Analysis 2001). And, despite signs of modest declines in recent years, government's collective purchasing still accounts for nearly one-fifth of the nation's gross domestic product (Thai & Grimm, 2000).

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In addition to its scale, the scope of government purchasing is equally impressive. In early times, a limited and routine role for government meant that procurement was confined to relatively routine purchases; but, as the scope of government has grown more complex, so too have the goods and services purchased (NASPO, 1999; Kelman 1990; Pettijohn & Qiao, 2000). Together, the amount of purchasing done by government and the increasing complexity of its purchases have served to focus attention on the procurement function (Zenz, 1994; MacManus, 1996).

The increased scrutiny procurement is receiving is warranted in light of the relationship between government procurement and performance. All public agencies, regardless of size or level of government, require the purchase of goods and services to support their functions (Thai & Grimm, 2000). As the National Association of State Procurement Officials (NASPO) puts it, ". . . the role that public procurement plays within the executive branch is more and more strategic to the success of government purposes" (NASPO, 1997, p. 2). If the procurement function fails to deliver quality goods and services, in a timely fashion, and at an economical price, then the performance of government suffers.

Despite the importance of procurement to government performance, and despite the recent litany of calls to deregulate, decentralize, and/or reinvent procurement (e.g., Kelman, 1990; Horner, 1988; Winter Commission, 1993; National Performance Review, 1993a, 1993b), not a lot is known about procurement reform, especially at the state and local levels. While federal legislation like the Federal Acquisition Streamlining Act (1994) and the Federal Acquisition Reform Act (1996) and recent accounts of their effects (Gore, 1996; Kelman, 1998; Holmes, 1995) attest to significant procurement reform at the federal level, similar knowledge of subnational activity is lacking. More to the point, ". . . state and local government procurement systems are in the throes of change but the exact scope of it and its effects are unknown (NASPO, 1997, p. 3).

Therefore, this article examines (1) the extent to which state procurement systems possess certain reform characteristics (e.g., deregulation, decentralization), and (2) the relationships between state procurement practices and state policy variables. The goal of the research is not to develop a full-blown model of state procurement practices; rather, it is to examine the utility of widely recognized state policy determinants to understanding state procurement. After briefly discussing the traditional approach to procurement and recent calls for

reform, the article describes state procurement practices and explores factors related to interstate variation in procurement.

TRADITIONAL APPROACH TO PROCUREMENT

Like many administrative systems in the public sector, procurement traditionally has been a centralized, highly-regulated function. Such centralization and regulation are thought to be, from the traditional paradigm, "fundamental" to the achievement of procurement's classic goals: efficiency, economy, equity, and integrity (Kelman, 1990; NASPO, 1997; McCue & Pitzer, 2000). The simultaneous pursuit of these goals is exemplified by the hallmark of traditional procurement, full and open competition. Full and open competition lowers prices -- thus promoting economy -- ensures equity by providing universal access to procurement opportunities, and protects integrity by virtue of its openness and fullness, making bribery and corruption more difficult (Kelman, 1990, pp. 11-15).

To students and practitioners of the public sector's administrative systems, the evolution of procurement has followed an all-too-familiar path.¹ Whenever a procurement scandal occurred, the seemingly automatic response was to impose additional regulatory controls (Kelman, 1990; Peters, 1996). The resulting "upward statutory ratchet" (Kovacic, 1992, p. 31) or "death spiral" (Kelman, as quoted in Shoop, 1994) served to create a constraining environment for carrying-out the procurement function. Still, it is important to remember that this occurred as an unintended consequence of promoting traditional procurement values. And, to be sure, centralized control and detailed regulation of procurement have achieved their intended purposes: procurement systems work reasonably well in terms of promoting fairness and equity, and procurement scandals are actually quite rare (NPR, 1993b; Ban, 1995). But, as will be discussed, an emphasis on certain values can come at the expense of others.

Problems with the Traditional Approach and Calls for Reform

With the advent of reinventing government in the 1990s, and with the ever-increasing demands for government performance, the traditional model of procurement has become a target for reform. Increasingly, reformers have looked to the *systems* of administration in search of ways to improve government performance. The idea is very simple: By

improving administrative systems (e.g., procurement, personnel, financial management) and by letting "managers manage," government performance will improve. In the past, the story of the \$400 hammer or some other sensational procurement scandal was taken to be a problem with the procurement system: In short, additional regulatory control was needed (Kelman 1990). On the other hand, "deregulators" (Dubnick, 1994) and "reinventors" (Osborne & Gaebler, 1992) would argue that what is more disturbing than sensational, isolated examples of procurement blunder are the inefficiencies and the ineffectiveness layered throughout the procurement function:

If by making corruption virtually impossible we also make quality performance virtually impossible, have we done a good thing (Osborne and Gaebler, 1992, p. 137)?

The problem with the current [procurement] system is that public officials cannot use common sense and good judgment in ways that would promote better vendor performance. I believe that the system should be significantly deregulated to allow public officials greater discretion. I believe that the ability to exercise discretion would allow government to gain greater value from procurement (Kelman 1990, p. 1).

As these statements demonstrate, current discussions of procurement and calls for its reform recognize that a centralized, regulatory focus entails costs (MacManus, 1996) and may undermine government performance. As Kelman (1990, p. 102) states, "People must realize that the current system exacts a significant cost in performance -- in quality, innovativeness, and even prices."

The evidence supporting Kelman's position is impressive. Transactional costs, for example, are increased by procurement regulations since governments must hire personnel to interpret statutes and regulations and to ensure regulatory compliance by agencies (Kovacic, 1992). Similarly, regulations exact costs on those firms wishing to do business with government. In fact, evidence suggests that the high costs and hassles of dealing with government procurement regulation deter many firms from doing business with government (Kovacic, 1992; MacManus, 1996, 1991; Horner, 1988). This, in turn, can result in higher prices (i.e., less economy) for government as a shrinking pool of firms vying for government's business may undercut competitive pricing. Set-aside provisions (e.g., for local-, small-, and or

minority-owned businesses) are another form of regulation that imposes costs. Such provisions are viewed by many as being expensive to administer (Denes, 1997) and impediments to competition (e.g., NASPO, 1997). Finally, temporal costs are an issue: "Procurement contracts for work and equipment take so long to execute and require so many levels of "clearance" that technology is frequently out of date by the time it arrives or else it doesn't match equipment in other units. Outstanding contractors are lost because they can't wait or don't meet often unreasonable requirements" (Horner, 1988, p. 35). The following excerpt from the NPR (1993b, p. 1) succinctly captures the argument against many traditional procurement practices:

Excessive bureaucracy and the inability to do smart buying result in high administrative costs that, in turn, adversely affect the timeliness, quality, and price of purchased items. Additional effects include stifled innovation, lower mission performance, and missed chances for lowering total life-cycle costs.

It is worth noting that such characterizations gain a measure of credibility due to the contemporary environment in which public agencies operate. According to NASPO (1999), the current environment is shaped by a number of powerful forces, including the following:

- The dynamic and rapidly diversifying marketplace.
- The new global economy and marketplace.
- The continuous pressure to downsize staff and/or operations.
- The increase in customer service demands.
- The explosion in information technology.

In short, the problems described above represent a perceived mismatch between what the contemporary environment demands from public agencies and what traditional procurement systems enable them to deliver.

A "Reformed" Approach To Procurement

Given the problems identified with traditional procurement practices, what types of reform have been suggested? Generally speaking, most proposed reforms seek to deregulate and decentralize procurement, with the goal being more flexibility on the part of agencies and managers to meet their respective service demands (Gianakis & Wang, 2000; Thai &

Grimm, 2000). Take, for example, the Winter Commission (1993, p. 35), which as a part of its broad recommendation to deregulate state and local government offered some specific recommendations for procurement reform:

- An emphasis on quality and results over cost (e.g., create clear incentives for quality work and penalties for poor work, do not allow cost to be the overriding purchasing criterion).
- A process streamlined enough to keep pace with new technology and procedures (e.g., raise thresholds for noncompetitive bidding, allow managers the flexibility to make faster decisions, award multiple open-ended contracts).
- A minimum of paperwork (e.g., reduce multiple reviews and justifications).
- A single-signature policy on small purchases (e.g., give employees flexibility to make small purchases without clearances, eliminate requirements for centralized purchasing of common office supplies).

These same general themes pervade the National Performance Review's *From Red Tape to Results: Creating a Government that Works Better and Costs Less* (1993), and the accompanying report, *Reinventing Federal Procurement* (NPR, 1993b). The latter of these reports sets out a variety of specific procurement reform strategies (twenty, to be precise) under the following thematic headings:

- Move to Guiding Principles from Rigid Rules,
- Get Bureaucracy Out of the Way,
- Center Authority and Accountability with Line Managers,
- Create Competitive Enterprises,
- Foster Competitiveness, Commercial Practices, and Excellence in Vendor Performance.

Obviously, the recommendations of both the Winter Commission and the NPR reflect a preference for a substantially deregulated and decentralized procurement function (MacManus, 1996). Proponents argue that following such an approach holds the promise of improving administrative performance by reducing personnel costs associated with procurement (e.g., fewer centralized procurement employees), by lowering the burdens placed on vendors (thereby lowering the costs of

goods and services government purchases), and by injecting some "common sense" (Howard, 1994) into procurement.

REFORMED PROCUREMENT PRACTICES IN THE STATES

There is little questioning that the recommendations of the Winter Commission and the NPR, along with the broader push to reinvent government, have given momentum to procurement deregulation and decentralization (MacManus, 1996). As noted in the introduction, however, the exact scope of change is unknown, particularly at the subnational level (NASPO, NASIRE, and NASDAGS 1998; NASPO, 1997).

In an attempt to gain a better understanding of whether these reform ideas have impacted state procurement practices, a survey was mailed to each state's chief procurement officer. Names and addresses of the states' chief procurement officers were obtained directly from the National Association of State Procurement Officials (NASPO). The survey was administered in late Winter and early Spring of 1998. Following the original survey mailing and two follow-up mailings, responses were received from 49 states. The survey contained dichotomous choice (i.e., yes/no) items related to the types of procurement reform depicted in the literature and in the various recommendations of national administrative reform commissions.² Respondents were simply asked to indicate whether their states' procurement systems possessed certain reform characteristics. The survey results are presented in Table 1. The figures in the table reflect the number (and rounded percentages) of respondents indicating the presence of a given characteristic/practice in their respective procurement systems. For convenience, the table is arranged in descending order, with the most widely present characteristics listed first.³

As Table 1 demonstrates, many of the practices recommended by procurement reform advocates were manifest in state procurement systems at the time of the survey. For example, nearly all of the respondents (90%) indicated that their states allow agencies to enter cooperative purchasing arrangements and a sizable proportion (73%) allow agencies to "piggy-back" onto the existing contracts of other agencies. Arrangements such as these allow state governments to enjoy

TABLE 1
Indicators of Reformed Procurement in the American States

Indicator	N (%)
Agencies can enter cooperative purchasing agreements with one another	44 (90%)
Allow purchases based upon "value" or "quality" over lowest price	37 (76%)
Utilization of problem-oriented bid specifications	37 (76%)
Consideration of vendors' past performance	36 (73%)
Agencies can "piggy-back" onto existing contracts held by other agencies	36 (73%)
Use of state procurement cards	33 (67%)
Elimination of quotation/bid requirements for small purchases	33 (67%)
Agencies can by-pass contracted vendors if they cannot meet agency-defined needs	31 (63%)
Increased thresholds for purchases requiring bids	31 (63%)
Agencies with proven performance can receive higher levels of procurement authority	30 (61%)
Elimination of "buy-local" preferences	29 (59%)
Agency-level decision-making for information-technology purchases	27 (55%)
Reduction in hierarchical clearances for purchasing	27 (55%)
Agencies can conduct procurement electronically	26 (53%)
Agencies can "pre-qualify" vendors	26 (53%)
Elimination of minority-owned business preferences	19 (39%)
Elimination of requirements to publish procurement notices in print outlets	17 (35%)
Streamlined procurement protest/appeal regulations	17 (35%)
Purchasing from lowest price vendors allowed, even if not on state contract	17 (35%)
Waivers available for agencies to develop in-house procurement	11 (22%)
Elimination of requirements for central purchasing of common office supplies	06 (12%)
Agencies can formulate/alter evaluation criteria after receiving bids/proposals	05 (10%)

Notes: Figures (i.e., numbers and rounded percentages) represent those states indicating the presence of the respective items/characteristics in their state procurement systems. As indicated in the article, each item is considered an indicator of reformed procurement practices.

economies of scale and reduce administrative expenses (MacManus, 1996). Similarly, strong majorities allow the use of problem-oriented bid specifications, the consideration of vendor's past performance when awarding contracts or making purchases, and vendor selection based upon value or quality over cost. From the standpoint of procurement reform advocates, these practices are favorable to traditional procurement practices because agencies cannot always know in advance the exact specifications for their purchases (particularly in the area of information technology). Past vendor performance can be a good predictor of future vendor performance, and it is not always wise to purchase based on price alone (Kelman, 1990; MacManus, 1996). Finally, a majority of states utilize electronic procurement, which can greatly speed up the procurement process (MacManus, 1996), and a majority use state procurement cards, which can greatly reduce administrative costs.⁴

On the other hand, several items listed in Table 1 are not commonly found in state procurement systems. For example, doing away with centralized purchasing for common office supplies, granting waivers for agency development of in-house procurement systems, and allowing agencies making purchases to formulate or reformulate evaluative criteria after the receipt of bids or proposals are all relatively uncommon practices in the states. Also, it is worth noting that several years after the Supreme Court's decisions in *Adarand Constructors, Inc. v. Peña* (1995) and *The City of Richmond v. J. A. Croson Co.* (1989), only 19 states indicated that they had eliminated minority set-aside programs.⁵

In sum, the survey results provide empirical support for the position that state governments' procurement practices contain elements of deregulation and decentralization favored by reformers. However, the results also suggest considerable variation in state procurement practices.

Examining Variation in State Procurement

While the data presented in Table 1 are informative and speak directly to the presence of "reformed" procurement practices, a more important question centers on accounting for the observed interstate variation (Frant, 1992). In other words, why do some states possess procurement practices that comport with what reform advocates have called for, while others do not?

Attempting to answer this question is complicated by the lack of empirical research on state procurement. Despite the vast sums of money spent by state governments and the general perception that changes in state procurement are occurring, there seems to be support for MacManus and Watson's (1990) assertion that procurement has largely been ignored by public administration (see also MacManus, 1991; Thai & Grimm, 2000). As a result, little is known about the variation in state procurement systems, much less the factors that might account for it. Given this and the exploratory nature of this research, it seems reasonable to draw upon widely utilized explanations of interstate variation from the broader state policy literature to augment the relatively nascent research on state procurement. Accordingly, hypotheses derived from several "classic" state policy variables (Berry, 1994a) and from the limited work on state procurement policy are specified below.⁶

First, two variables operationalizing important political characteristics of the states -- state interparty competition and legislative professionalism -- are examined. Since procurement reform, like other administrative reforms (Nigro & Kellough, 2000; Rosenbloom, 1993; Caiden, 1994), attempts to alter existing structures of power and influence, it stands to reason that state political factors will be directly related to procurement. To test for this, a folded Ranney index of state interparty competition is included (Bibby & Holbrook, 1999, p. 95).⁷ Since reforming procurement is touted as a way to improve the performance of government, and since efforts to improve government performance are likely to be important in competitive settings, the hypothesized relationship between interparty competition and procurement is positive:

H₁: Greater levels of state interparty competition are related to greater levels of reformed procurement practices

Also included is a measure of legislative professionalism (Squire, 1992). Previous research has found positive relationships between legislative professionalism and the adoption of various state policies and administrative reforms. Professional legislatures have a greater capacity (e.g., more staff resources, longer sessions) to evaluate administrative programs and policies and to study ways to improve administration (Elling, 1999; Rosenthal, 1996). Following this logic, more professional legislatures should have a greater capacity to evaluate and comprehend reforms altering the traditional procurement model. Moreover, more

professional legislatures should be better able to assume any additional legislative oversight roles that might be necessitated by relaxing centralized regulatory (i.e., bureaucratic) controls. Given this characterization, a positive relationship is expected:

H₂: Greater levels of state legislative professionalism are associated with greater levels of reformed procurement practices

Two hypotheses related to the influence of the states' socioeconomic conditions⁸ on state procurement will also be tested. State policy researchers have demonstrated the importance of socioeconomic factors to a variety of state policy initiatives. One commonly used variable, per capita income, measures the relative wealth of the states. Previous characterizations generally suggest that financially secure/sound jurisdictions are more likely to adopt policy initiatives and innovations, including administrative innovations (Berman, 1994; Berry, 1994b). In the case of procurement, wealthier states should have the "slack resources" needed to implement procurement reforms like deregulation and decentralization (Gianakis & Wang, 2000). Thus, the hypothesized relationship is a positive one:

H₃: Higher state per capita income is associated with greater levels of reformed procurement practices

The second socioeconomic variable -- the final "classic" variable-- examined is the percentage of residents living in urban areas. Previous research in the state policy literature has found positive relationships between this socioeconomic variable and policy adoption and innovation. Since greater urbanization creates increased demands for government services, it seems reasonable to assume states with greater service demands (i.e., more urbanized states) stand to benefit the most from reforms in procurement practices. Thus, the hypothesized direction is positive:

H₄: Greater percentages of urban population are associated with greater levels of reformed procurement practices

In addition to these hypotheses of familiar state policy variables, several other variables that hold specific theoretical relevance to procurement reform will be assessed. First, given that interest groups have long played a major role in state policymaking (Thomas & Hrebner, 1999) and that procurement represents a policy subsystem (Sinclair, 2000), state interest group activity should be related to state procurement

practices. Indeed, evidence suggests that participants in the government procurement arena have been debating reforms for more than two decades (Sinclair, 2000). Obviously, businesses have vested interests in procurement, as state governments represent a sizable market for the selling of goods and services (MacManus, 1996; Celic, Voich, Nosari, & Stith, 2000). Since many businesses tend to view government procurement processes as too arcane, complex, expensive, and confusing to warrant going after government's business (MacManus, 1996; Kovacic, 1992), many businesses should applaud -- if not actively pursue -- efforts to streamline state procurement practices. On the other hand, other groups have vested interests in protecting various procurement provisions. Minority-owned and locally-owned businesses, for example, potentially benefit from procurement regulations that offer preferences. Similarly, environmental groups have an interest in "green" regulations that encourage purchasing recycled goods. In all of these cases, some interests stand to benefit from special procurement provisions; yet, from the procurement reform perspective, these special provisions represent regulatory barriers to competition which potentially undermine efficiency, economy, and effectiveness (MacManus, 1996).

Given the diversity of interests represented in procurement, a variable measuring the relationship between procurement and interest group diversity in a state is included in the analysis. The measure is a Herfindahl index of state interest diversity (Gray & Lowery, 1996, p. 98). Higher scores on this measure are associated with lower levels of state interest group diversity. One can expect that states with relatively homogenous interest group populations have a better chance to effect desired change on procurement policy. Following this rationale, the expected relationship between the interest group diversity variable and state procurement practices is positive:

H₅: Lower levels of state interest group diversity (i.e., higher scores on the diversity measure) are associated with greater levels of reformed procurement practices

The analysis also includes a variable that taps into the administrative characteristics of state government. Since it places responsibility and accountability for results at the line agency/management level, a results-orientation for state administration should be a prerequisite to deregulated and decentralized procurement practices (Gianakis & Wang, 2000). Therefore, the "managing-for-results" grades assigned to the

states by Syracuse University's Maxwell School and *Governing* as part of their Government Performance Project (Barrett & Greene, 1999) are operationalized⁹ and included in the analysis. Since higher grades are associated with more results-oriented management, the expected relationship is positive:

H₆: Higher managing-for-results grades will be associated with greater levels of reformed procurement practices

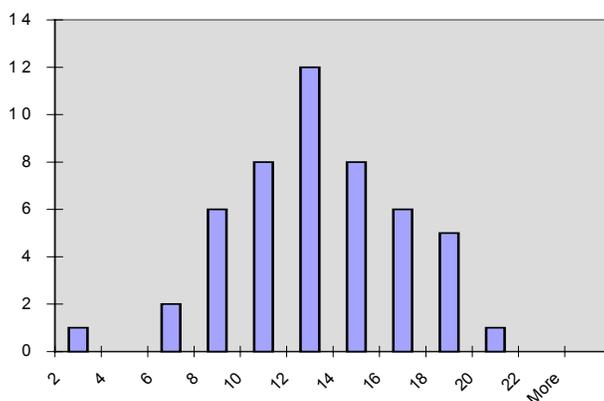
Finally, dummy variables are examined to test for the possibility of regional differences in state procurement practices. Regional differences, which reflect differences in the states' political cultures (Erikson, Wright & McIver, 1993), have been observed in a number of policy areas. When it comes to government spending on social programs, for example, states in the West and South typically spend the least, those in the Northeast spend the most, and those in the Midwest spend at levels close to the national average (Schneider, 1993). However, given the lack of any clear a priori expectations about the exact nature of regional patterns in procurement, such directional predictions are unjustified. Therefore, the hypotheses tests for the West, South, and Northeast regions (the Midwest will serve as the omitted reference category) are non-directional:¹⁰

H₇: State procurement practices vary by geographic region

Examining these hypothesized relationships requires a measure of the reform dimension of state procurement practices. In this research, a summated rating scale representing the "reformed" approach to state government procurement practices is used. The scale consists of the items listed in Table 1, each of which is considered an imperfect indicator of the procurement reform concept. Summated rating scales assume that such imperfections are attributable to random measurement error; thus, these errors tend to cancel out when items are combined resulting in a reliable composite measure (Jacoby, 1991; Spector, 1992). In the current research, the scale of reformed procurement practices in the states has an acceptable level of internal reliability as evidenced by a Cronbach's alpha coefficient of .69 (Spector, 1992). In other words, the scale succeeds in tapping into the underlying, but directly unobservable, reformed procurement dimension.¹¹

Since the survey data used to create the state procurement scale are dichotomous, a state's score is equivalent to the number of reform

FIGURE 1
Histogram of a Reformed State Procurement Practices Scale



Notes: The numbers on the X axis are values on the scale of reformed state procurement practices used in the analysis. The numbers on the Y axis are frequencies (i.e., number of states). Summary statistics for the scale are: Mean, 11.73; Median, 11.0; Maximum scale value, 22; Maximum observed value, 19; Minimum scale value 0; Minimum observed value, 2; Standard deviation, 3.68; N = 49.

characteristics present in that state's procurement system. Higher scale scores represent states possessing more procurement reform characteristics relative to the other states. Figure 1 displays the distribution of state scores on the procurement scale and provides summary statistics.

Analysis

The effects of the independent variables on state procurement practices are estimated using ordinary least squares. The results are presented in Table 2. The R^2 of .374 indicates that the regression model accounts for well over one-third of the variance in the scale of state procurement practices. While this suggests a moderate amount of overall explanatory power, it is important to recall that the current research is focused on examining hypothesized relationships, not on providing a comprehensive representation (model) of state procurement practices.

TABLE 2
Influences on Reformed State Procurement Practices

Independent Variables	OLS Coefficient Estimates	Standardized Coefficient Estimates
State Interparty Competition	-1.902 (6.389)	-.044
Legislative Professionalism	10.898*** (4.230)	.428
Per Capita Income	0.00001 (0.00024)	.009
% Urban Population	-0.024 (0.035)	-.137
State Interest Group Diversity	94.691* (63.632)	.230
Managing-for-Results	1.000* (0.642)	.218
Regions:		
Northeast	0.913 (1.593)	.097
South	3.154** (1.397)	.406
West	3.864*** (1.351)	.467
Intercept	-4.394	
R²	.374	
F-Ratio	2.588**	

Notes: Entries are coefficients estimated by ordinary least squares. Numbers in parentheses are standard errors. Tests for statistical significance are directional for all variables except for the regional variables. N = 49.

Coefficient is significant at the .10 level (*)

Coefficient is significant at the .05 level (**)

Coefficient is significant at the .01 level (***)

Looking first to the "classic" explanations of state policy, the coefficient that really stands out is that of legislative professionalism variable. The coefficient estimate indicates a significant, positive relationship between legislative professionalism and the states' procurement practices. More precisely, a one-unit change in legislative professionalism is associated with an increase of almost 11 points in the

state procurement scale. Substantively, this finding suggests that states with more professional legislatures, that is those states having the capacity to more fully consider administrative reforms and oversee administrative operations, are much more likely to have the deregulated, decentralized procurement practices favored by reformers.

Unlike legislative professionalism, the remaining classic variables in the model do not have significant relationships to state procurement scores. The coefficient for state interparty competition shows a very weak relationship, and the coefficient's sign is in the opposite of the hypothesized direction. The relationship between procurement practices and per capita income is similarly weak. Here, the coefficient is in the hypothesized direction, but falls well short of statistical significance. More directly, there appears to be no relationship between the relative wealth of a state and the levels decentralization and deregulation present in procurement. Finally, the coefficient for percentage urban population indicates no strong relationship between state urbanization and state procurement practices. Urbanized states, with their higher service demands, appear no more likely to deregulate and decentralize their procurement systems than non-urbanized states.

In contrast to the results for the classic state policy variables (i.e., with the exception of legislative professionalism), the remaining variables in Table 2 demonstrate strong relationships with the dependent variable. The coefficient for state interest group diversity indicates a positive, statistically significant (albeit at the .10 level) relationship to state procurement practices. Since higher numbers on the interest group diversity variable are associated with *lower* levels of diversity, the coefficient indicates that states with lower amounts of interest group diversity are associated with higher procurement scale scores. There is a straightforward interpretation for this finding: Given the dynamics of interest group activity in the procurement policy subsystem, less diversity of interests means less controversy, conflict, and compromise. The resulting relationship in the area of procurement appears to be a greater likelihood to depart from traditional procurement practices.

Significant results were also obtained for the hypothesized relationship between the results-orientation of state government and state procurement practices. States with better managing-for-results grades have, on average, higher scores on the procurement scale. More precisely, the coefficient shows that a one-unit increase in the results-

orientation of state governments (i.e., a one grade level increase in the managing-for-results grade) is associated with a one unit increase in state procurement scores. This finding supports an intuitively pleasing theoretical argument: states stressing results (i.e., performance) are more likely to give agencies and managers the flexibility (i.e., to have deregulated and decentralized procurement practices) needed to perform.

Finally, the coefficients reported in Table 2 suggest the presence of strong regional differences in state procurement practices. In fact, the standardized coefficients suggest that two regional variables, the West and South, have among the strongest relationships to procurement practices. In comparison to the Midwest reference region, these two regions have significantly greater procurement scale scores. The coefficient for the Northeast shows that the region has slightly higher scale scores than the Midwest, though the difference is not statistically significant. Generally, these differences attest to the presence of regional differences in general views toward government. Using Elazar's (1984) logic, it appears that reformed procurement practices are more likely to be found in those regions (i.e., the West and South) where there is a concentration of either the moralistic or traditionalistic political culture. Moralistic states, many of which are found in the West (e.g., California, Oregon, Washington, Idaho, Montana, etc.), tend to have more positive views toward government, so they would be more willing to accept procurement practices that serve to empower government workers. On the other hand, traditionalistic cultures, which are concentrated in the South (e.g., Florida, Georgia, South Carolina, Virginia, etc.), may be more willing to empower administrators, but for reasons that diverge sharply from those of moralistic cultures. In particular, the traditionalistic culture tends to favor less bureaucracy and seeks to preserve traditional channels of power and influence. Since decentralizing procurement and removing/relaxing procurement regulation serves to reduce bureaucracy, and since many procurement policies targeted for elimination by reformers have social policy implications (e.g., minority set-asides promoting minority opportunity), it makes sense that, on average, these states would more fully embrace the types of procurement practices contained in the dependent variable. Generally, these results demonstrate the importance of regional considerations to state procurement practices.

IMPLICATIONS AND CONCLUSIONS

As is the case with other forms of administrative reform (e.g., Brudney, Hebert & Wright, 1999), the results of the foregoing analysis suggest that broad calls for procurement deregulation and decentralization have not had a sweeping impact on state procurement practices. This general conclusion corroborates recent findings on the specific area of procurement decentralization (Gianakis & Wang, 2000; McCue & Pitzer, 2000). While it is true that several states possess procurement systems and practices reflective of what reform advocates have called for (as evidenced by higher scale scores), considerable variation remains.

By offering an account for the observed variation in state procurement practices, this article takes an initial step toward arriving at a better understanding of the factors related to the differences in state procurement systems. Given its exploratory nature, the article contributes a starting point for understanding the factors related to differences in the states' administrative systems. Importantly, the results for several of the hypotheses tested suggest that the factors related to administrative policy may differ from those of other substantive policy areas (e.g., welfare). This was particularly evident in the lack of explanatory power provided by several classic state policy variables (i.e., interparty competition, per capita income, urbanization). More broadly, the findings reported here add to the research suggesting important distinctions between determinants of administrative and substantive policy (Berry, 1994b).

For practitioners, the article's findings point to the importance of understanding the dynamics of a state's procurement interest group subsystem. Indeed, as Sinclair (2000) asserts, state procurement officials, by understanding the constellation of interests at play, may be better able to foresee and adequately respond to changes in their operating environments. The results of this analysis suggest that a more diverse state interest group population may act to retard the adoption of procurement reforms. Again, this is not terribly surprising, as some groups will be supportive of modification to procurement practices while others (e.g., groups representing minority- or locally-owned businesses, environmental groups, local business groups) may have reason to oppose them. So, for procurement officials wishing to effect change on state procurement practices, having an appreciation for the preferences and

activities of state interest groups seems imperative: These diverse and oftentimes divergent interests can have profound implications for state procurement.

Similarly, legislative professionalism's significant positive relationship to reformed procurement practices suggests that legislative bodies who have the wherewithal (i.e., temporal, staff, and financial resources) to understand the rationale behind administrative changes and to oversee the implementation of such changes are also the ones most apt to adopt them. Where such conditions do not prevail, it may be incumbent upon administrative reform advocates -- including, in the present case, procurement officials -- to educate legislative bodies so that the potential benefits can be more readily understood. Here, again, this might entail the mobilization of supportive state interests and/or demonstrating instances of procurement success attributable to specific reformed procurement practices from other states and localities

In sum, procurement practices currently employed -- to varying degrees -- by the states represent a break from traditional procurement practices. Yet, the desire on the part of politicians, practitioners, and the general public to improve government performance suggests that pressure to adopt new administrative approaches will continue to mount. However, removing centralized regulations that serve symbolic functions (e.g., "government acts fairly," "bureaucrats are being controlled"), promote social policy (e.g., minority opportunity), or upset established subsystems is no easy task. In order to justify such changes, the benefits (potential or real) must be clearly established. Moreover, decentralizing procurement authority entails new roles and responsibilities for both line agencies and for central procurement offices. Replacing central procurement offices' traditional control-orientation with a service-orientation while encouraging line agency managers to responsibly exercise newfound discretion represents procurement's newest, perhaps greatest, challenge.

NOTES

1. For more complete discussions of public procurement history, see Thai and Grimm (2000) and, especially, Kelman (1990).
2. Among the sources used to identify the reform-related procurement characteristics/practices for the survey were: *Procurement and Public Management: The Fear of Discretion and the Quality of*

Government Performance (Kelman, 1990); *Hard Truths/Tough Choices: Agenda for State and Local Reform* (Winter Commission, 1993); *From Red Tape to Results: Creating a Government that Works Better and Costs Less* (NPR, 1993); *Reinventing Federal Procurement* (NPR, 1993b); *Buying Smart: State Procurement Saves Millions* (NASPO/NASIRE, 1996); and, *Deregulating the Public Service: Can Government Be Improved?* (DiIulio, 1994).

3. Listing the items in descending order might seem to indicate some systematic structure underlying the adoption of particular procurement practices. For example, some items might be easier to adopt, politically, relative to others. However, a Mokken scaling analysis -- which would detect the presence of such a latent dimension -- found no evidence of such structure in the data.
4. The cost of processing a single purchase order has been estimated to range from \$15 to \$50 by Zenz (1994) and \$75 to \$100 by NASPO (1997, 118). By either estimate, the use of procurement cards—which are issued by major banks who centrally bill jurisdictions—has the potential to produce substantial savings in administrative overhead.
5. The *Adarand* and *Croson* cases place the use of minority set-aside programs under the strict scrutiny standard. In other words, a government utilizing race-based set-aside provisions must demonstrate that it is doing so to meet a compelling government interest and that the provision in question is narrowly tailored to meet its objectives. For good discussions see Rice and Mongkuo (1998); and Celec, Voich, Nosari, and Stith (2000). The fact that such set-aside provisions endure suggests the importance of other political values (e.g., equity, representativeness) in the area of procurement policy.
6. It is important to note that several other state policy variables might reasonably be expected to impact procurement practices. However, given the exploratory focus of this analysis, specific hypothesis tests were limited to several of the most widely utilized explanations of state policy and to those explanations that can be found in the procurement reform literature.
7. The folded Ranney index is really a measure of party control of state government. In an alternative specification of this model, Holbrook

and Van Dunk's (1993) district level measure of party competition was used. The coefficient's sign and magnitude were similar to that of the Ranney index (i.e., the result was a statistically insignificant relationship to the state procurement scale).

8. Data for both per capita income and percentage of urban population were taken from the U. S. Census Bureau's *Statistical Abstract of the United States*.
9. The states' letter grades, as reported in *Governing* Barrett & Green, (1999) are operationalized by assigning appropriate grade points. For example, a state given an "A" by the Government Performance Project receives a score of 4.00, an "A-" receives a score of 3.67, a "B+" receives a score of 3.33, a "B" receives a score of 3.00, and so on. The managing-for-results grades are based upon a number of factors, such as the use of strategic planning and performance measurement by the state and its agencies. More detail on the state grades and on the Government Performance Project can be found in Barrett and Green (1999, p. 21), or on-line at www.governing.com/gpp/gp9intro.htm.
10. The U. S. Census Bureau's (e.g., 1994) regional classification scheme is used. States falling into the four regions are as follows: Northeast (CT, ME, MA, NH, NJ, NY, PA, RI, and VT), Midwest (IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, and WI), South (AL, AR, DE, FL, GA, KY, LA, MD, MS, OK, NC, SC, TN, TX, VA, and WV) and West (AK, AZ, CA, CO, HI, ID, MT, NV, NM, OR, UT, WA, and WY). OH did not respond to the mail survey and, as a result, is not included in the analysis.
11. It is important to note that the purpose of a summated rating scale is to create a variable that is linearly related to an underlying, but directly unobservable, dimension. Thus, summing rating scales achieve the interval level of measurement (Jacoby, 1991).

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