

**A TOOL FOR ASSESSING THE VALUE CONTRIBUTED BY
PUBLIC PURCHASING DEPARTMENTS THROUGHOUT
VARIOUS STAGES OF COMPETITIVE ACQUISITION
PROCESSES FOR CONSULTING SERVICES**

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ABSTRACT. Presented herein is a tool for assessing the value contributed by public sector purchasing departments throughout various stages of competitive acquisition processes for consulting services. Both direct and indirect measures are included in this assessment tool. Although direct contributions are particularly important in an environment where the public scrutinizes the way in which public organizations spend money, indirect contributions made by the purchasing department can be even more important due to the significance of these services in terms of the impact that they have on the functioning of organizations and their ability to serve the public. This tool provides a *practical* means by which to improve the way that public purchasing departments help make these traditionally difficult purchase decisions, and in doing so, positively affect departmental and organizational performance.

INTRODUCTION

An examination of the literature since 1928 disclosed that there was no authoritative basis for assessing purchasing department performance. Gushee and Boffey (1928) said that overhead correctly applied equated to better performance. Heinritz (1947) and the United States Air Force (1962) concurred. Lewis (1946) suggested that the ultimate measure of purchasing performance was likely that of end costs. More recent works (Carter & Narasimhan, 1996; Hendrick, Carter, Siferd & Pous, 1996;

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Leenders, Fearon, Flynn & Johnson, 2003; Lonsdale & Cox, 1997; Tan, Kannan & Handfield, 1998), have contended that purchasing department performance could also be evaluated on a much wider basis, that is, in terms of the purchasing department's ability to contribute to organizational goals and objectives, beyond the direct measurable benefits of reduced costs.

The purchasing department is in an extremely strategic position, due to its intimate relations with other functional departments on the one hand, and its close and ongoing contact with large and diverse groups of outside organizations on the other. As a result of the access to information that the purchasing department has regarding price trends, new and improved products and services, market conditions, and business outlooks—which is of particular importance for the purchasing department to develop—it can also make significant and valuable strategic contributions to the other departments that it serves (Leenders et al., 2003). These contributions provide another basis upon which to evaluate purchasing department performance.

It may also be useful to assess purchasing department performance as it relates to its ability to be meaningfully involved (Johnson & Leenders, 2003; Schiele, 2005; Stuart, 1991). Meaningful involvement describes what has been referred to as an ideal state of involvement not *normally* attainable (Johnson & Leenders, 2003). This type of involvement is characterized by a number of contributions that the purchasing department makes, throughout each stage of the purchasing process, when it uses its knowledge and expertise to help meet the needs of client departments while ensuring that the long terms needs and strategic objectives of the organization are met as well. The types of contributions characterizing meaningful involvement provide another basis for assessing purchasing department performance.

To that end, this paper presents a tool that was developed to assess a public purchasing department's ability to make a number of these types of contributions throughout each stage of the purchasing process when involved in competitive acquisition processes for consulting services. The tool provides a *practical* mechanism with which to improve public purchasing department effectiveness with respect to making these decisions and helping them meet organizational goals and objectives.

THE BASIS OF THE ASSESSMENT TOOL

The assessment tool was developed in order to help public purchasing departments improve their ability to make traditionally difficult purchase decisions, such as those related to consulting services. Consulting services as a purchase category are a major concern for purchasers who have acknowledged that they do not have a clear understanding of how to make these types of purchase decisions effectively (Smeltzer & Ogden, 2002). Consulting services can be very complex and difficult to describe (Haywood-Farmer, 1988; Verma, 2002; West, 1997), which makes evaluating these services, both pre- and post-delivery, very difficult (Soriano, 2001). This, in turn, makes purchasing these types of services very risky. Because special training or skills may be required to make these decisions properly, an effective mechanism that helps the purchasing department improve the way that it makes these types of purchase decisions can be seen, in a practical sense, as being very useful.

This tool also captures both the direct and indirect aspects of the value that public purchasing departments can add to these kinds of purchase decisions. Although direct contributions are particularly important in an environment where the public scrutinizes the way in which public organizations spend money, indirect contributions made by the purchasing department can be even more valuable, due to the significance of consulting services as a purchase category in terms of the impact that they have on the functioning of organizations and the ability of firms to compete. In addition, decisions made with respect to these services may have much more serious consequences than of simply paying more for what was actually required (Mitchell, 1994). Making these decisions effectively is, therefore, that much more important.

DEVELOPMENT OF THE TOOL

This assessment tool was based on findings from research that used ten in-depth case studies to identify the type of value that can be associated with involving municipal purchasing departments in competitive acquisition processes for consulting services. The purchase decisions examined by this research related to several different kinds and values of consulting services needed. In addition, these decisions were made by small, medium, and large municipal government organizations in which the involvement of the purchasing department was both

voluntary and mandatory. Case study informants included ten purchasing agents, nine client department managers, and a consultant (Schiele, 2000; 2002; 2005). As a result of this work, 46 apparently different types of value were identified (Table 1).

The type of value that was reported in the original study varied considerably on a case-by-case basis, from informant to informant, both within and across cases. This variation was a function of what informants perceived to be the type of value most important to them in any given case, which was linked to the kind and dollar value of the consulting service needed, whether the purchase was politically sensitive, the availability of suppliers, and the purchaser's purchasing expertise.

In the founding study, the value noted by case study informants was originally collected into one of four categories initially developed by Stuart (1991) as a way of determining whether meaningful involvement occurred. These categories included supplier input, functional and technical specifications, service utilization, and time savings. Shortly thereafter it became apparent that the type of value could be re-categorized according to when it occurred throughout the purchasing process. This presented the information in a more practical way, as it would then be able to be used to assist others in understanding the type of value manifested and how it related to the kinds of activities that were performed by the purchasing department throughout each stage of the purchasing process. These items are classified in Section 1 of the assessment tool shown in Table 1.

Once this step was complete, there remained a number of references to value related to an overall assessment of the value added by the purchasing department throughout the entire purchasing process rather than at one particular stage. These included such references as to the quality of the service purchased, future time savings, and a fair and defensible process. These items are classified in Section 2 of Table 1.

Once the initial re-classification was concluded, it was sent to case study informants in order to clarify items and ensure that the value reported was classified correctly. With the intention of developing an assessment tool that could potentially be used to better understand and ultimately assess the types of contributions associated with meaningfully involving the municipal purchasing department in these kinds of

**TABLE 1
The Assessment Tool**

Assessing Municipal Purchasing Department Performance Competitive Bids (Consultants)					
INSTRUCTIONS					
<p>At each of the various stages of the purchasing process there are a number of areas where the public purchasing department could have potentially added value to your purchase decision. Please provide your assessment of whether the purchasing department was able to add value in each of these areas by indicating a relative score from (1) strongly disagree to (5) strongly agree. You also have some space within each section to note other types of value that you think purchasing might have added throughout the particular purchasing process. This information will be used to assess the quality of the services delivered to you by the purchasing department.</p> <p>Note: The term <i>purchasing</i> refers to the purchasing department and those people from that department involved in the purchasing process.</p>					
SECTION 1					
Value Added by the Purchasing Department during the Competitive Bid Process for Consulting Services					
Relative Score (1) = Strongly Disagree and (5) = Strongly Agree	1	2	3	4	5
PURCHASING STAGE 1					
Need Anticipation or Recognition of a Problem					
Purchasing inquired about my forecasted and/or ongoing requirement needs					
Purchasing responded quickly once they were aware of my needs					
Purchasing was involved in the requirement planning activities of my department					
Other:					
Other:					
<i>Purchasing Performance at Stage 1 (average score)</i>					
PURCHASING STAGE 2					
Determination of the Characteristics of the Item or Service Needed					
Relative Score (1) = Strongly Disagree and (5) = Strongly Agree	1	2	3	4	5
Purchasing helped me deal with the tradeoffs associated with my needs versus my wants					
Purchasing helped me identify my specific delivery needs					
Purchasing helped me define and understand my needs					

TABLE 1 (Continued)

Relative Score (1) = Strongly Disagree and (5) = Strongly Agree	1	2	3	4	5
Purchasing provided me with information about available suppliers					
Purchasing provided me with information about the market place					
Other:					
Other:					
<i>Purchasing Performance at Stage 2 (average score)</i>					
PURCHASING STAGE 3					
Description of the Characteristics of the Item or Service Needed					
Purchasing ensured value for money spent by including a fair weighting scheme for evaluation criteria					
Purchasing helped to develop the evaluation criteria used to evaluate suppliers					
Purchasing helped to improve suppliers' understanding of my needs and expectations					
Purchasing helped to improve the RFP that was ultimately developed for posting					
Purchasing helped to reduce the risk associated with supplier non-performance					
Purchasing reduced the probability that unhappy suppliers would file legal claims					
Other:					
Other:					
<i>Purchasing Performance at Stage 3 (average score)</i>					
PURCHASING STAGE 4					
Search for Potential Suppliers					
Purchasing acted as a single point of contact for suppliers that may have needed information					
Purchasing ensured that all potential suppliers were notified of the pending RFP					
Purchasing held supplier meetings to answer questions about my needs					
Purchasing posted the RFP for tender thus identifying potential suppliers					
Other:					
Other:					
<i>Purchasing Performance at Stage 4 (average score)</i>					

TABLE 1 (Continued)

Relative Score (1) = Strongly Disagree and (5) = Strongly Agree	1	2	3	4	5
PURCHASING STAGE 5					
Acquisition and Prescreening of Proposals Received					
Purchasing collected and opened the proposals that were received					
Purchasing copied the proposals received and sent them to me and the other evaluation committee members					
Purchasing prescreened the suppliers' proposals for me to ensure completeness and accuracy					
Other:					
Other:					
Other:					
<i>Purchasing Performance at Stage 5 (average score)</i>					
PURCHASING STAGE 6					
Evaluation of Supplier Proposals and Selection of Supplier					
Purchasing acted as a liaison between myself and potential suppliers					
Purchasing evaluated suppliers fairly when participating in the evaluation process					
Purchasing helped to evaluate suppliers by participating in the final supply choice					
Purchasing helped to organize and chair meetings that were scheduled with suppliers					
Purchasing involvement helped to reduce costs (on the basis of supply choice)					
Purchasing involvement improved the evaluation of suppliers by others					
Purchasing prepared any reports required for further approval (i.e. Council)					
Other:					
Other:					
Other:					
<i>Purchasing Performance at Stage 6 (average score)</i>					
PURCHASING STAGE 7					
Order Routine for the Item or Service to be Delivered					
Purchasing arranged for the appropriate delivery and payment of my purchase					
Purchasing developed the final contract for delivery of my purchase					

TABLE 1 (Continued)

Relative Score (1) = Strongly Disagree and (5) = Strongly Agree	1	2	3	4	5
Purchasing helped to ensure the timely delivery of my purchase					
Purchasing notified suppliers of the final supply decision once that decision was made					
Other:					
Other:					
<i>Purchasing Performance at Stage 7 (average score)</i>					
PURCHASING STAGE 8					
Post-Purchase Follow Up and/or Service					
Purchasing assessed the quality of its service once the purchase was complete					
Purchasing debriefed unsuccessful suppliers when called upon to do so					
Purchasing solved problems related to suppliers to ensure the timely delivery of my purchase					
Other:					
Other:					
<i>Purchasing Performance at Stage 8 (average score)</i>					
<i>Purchasing Performance During the Competitive Bid Process (average score)</i>					
SECTION 2					
General Assessment					
(1) = Strongly Disagree --- (5) = Strongly Agree	1	2	3	4	5
YOUR GENERAL ASSESSMENT OF YOUR EXPERIENCE WITH THE PURCHASING DEPARTMENT					
I enjoyed the experience that I had with the purchasing department					
I will involve the purchasing department in future purchase decisions					
Purchasing acted as an extra resource for me and/or my department					
I believe that the purchasing department added value to my purchase decisions					
Purchasing answered my questions in a timely and informative fashion					
I believe that purchasing developed the potential for future time savings due to the learning that occurred in me and others concerning the purchasing process					

TABLE 1 (Continued)

Relative Score (1) = Strongly Disagree and (5) = Strongly Agree	1	2	3	4	5
Purchasing helped avoid pitfalls and delays during the purchasing process, thus saving me time					
Purchasing helped me to learn about suppliers and the market place					
Purchasing helped to ensure that a fair and defensible process was followed					
I believe that purchasing helped to improve the quality of my purchase					
Purchasing involvement resulted in job enrichment through the learning that occurred and by making work more interesting for others					
Other:					
Other:					
<i>General Assessment of the Purchasing Department's Services (average score)</i>					
<i>Notes:</i>					

purchase decisions, the types of value contained within each sub-section of the tool were presented as "Likert" type statements, to which respondents answer with agreement or disagreement (Likert, 1932).

As part of the final process of validating the information contained within the newly formed tool and ensuring the relevance of its content, it was forwarded to a number of experts for review, including academics that specialize in the area of public procurement and supply management, public procurement practitioners, and some of the case study informants. Terms were clarified, instructions outlined, and space provided to accommodate unsolicited feedback from respondents. The process of validating an assessment tool using experts and case study informants is a process that can significantly improve the usefulness of such a tool and should be considered an essential step when developing such instruments (Judd, Smith & Kidder, 1991).

CONCLUSION

This assessment tool can potentially be used to assess a purchasing department's ability to be meaningfully involved in traditionally difficult purchase decisions. This assessment can then be used to improve the way that these departments assist others in making these decisions. This may translate into improved services offered by the purchasing department, a better quality service purchased, and increased value for money spent, both for the client department and the municipality.

This tool does have its limitations. First, it is important to note that the types of value captured by the assessment tool are not inclusive. They are simply a reflection of the types of value reported by case study informants from the original study and those observed by the researcher. Enhancements to this tool are certainly possible and most welcomed. Second, readers should also be cautioned about using the tool for purchase decisions concerning services not discussed within this work or within the private sector where operating environments could differ significantly. This is not to say that this tool could not be adapted for such decisions and environments; however, further refinement to the tool would likely be required.

In light of these limitations, a number of interesting questions emerge. Are there other types of value that result from similar purchasing department involvement that were not captured by the present study? Do the same types of value result from similar purchasing department involvement in other types of purchase decisions? The space provided within the assessment tool should help address the need to capture answers to these questions as the tool is used.

Researchers may also want to explore the relative importance that one type of value has over another. This, in turn, would help to focus a purchasing agent's efforts at certain stages of the purchasing process so that the value perceived to be most important could be more readily affected.

And, lastly, how does this relative importance change from one type of stakeholder to another? The individual taxpayer, consultants, interest groups, managers, client departments, and purchasing departments could have very different opinions about the relative importance of the type of value added by the purchasing department. Researchers may want to

seek to understand these differences as another way to improve the effectiveness of public sector purchasing departments.

Answers to these questions could potentially help to improve the tool developed and in doing so provide insights otherwise not available.

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