



Roles for developing public–private partnerships in centralized public procurement



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ABSTRACT

This study examines the roles actors play to develop public–private partnerships (PPPs) in the context of centralized public procurement and how these roles change during the procurement process. The roles are explored by applying role theory and the typologies of managerial and intermediary roles and by utilizing a triadic approach to distinguish these roles in raw food and home nursing procurement settings. The findings of this study increase the understanding of PPPs by identifying the roles for developing PPP relationships and how these roles are played to reinforce this development in centralized public procurement. Furthermore, the findings contribute to the research on relationship dynamics by showing how actors' roles and the performance of those change and are influenced by the public procurement context and the roles the other actors undertake during the centralized public procurement process. The study yields insights for managers of public and private organizations seeking to develop stronger PPPs and improve public procurement.

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1. Introduction

Public procurement has changed remarkably in the last 30 years. Traditional public procurement that emphasizes transactional exchange and arm's length relationships between public and private organizations (Lian & Laing, 2004) has confronted challenges to meet modern budgetary restrictions and find effective ways of providing public services with limited resources (Guzmán & Sierra, 2012; Jacobson & Choi, 2008; Rees & Gardner, 2003). Thus, to respond to these requirements, public organizations have come to consider public procurement more strategically by emphasizing new procurement procedures and management models (Erridge & Greer, 2002; Essig & Batran, 2005). These procurement reforms and new contracting arrangements reflect the paradigm shift within public administration, which emphasizes reciprocally rewarding partnership relationships and stronger interorganizational collaboration with private organizations (e.g., Erridge & Greer, 2002; Guzmán & Sierra, 2012; Lawther & Martin, 2005).

In literature, public–private partnerships (PPPs) relate to a range of collaborative efforts between public and private organizations (Jamali, 2004). In its narrowest form, PPP refers to a particular type of contractual arrangement between public and private organizations (e.g., Chou & Pramudawardhani, 2015; Li, Akintoye, Edwards, & Hardcastle, 2005) that is formed to fund, build, administer and sustain infrastructure (COM 2004 327¹). Nevertheless, different types of public arrangements

from traditional contracting to more innovative procurements (Gidman, Blore, Lorentzen, & Schuttenbelt, 1995) are suggested to advantage from the characteristics of partnership relationships, for example, shared goals, reciprocity and trust. Therefore, the PPP concept is applied here to understand generally collaborative relationships between public and private organizations (e.g., Erridge & Greer, 2002; Parker & Hartley, 2003) and PPP is defined as an institutional arrangement between public and private organizations (Hodge & Greve, 2007) that includes collaboration to reach shared goals of delivering public services (Jamali, 2004). If properly managed, PPPs expand resource exchange, diminish transaction costs, increase risk sharing, clarify contract specifications and encourage stronger interorganizational collaboration (Erridge & Greer, 2002) and thereby improve the quality and reliability of public services (Kwak, Chih, & Ibbs, 2009).

The development of PPPs and applying collaborative procurement procedures within the competitive framework is challenging (Erridge & McIlroy, 2002; Smyth & Edkins, 2007) and PPPs are criticized from their inability to reach transparency and cost savings (Kwak et al., 2009). In particular, the legal framework and the culture of public organizations tend to generate high institutional and strategic barriers that induce PPPs to break down prematurely (Erridge & Greer, 2000; Klijn & Teisman, 2003). For example, Klijn and Teisman (2003) advise that value differences create problems with joint decision-making and sharing of responsibilities. Therefore, PPPs are supplemented by problems of instability and inadequate relationship quality (Zou, Kumaraswamy, Chung, & Wong, 2014) that are recognized to emerge from public organizations' tradition of merely reacting to the changes in markets rather than proactively seeking to initiate partnership relationships that engender collaboration and trust (Smyth & Edkins, 2007).

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¹ Green Paper on public-private partnerships and Community law on public contracts and concessions.

The trend toward procurement centralization (Karjalainen, 2011) has challenged PPP development by involving in the public procurement process professional public purchasers playing an intermediary role between individual public units managing procurement implementation and private supplier organizations. In the context of centralized public procurement, the public purchaser, the public unit managing procurement implementation and the private supplier organizations thus form a triadic partnership relationship in which they perform activities, determining their roles (Heikkinen, Mainela, Still, & Tähtinen, 2007; Kanter, 1994) that assist them to manage their relations (Möller, Rajala, & Svahn, 2005) and the public procurement process. Nevertheless, these specifically assigned activities make the three actors independent organizations, particularly with regard to how they contribute to their partnership relationship and the procurement process. Furthermore, the development of these triadic relationships is dynamic (Gutek, Groth, & Cherry, 2002); the roles of the actors and the relationships between them tend to change during the procurement process (Li & Choi, 2009), thus increasing actors' uncertainty related to their developmental roles and how they may reinforce their PPP relationships.

Regardless of their managerial importance, research on roles that public and private actors play to strengthen their partnerships relationships during different procurement stages remain an under-research phenomenon. Although the new partnership thinking has changed the requirements of how public and private organizations interact (Lawther & Martin, 2005) and extensive research exists on factors promoting and inhibiting PPPs (e.g., Chou & Pramudawardhani, 2015; Jamali, 2004; Li et al., 2005; Zhang, 2005; Zou et al., 2014), the dynamics of interaction between public and private organizations during the centralized public procurement process and how the three actors contribute to the development of their triadic partnership relationships need investigation. There are multiple studies employing the concept of role to understand the dynamics of interorganizational relationships (e.g., Anderson, Havila, Andersen, & Halinen, 1998) by exploring the management of networks (e.g., Heikkinen et al., 2007; Knight & Harland, 2005) or the role of intermediary in triadic relationship (e.g., Havila, Johanson, & Thilenius, 2004; Komulainen, Mainela, & Tähtinen, 2013; Nätti, Pekkarinen, Hartikka, & Holappa, 2014). Nevertheless, these roles are not inevitably relevant or identical from a relationship development perspective (Tanner, 1999) or they are of limited meaning for PPP relationships.

The purpose of this study is to understand the development of PPPs between the professional public purchaser, the public unit managing procurement implementation and the private supplier organization in centralized public procurement. The study pursues a contribution to the literature of PPPs and the dynamics of triadic relationships by identifying how the roles actors play reinforce the development of PPPs during the centralized public procurement process. Examining these roles is suggested to provide important insights and knowledge for managers of public and private organizations engaging in PPPs to help them develop their partnership relationships and thus deliver reliable and effective public services. This purpose is addressed by two research questions:

What types of roles do actors play to develop PPPs in centralized public procurement?

How do these roles change during a centralized public procurement process?

The remainder of this paper introduces the literature from centralized public procurement and applies role theory to synthesize and categorize the typologies of managerial and intermediary roles from a relationship development perspective and to identify the roles reinforcing the development of PPPs. Thereafter, the research methodology is presented, and empirical findings that show how actors developed their PPPs during centralized public procurements of raw food and home nursing are introduced. In the last chapters, the theoretical and

managerial implications are discussed, and the evaluation of the study and suggestions for future research are presented.

2. Centralization of public procurement

In public procurement, public organizations purchase for public consumption (Weiss, 1993) by adhering to national and multinational procurement laws and regulations that are imposed by national governments and multinational legislative authorities (Kuusniemi-Laine & Takala, 2007 p. 23). Public procurement is a standard governmental function (Brown & Potoski, 2003) through which public authorities undertake public services (Erridge & McIlroy, 2002).

Public organizations' strategic and purchasing goals are different from goals in private markets (Larson, 2009); private firms are generally centered on profit maximization, whereas public purchasers must integrate different ethical, democratic, professional and person-related goals into their procurement procedures (Kernaghan, 2003; Purchase, Goh, & Dooley, 2009). Public procurement is thus complex, ambiguous (Rainey & Bozeman, 2000) and requires a purchaser to merge a number of competing priorities. That is, most public purchasers struggle to provide more for taxpayers for less cost, combined with the urge to emphasize transparency and the regulatory framework of public procurement and simultaneously attend to the public interest (Erridge & McIlroy, 2002).

In attempting to resolve these conflicting goals and provide public services effectively, many governments are turning to the centralization of public procurement. Public procurement centralization refers to the utilization of centralized framework agreements, and it refers to the centralization of activities up to and including the formation of a contract for public units and the management of that contract (Karjalainen, 2011). In this setting, the public procurement process is separated into stages, from which a third actor – professional public purchaser – performs *contracting* by determining whether something is suitable for contracting, determining whether there is a private partner from which to purchase and then executing the bidding (Brown & Potoski, 2003). Tasks related to *procurement implementation* are then viewed as decentralized to individual public units (Karjalainen, 2011). In the implementation stage, public managers monitor and estimate the procurement implementation and determine whether the private partner has fulfilled its responsibilities (Brown & Potoski, 2003). This type of centralization can bring purchasing synergy benefits, for example, by helping attain lower unit costs by increasing market power, sharing procurement knowledge and establishing joint practices to implement procurements (Trautmann, Bals, & Hartmann, 2009).

Nevertheless, centralization brings challenges. In the context of centralized public procurement, three actors interact repeatedly to collaborate under a particular governmental contract to deliver public services (Kwak et al., 2009; Madhavan, Gnyawali, & He, 2004; Simmel, 1950; Thibaut & Kelley, 1959). The centralization thus diminishes public purchasers' direct control of the quality of public services (van Iwaarden & van der Valk, 2013). Furthermore, the centralization increases purchasing quantities and creates governmental invitations for tender wherein merely few private firms are capable of fulfilling the requirements (Caldwell et al., 2005). In addition, centralized procurement tends to engender attitudinal problems, control issues and difficulties in exchanging knowledge, which slows down responding to the diversity of needs of individual public units that are served by professional public purchasers (Erridge, 2007; Cousins, Lamming, Lawson, & Squire, 2008).

3. Using role theory to understand roles reinforcing the development of PPPs

Role theory explains the roles, or patterns of behavior, that are characteristic of actors and their contexts (Biddle, 2013). From a functionalist perspective, roles stem from sets of shared and normative expectations related to particular positions (Biddle, 1986). The concepts

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