

Applicability of Emerging Global Procurement Trends for Public Procurement under New Normal Condition in Sri Lanka

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Abstract

This research aims to find applicable emerging procurement trends in private sector for public procurement to bridge the efficiency and effectiveness gap between two sectors through this study. The study was conducted using unobtrusive research technique where it is a part of qualitative methods. Initially, study was focused to understand differences between private and public sector procurements where challenges of public procurements were derived through literature. Then researcher derived emerging procurement trends such as adopting to automated procurement, big data management, collaboration and cooperation, thinking suppliers beyond the price and visibility in supply chains as indicators under independent variable (emerging global procurement trends) of the study while deriving existing challenges in public procurement sector such as limited planning and forecasting, selection of vendors, maintain confidentiality, publication and responses, middlemen operations and poor performances of suppliers as indicators for dependent variable (overcome challenges in public procurement). Then validated the relationships among emerging procurement trends and challenges by referring to the existing knowledge in the study span through literature survey. Finally, researchers found and explored those existing challenges in public procurement can be overcome by adopting to derived emerging global procurement trends in the public sector.

Keywords: Challenges in public procurement, Global procurement trends, Private sector procurement, Public sector procurement.

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Introduction

According to Bandy (2015), the public sector provides public goods and merits goods where public goods are non-rivalrous and non-excludable. Public procurement is governed by several regulations, guidelines and directives that must be followed to purchase goods, works, and services. These inflexible government procurement systems, unavailability of long-term supplier relationships, inefficient communication and high volatility of government goals have diminished the procurement performances and value for money in public sector (Manyathi et al., 2021).

When scrutinizing the literature, scholars have found that many inefficiencies are in the public sector procurement (Mangan & Lalwani 2016) where majority of inefficiencies have been formed and can be identified as results of existing challenges withing the public procurement system (Mangan & Lalwani 2016; Manyathi et al., 2021; Ambe 2016). However, procurement in private sector is still effective and efficient compared to the public sector (Ambe & Badenhorst-Weiss, 2011; Mangan & Lalwani 2016; Mangan & Lalwani 2016) even under new normal where private sector practices many emerging global procurement trends to overcome existing challenges with supply chain disruptions.

It has been shown that many of organizations / firms have deviated from traditional procurement methods and re-engineered their processes align to emerging global procurement trends especially due to development of information technology and communications and this trend has been increased under new normal created by Covid - 19 pandemic.

Since this study conducts by giving special reference to the Sri Lanka, researcher aims to derive and explore some possible means for adopting emerging global procurement trends to the existing system to overcome challenges in post pandemic era. The article is structured to discuss problem statements and research questions under the introduction. Then researchers came up with methodology where the study is totally dependent on secondary data. Under the discussion,

researchers derives the concept of public procurement, challenges for public procurement, concept of private procurement and emerging global procurement trends through the literature. Finally, researchers recommend some emerging global procurement trends which are applicable for public sector procurement to overcome existing challenges under new normal conditions.

Literature Survey

The Concept of Public Sector Procurement

Procurement is primarily viewed in the public sector as a mechanism for assisting users in government organizations in achieving their mandates by purchasing what they require (Bolton, 2016). Public sector organizations are primarily motivated by service delivery goals, which are primarily led by community demands, which are always rising and changing. To avoid corruption and fraud, service delivery should be done with a high level of accountability and transparency (Ambe, 2016).

According to Bolton (2016), only very limited strategic alliances are developed in the value chain of buying goods, services, and works due to rigorous legislation, laws, and regulations in public procurement. As a result, if this occurs, it will be perceived as favoritism and a failure to follow procurement procedures that must be fair, equitable, transparent, competitive, and cost-effective.

Considering the foregoing, public procurement is thought to have shortcomings, which, if addressed, could improve the service delivery. The perceived lack of interest in expenses and other inventory carrying costs, as well as a lack of logistics and transportation competence, are some of these flaws (Ambe, 2016). In the entire procurement process, there is a larger emphasis on competitive bidding rather than negotiation in public procurement. In addition, there is a strong emphasis on the purchase price rather than the total cost of ownership (TCO) at the same time actions such as corporation and collaboration and long-term partnerships with suppliers have been discouraged by the existing laws (Arrowsmith, 2010).

Because of the above implications, delivering effective and efficient public service has been negatively impacted. The existing system has created long lead time and cost inflation due to lengthy processes and middlemen involvements even for less value commodities. Further, this situation has limited the market reach of government institutions since they must find vendors who comply with their strict buying conditions and lengthy procure to pay cycle (Manyathi et al., 2021).

Challenges of Public Procurement

As stated above, public procurement system is governed and regulated by strict laws and guidelines where it has limited planning and forecasting capabilities (Mangan & Lalwani 2016), long-term supplier relationships, vendor developments, global reach, online purchases (Manyathi et al., 2021), quick adoptions to the changing technologies, forming strategic partnerships, supply chain collaboration and virtual integration (Appiah, 2010). Another challenge relating to the governance and legislative practice is education, training and skill development of value chain officials, practitioners, end-user and even service providers (Manyathi et al., 2021) where shortage in knowledge in complex operations will lead for additional costs and bidder / supplies rejections (Van Zyl, 2006).

According to the Ambe (2016), demand management and procurement planning are not sound same as private sector in public operations where it caused procuring of wrong items in wrong quantity and quality. Further, Ambe (2016) and Manyathi et al., (2021) have highlighted trend of deviating from budgeted procurements and initiating of unscheduled procurements. Further, Ambe (2016) stated that unscheduled procurements are creating extra ordering cost where wrong forecasting create either stockouts or surpluses and both situations are incurring cost for the system. At the same time selection of vendors for inviting quotations are also a challenge where assurance to confirm that ideal set of vendors have been selected is not available. Another major challenge during this phase is to maintain confidentiality (Manyathi et al., 2021) since the procurement process has been designed to maintain it where situation is different in private procurement.

One of the main challenges during the tendering stage is inadequate publication and responses where it reduces the range of selection and competitiveness (Ambe 2016). At the same time deviation from budgets and unscheduled procurements are resulting for less bidding periods and those deviations reduces the number of vendors respond for the tender (Manyathi et al., 2021). Another challenge at tendering stage is artificial cost inflation which creates through middlemen who are acting in between real suppliers and public procurement entities to match gaps between two parties. As example, due to the payment methods practice by the public entities (such as credit), market operating firms are not bidding normally for public tenders due to losses incurred from working capital disruptions where some middlemen are getting orders for high prices and fill the gap between two entities.

The one of the main challenges at this stage is poor performances of selected suppliers such as late supplies, quality failures, not-supply, rejection due to various reasons etc. (De Lange, 2011). Another challenge at this stage is contacting and maintaining where breach of contacts is possible due to less relationship between two parties and suppliers only focusing on current business due discontinuity of business after the tender. If contracts are poorly managed, the effect is usually the poor-quality products being delivered, resulting in no value for money derived from such procurement processes. One major concern with reference to poor contract management is usually the contract extensions or variations or expansions, which if not properly managed leads to irregular expenditure (Rose-Ackerman & Palifka, 2016).

The Concept of Private Sector Procurement

The private sector considers procurement as major business functions since big portion of business' working capital is tighten up for procurement where it generates revenues from selling goods, services and works as tax revenues for public sector operations (Estampe et al., 2013). At the same time, private firms are strictly adhering to the business plans and closely monitoring the market behavior (Mangan & Lalwani, 2016) to get economies of their procurement. Private procurements are mostly independent and can change their market

approach within a short time for profit maximization where it is difficult in public sector. Further, securing of their market with uninterrupted flow of supplies is major concerns in private sector and such situations has influenced them for long-term supplier relationships, vendor developments, global reach, and online purchases with less procurement efforts (Manyathi et al., 2021).

The private sector is more successful when negotiating and communicating with suppliers where it has improved the efficiency and effectiveness of the procurement (Ambe & Badenhorst-Weiss, 2011). The process and value system view of private sector towards the supply chain has positively improved the supply chain collaboration and competitiveness (Appiah, 2010). Furthermore, Appiah (2010) has highlighted the benefits that private sector enjoying by quick adoptions to the changing technologies, forming strategic partnerships, supply chain collaboration and virtual integration. In other aspects, the private sector is maintaining updated workforce and at the same time same workforce being updated in the field of procurement due to their working environment (Manyathi et al., 2021). Moreover, competency has become another major factor in the private sector for its optimum operations, where ability of application knowledge, experience and skills can be identified competency (Aketch & Karanja, 2013). Meanwhile, Banda (2009) has highlighted that room for competency in public sector is marginal where the situation has largely resulted due to strict regulatory control in Sri Lankan context.

Emerging Global Procurement Trends

Beyond2018) has identified adopting to automated procurement, big data management, using e-wallets to make payments, using of artificial intelligence and collaboration and cooperation as emerging procurement trends where Goyal (2019) has come up with seven global emerging procurement trends as having a 'digital strategy' in place, building talent pool to embrace digital technologies, thinking suppliers beyond the price, risk management, increasing focus on indirect spending, artificial intelligence systems and moving to effective change management. According to the Roswell (2021), emerging global procurements trends are prioritizing risk management,

investing in IT solutions, maximizing talent, visibility in supply chains and procurement taking center stage where Chartered Institute of Procurement & Supply (CIPS) has also recognized same as leading global procurement trends under new normal. Further, the study conducted by National Australia Bank (NAB) Limited found that using of cards as ideal solution for small value purchases with low risk and cost management (NAB, 2020). Zdraveski (2014) stated in his study that Electronic Auctions are a very reliable and competitive trading model which allows us to achieve fair prices and to choose the optimal business partners.

In contemporary markets, it has become a vital factor to consider suppliers' initiatives to improve environmental, social, and economic performance due to emerging green concepts. At the same time, flow of items has been disrupted in Covid - 19 pandemic situations whereas cross functional approach, maintaining buffer stocks, development of case and worst scenarios, establishing additional procurement and delivering routes and using of technology for diversifying supply chains are some of actions to be taken. Other than aforesaid trends, evolving of chief procurement officers' role, supplier diversity management and supplier collaboration are other emerging procurement trends (Perera, 2021).

Methodology

This study uses unobtrusive technique where it is a part of qualitative methods. According to Kellehear (2020), unobtrusive research methods focus on the changes of multiple cases or scenarios over time whilst looking closely at the trends in the field to come up with conclusive recommendations. During this study, researchers reviewed 85 articles, journals and books in the subject area which have been published within last ten years and selected 33 mostly relevant sources considering the citations for the study. Then researcher critically analyzed the literature and derived vital factors on concept of public procurement, challenges for public procurement, concept of private procurement and global procurement trends to derive variables and conceptual framework of the study. Finally, variables have been critically analyzed by researchers to find the applicability of derived global procurement trends for public procurement.

Findings and Discussion

By scrutinizing the literature in the research area, researcher has derived prominent emerging global procurement trends to the study as Automated Procurement (Khoo, 2018; Goyal, 2019; Roswell, 2021), Big Data Management (Khoo, 2018), Collaboration and Cooperation (Khoo, 2018), Suppliers beyond the Price (Goyal, 2019) and Visibility in Supply Chain (Roswell, 2021). Further, researcher located some critical challenges in the public procurement as Limited Planning and Forecasting (Mangan & Lalwani, 2016; Ambe, 2016), Selection of Vendors (Manyathi et al., 2021), Maintain Confidentiality (Manyathi et al., 2021), Publication and Responses (Ambe, 2016), Middlemen Operations (Manyathi et al., 2021) and Poor Performances of Suppliers (De Lange, 2011).

Digitalized procurement provides real time information for sound decision making while ensuring accurate forecasting and planning. According to Zdraveski (2014), electronic auctions can maintain competitiveness in open platform and can achieve fair prices and optimal partners from wider range of supplier base. The maintaining of competitiveness, giving fair and equal opportunities to the all-interesting suppliers and better price are some of the goals to be achieved in public procurement according to the Procurement Guideline 2006 - Sri Lanka. According to the Verité (2017), functions of E-public procurement are Publication of Tender Notice, Registration of Suppliers, Availability of Procurement Information, Tender Tracking, E-Submission of Bids, E-Catalogues, Contract and File Management System, E-payments, E-evaluation of Bids and Contract Award. Moreover, the functions highlighted by Verité (2017) are revealing that e-procurement will give wider range of market accessibility and supplier responsiveness while reducing the middlemen operations.

Kostakis & Kargas, 2021 have identified big data management is most valuable components in terms of both technology and business operation where it enhances the competitiveness. According to Shamima et al., (2018), big data management is enhancing the decision-making capabilities where it will lead to sound forecasting and selection of vendors in public sector. Gawankar, Gunasekaran &

Kamble (2019) have highlighted in their study that big data management improve supply chain performance where it leads to better performances and responses of supply chain partners.

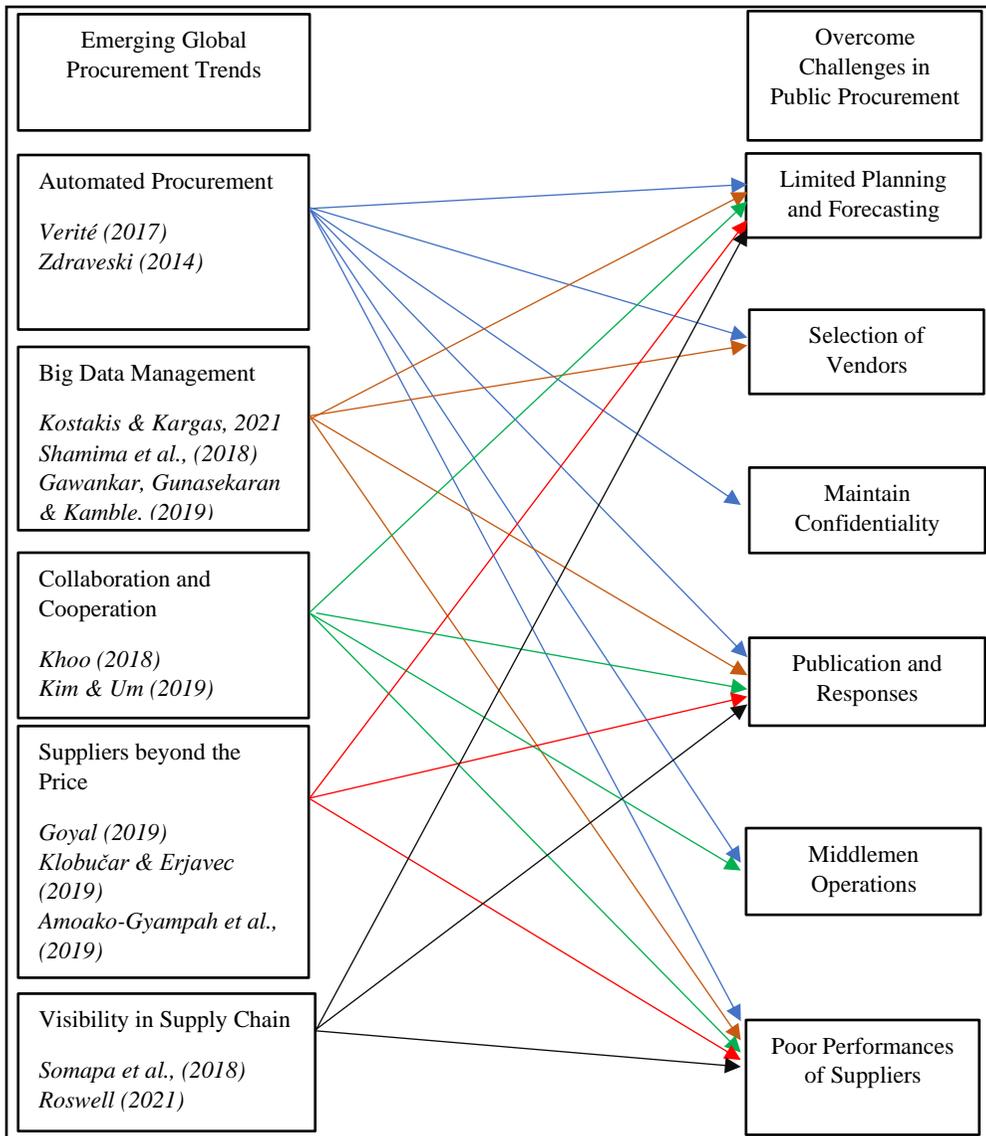
According to the Khoo (2018), collaboration and coordination in supply chain is emerging global procurement trends where Kim & Um (2019) have found that effective collaborative activities can result in a better performance in the supply chain through their study. When scrutinizing the findings of Kim & Um (2019), it can be justified that Planning and Forecasting, supplier responses, performances of supply chain partners will be enhanced through better collaboration and cooperation where such relationship among supply chain partners discourage the middlemen operations within the supply chains.

Goyal (2019) has proposed that consideration on suppliers beyond the price as emerging global procurement trend. Klobučar & Erjavec (2019) have highlighted through their supplier relationship management framework that close supplier relationships facilitate to create common value to both ends in long term where subsequently such collaboration and coordination positively impact on company's decision-making for both operational and tactical procurement activities. Most specially, Klobučar & Erjavec (2019) have highlighted in their study that close supplier relationship gives greater flexibility and faster adaptation to the changes business environment where it enhances the responsiveness, agility, planning and forecasting capabilities and performances of supply chain partners. Further, Amoako-Gyampah et al., (2019) have also found that strong supplier relationships impact on performances of supply chain partners.

According to Roswell (2021), visibility in supply chain is an emerging global procurement trend. Somapa et al., (2018) reveals that the characteristics of supply chain visibility can be captured in terms of the accessibility, quality, and usefulness of information where researchers have found that visibility in supply chain extend beyond improvements to operational efficiency of business processes to the strategic competencies of an organization. Further, Mubarik et al., (2021) have suggested to maintain close ties with key suppliers to increase SC visibility since the visibility is playing significant

mediating role within the supply chain in the association between SC mapping and supply chain resilience. This close ties will enhance the forecasting capabilities, responsiveness, and performance of supply chain partners. Accordingly, the researcher developed a set of propositions and derived the conceptual framework as shown in Figure 1.

Figure 1: Relationships among Global Trends and How to Use Them to Overcome Public Sector Procurement



Source: Author's compilation

According to the Figure 1, the global trends can be used to overcome the challenges where it is revealing that existing challenges in public procurement can be overcome by adopting to emerging global procurement trends. Accordingly, the following hypotheses /propositions are derived.

P1: Automated procurement can be used as way of overcoming the limited planning and forecasting, selection of vendors, maintaining confidentiality, publication and responses, middlemen operations, and poor performance of suppliers in the public sector procurement process.

P2: Big data management can be used as way of overcoming the limited planning and forecasting, selection of vendors, publication and responses, middlemen operations, and poor performance of suppliers in the public sector procurement process.

P3: Collaboration and Cooperation can be used as way of overcoming the limited planning and forecasting, selection of vendors, publication and responses, middlemen operations, and poor performance of suppliers in the public sector procurement process.

P4: Suppliers beyond the price can be used as way of overcoming the limited planning and forecasting, publication and responses, and poor performance of suppliers in the public sector procurement process.

P5: Visibility in supply chain can be used as way of overcoming the limited planning and forecasting, publication and responses, and poor performance of suppliers in the public sector procurement process.

Conclusion and Recommendations

Conclusion

Procurement in private sector more effective and efficient compared to the public sector procurement. There are inherent challenges in public procurement where negatively impact on procurement performances. When scrutinizing the literature, contemporary trends such as adopting to automated procurement, big data management,

collaboration, and cooperation, thinking suppliers beyond the price and visibility in supply chains can be identified as emerging global procurement trends where private sector is currently practicing up to different magnitudes. This paper evaluated the applicability of these emerging global procurement trends to the public sector to overcome existing challenges in public procurement under new normal. Finally, researcher found that existing challenges in public procurement can be overcome by adopting to emerging global procurement trends. The study contributes to the literature in respective knowledge span and give insight to the policy makers in the Sri Lankan government for re-engineering the existing processes to move with changing market in procurement perspective.

Recommendations

By scrutinizing the factors discussed from the beginning of the paper, researcher explore followings as recommendations.

- To maintain collaboration and corporation with upstream partners of supply chain to achieve mutual benefits specially in forecasting, agility, effective cost, and performances.
- To give online and real time information visibility through virtual integration as required to the supply chain partners through portal system to have sound forecasting, quick responses, and better performances.
- To consider total cost of ownership instead of depending on cost of single procurement.
- To automate the public procurement under three phases to maintain wider range of market accessibility, achieve optimum costs, mitigate burden of maintain confidentiality, enhance the agility and performances of supply chain.

Recommended activities at each phase are tabulated at Table 1.

Table 1: Recommended Activities

Phase	Activities
Short term	<ul style="list-style-type: none"> a. Publication of Tender Notice b. Registration of Suppliers c. Availability of Procurement Information d. Tender Tracking e. Card Payments for minor procurements
Medium term	<ul style="list-style-type: none"> a. E-Submission of Bids b. E-Catalogues c. Contract and File Management System
Long term	<ul style="list-style-type: none"> a. E-payments b. E-evaluation of Bids c. E-auctions d. Contract Award

Source: Author's compilation

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