



Comparing public- and private-sector procurement

On the surface, buying is ultimately buying. In fact, procurement specialists in both sectors, and for that matter, the third sector (volunteer, charitable, not-for-profit), are buying from the same suppliers. Both are looking for price and value and planning responsible, flexible, efficient procurement systems. Ah, but there's the rub – systems, rules. Private and public sectors are reputed to be radically different in the dynamics of their operations. One of the most common differences pointed to is volume or size, but inevitably we also have to chat about peripheral stuff like process, reporting, trade agreements, competition, performance, corporate culture and accountability.

Sit down, take a deep breath, sip a beverage, open your mind and stay awhile while we chat with:



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We also have to consider professional qualifications. To what degree are the skills common or, at least transferable? Are solid ethics different in the private and public sectors? A qualified procurement specialist should surely function well in both *milieux*, shouldn't they? How long will it take for a private sector purchaser to go over the deep end in a public environment or vice versa?

Some of those I've spoken to say that the public sector environment is largely based on legislation, policy, and process while the private sector is more receptive to entrepreneurial and enterprising dynamics in their corporate culture. Public sector procurement professionals require significantly more than the usual amounts of patience, diplomacy, political intelligence and communication skills in order to prevail and succeed, while there is greater change, more recognition, and more risk associated with private sector procurement. Consequently, some say competence and success are typically more recognized in the private sector than in the public sector.

Another topic is the impact of any differences on both capacity of the organization and the working environment of the procurement specialist – how it affects what's possible and what's not. What do you think? Let's chat!

The grass appears greener...

Stibel: I spent the first twenty years of my purchasing career in private industry, with Caterpillar, Allied Signal and other large corporations. My entry in public procurement was somewhat of a culture shock, on a number of levels. To begin with, accountability and

transparency took on much higher priorities, to a much larger group of stakeholders: taxpayers, elected officials, clients and yes, even vendors. Gaining consensus rather than wielding authority tends to be the management style in most public organizations. Working cooperatively, not competitively, and sharing critical information among agencies is a way of life in the broader public sector and is, in many ways, the *raison d'être* behind organizations like the Ontario Public Buyers Association, whose like is unheard of in private industry, PMAC notwithstanding.

Swift: As a purchasing professional working in the private sector that spends a tremendous amount of time dealing with government procurement, I often encounter the perceived notion that purchasing practices within the two sectors are fundamentally different. Many a government buyer has been heard to lament how they wish that they had the freedom and flexibility to conduct business in a manner similar to their private sector colleagues, free from all of the rules, red tape and delays. "Those guys in the private sector sure do have it good," many of them often say. "They certainly don't have to deal with all of the demands and constraints we do." This invariably strikes me as remarkably ironic, since it is almost exactly the same message that I repeatedly hear from private sector purchasers regarding government procurement. "Those government buyers sure do have it good. No manufacturing issues to deal with, no imposed cost reduction targets to meet, it must be nice," many of them say. "They certainly don't have to deal with all of the demands and constraints that we do."

La Grassa: We are publicists for people, products and places and the differences are very apparent in supplying clients in the two sectors. When responding to a public sector Request for Proposal [RFP] there is no negotiating; no discussion; no leniency; no flexibility. You can ask for clarification – but that's it. One of the first times we responded to a RFP for the Ontario government, we didn't get the contract, so I called the government contact person for a debrief. To this very day I never forget to number the pages – that was one of the primary reasons we didn't get the contract. At the time I was astonished, but I subsequently understood that it had nothing to do with numbering the pages; it had everything to do with precision, detail, the keeping "everyone on the same page" that is endemic to government. On the other hand, our focus for our private sector clients is on furthering their bottom line, and in doing so, furthering our bottom line. In the spirit of entrepreneurship, we can negotiate the work, the fee and the terms to our mutual satisfaction. We grow our business and our corporate reputation together based on the quality of our work and relationship building. The successful completion of contracts frequently means more contracts without having to prove our worth all over again.

Anything you can do I can do better

Swift: Regardless of whether they work in government or industry, the essence of the purchasing professional's role and contribution to their organization is remarkably similar. But for a lack of greater mutual understanding, not to mention innovative employment interchange opportunities, purchasing within the two sectors is more similar than most realize or care to admit. Purchasing professionals in both sectors routinely deal with a wide variety of demands and constraints in their efforts to do their job and deliver value to their organizations. While the source of these pressures may very well be different, the professional challenges they present are not.

La Grassa: As a public sector supplier, we know that we need to be standing on solid moral and ethical ground with a complete understanding that we are an extension of the government office that hired us. Public sector contracts require us to adhere to the same formalized protocol, responsibility, accountability, liability, Freedom of Information and Protection of Privacy restrictions that apply to the government and public servants. We understand that we are working ultimately for the taxpayer and that these practices are warranted. The private sector offers different contractual freedoms and opportunities. Our private sector clients are concerned about market share, visibility and competitive advantage and our contracts and fees measure our ability to achieve these things. Once we have proven our corporate professionalism to a private sector client, we have established our credibility and we can contract and commit to building mutually beneficial long-term relationships.

Stiebel: Inextricably linked to accountability is ethical behaviour as embodied in our codes of conduct – we live and die on our reputations in this industry and knowledge of improper behaviour spreads rapidly in public buying, among our colleagues and often in the media – as the recent MFP scandal in Toronto testifies. Tied to this notion of ethics is politics. In private industry, examples of internal political behaviour include territorial actions between departments. In public service, politics is a more formal fact of life, wherein we report and present regularly to our elected officials and, more informally, justify business recommendations in an atmosphere of interest and constituent groups who put pressure on their incumbents to make decisions in their favour, not necessarily for the public good. Our role is that of the educator in matters of ethics – the answer is not always the obvious one when it comes to fairness and equity.

Chatting back

John Bott, CPPO, District School Board of Niagara (DSBN) on Customer Relations Management (Chatroom, December 2002)

Most of the VASPs [Value-added Service Provider] mentioned in December's *Chatroom* charge vendors for their information, some of which they pick up at no cost from the Ontario Public Buyers Association's (OPBA) Internet advertising service. The OPBA bid advertising service is free to all public agency members of OPBA as well as to all vendors. The use of the word Ontario in the name of the association does not limit the service geographically, since membership is open to anyone who spends public money anywhere and the web service provides worldwide access.

Further, at DSBN (www.dsb.edu.on.ca/purchasing) I believe that we have pioneered sending and receiving bid requests/tenders over the Internet and we can do it all in Microsoft Excel. Completed tenders are returned to us by e-mail. Our vendors are advised to request receipt confirmation and open confirmation of their email to make sure that their bid's integrity is maintained and that it was, in fact, received. We are not using this just yet for very large tenders (with two notable exceptions) or for public openings. The idea of using email, which is password protected, as a signature has not been tested in court yet but I am confident that it will go the same way that fax legality went in its initial stages. This concept is now being picked up by the City of Niagara Falls and the St. Catharines Hydro Electric Services Inc.

Next Chatroom discussion:
The perfect procurement professional