



Culture-Sensitive Public Procurement Benchmarking

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ABSTRACT

In this brief we will address the measure of managing public procurement taking into consideration cultural, corporate and organizational specificities, with a sustainable development strategy in mind. When such tools are used in conjunction, the efficiency of production applications is increased. Further research should focus on the investigation of foreign markets for industrial and state businesses' public procurement, including private law state-owned companies, as well as on developing a mechanism to evaluate public procurement that takes economic, social, and environmental factors into account. Finally, we need to be aware that integrating cultural factors when dealing with public procurement is fundamental when it comes to leadership issues. Underpinning leadership is an ability to comprehend people, their values, and characteristics, and how these factors may correct and adapt public procurement methodology.

Keywords: public procurement, sustainable development strategy, public procurement methodology

SARI PATI

Artikel ini membahas ukuran pengelolaan pengadaan publik dengan mempertimbangkan faktor kekhasan budaya, perusahaan, dan organisasi berdasarkan kerangka strategi pembangunan berkelanjutan. Ketika diterapkan bersamaan, efisiensi aplikasi produksi terbukti meningkat. Mengintegrasikan faktor budaya dalam pengadaan publik juga terbukti menjadi hal dasar dalam kepemimpinan. Mendasari kepemimpinan sendiri adalah kemampuan untuk memahami orang, nilai dan karakteristik mereka. Faktor-faktor ini dapat mengoreksi dan menyesuaikan metodologi pengadaan publik. Penelitian lebih lanjut dapat berfokus pada beberapa topik sejenis, seperti pasar luar negeri untuk pengadaan publik industri dan BUMN, termasuk perusahaan swasta milik negara, atau mengembangkan mekanisme untuk mengevaluasi pengadaan publik yang mempertimbangkan faktor ekonomi, sosial, dan lingkungan.

Kata Kunci: pengadaan publik, strategi pembangunan berkelanjutan, metodologi pengadaan publik

CHALLENGES

How does organizational and national culture affect public procurement proceedings? According to experts of public procurement, such a topic is not addressed or looked at clearly enough to impart the necessary relevance. Effective project management and procurement of all people-related parts of a project, and programs of projects, is a crucial ability that cannot be overlooked. The brief will be significant for benchmarking the increasing number of orders at PPP industries, the implementation of import substation plans, the strengthening of enterprise strategies for sustainable development, and the lack of scientific studies in the field of strategic purchasing activity planning.

The primary challenges associated with public procurement are that issues of modern strategic procurement planning have applied no interest to cultural local sensitivities, and that no terminology for sustainable purchasing activity has been developed. Furthermore, tools for managing procurement factors must be developed. Once such challenges are overcome, it will be possible to conduct procurement analyses which consider the issues related to culture, while at the same time considering the contemporary objectives of sustainable growth and the methods chosen to increase its stability and efficiency.

Understanding what makes people 'tick' and, indeed, how the entire systems of people, processes, and technology interactions require an understanding of individuals' and organizations' values and the most fundamental formative beliefs about what is just and acceptable.

Public procurement without barriers is a fundamental objective for fair and sustainable development. By focusing on cultural

specificities, this brief provides useful solutions for analyzing and proposing improvements to public procurement systems in all countries. By working on this topic, the T20 can advance its benchmarking and cooperation tools for ethical procurement within a country, but also internationally. This will improve relations by limiting communication friction and resolving pre-existing conflicts in an objective manner.

PROPOSAL

The purpose of this study is to firstly improve the quality of public procurement benchmarking procedures by integrating cultural sensitivities. Moreover, our study will highlight the critical nature of benchmarking to overcome apparent deficiencies in these processes.

Culture is known to have a major impact in the functioning of administration, regardless of other issues (racial, sociology, religion, etc). (Goldbach, Dragomir, Barbat 2014; Ritz, Brewer 2013). Further, it has been shown that cultural environments can affect government transparency and sustainability considerably. (Ruiz-Lozano, Navarro-Galera, Tirado-Valencia, De Los Ríos-Berjillos 2019). We will also be highlighting the difficulty faced by public-sector employees in distancing themselves from the political pressures of their elected leaders. In public procurement (PP), centralization appears to be a definite tendency (Dimitri, Dini, Piga 2006).

Governments around the world are encouraging public-sector organizations to collaborate when proceeding to public procurements, allowing them to realize economies of scale and scope. The United Kingdom, the Netherlands, the United States and Australia serve as examples for this. (Schotanus *Et Alii* 2011). When purchasing is decentralized, all government units and agencies have the freedom to order products and services that meet their specific requirements. However, many of these requirements are comparable across agencies (for example, office supplies

and cleaning services), and the government as a whole loses out if such purchases are not managed from the center (Karjalainen and Van Raaij 2011). As a result, several governments are adopting a more centralized procurement paradigm. The two main sources of savings from these agreements, are price reductions from suppliers and administrative cost savings from decreasing recurrent tenders. (Celec, Nosari, Voich 2003). Additional benefits of centralization might include improved purchasing processes as well as improved quality of purchased products and services (Schotanus *Et Alii* 2011).

However, it has been demonstrated that generating and maintaining such benefits is extremely challenging (Cox, Chicksand, Ireland 2005). As a whole, centralization fails to avoid inefficiencies, just like decentralized models. *Non-compliant procurement* behavior is preventing public and private sector companies from achieving the procurement efficiency goals (Lonsdale and Watson 2005). Non-compliant procurement behavior means corruption or misuse of funds, and also maverick buying and non-competitive PP. It is not a crime, but non-competitive PPs are unreasonable at least. Some parties may have proposed ‘social construct’ or ‘individual dismissive behaviors’ as the causes of such issues, yet they are obviously multiple.

Among all the reasons that may exist, one particular issue has been put aside in the past. That is, the issue of culture. When we talk about culture, we are mainly talking about the habits of specific populations, regardless of the reason for these habits. A culture is defined, among other things, by its functional loop between its referential and its attractiveness for its own population. In political and psychological terms, it is known as groupthink and social cohesion. *Social cohesion* is the set of circumstances in which group members’ attitudes and behaviors are influenced by and molded by their surroundings (Festinger 1950; Festinger, Schachter and Back

1950). Heuser (2005) defines social cohesion as socioeconomic phenomena in which collective principles and ethics have a significant impact on behavior. In his opinion, the fragile matrix through which a society’s worth is measured is made up of social, moral, and economic ideals. The social cognitive theory (Bandura 1991) was put forward by Bandura, Barbaranelli, Caprara, and Pastorelli (1996) to show that people form moral standards based on the influence of others who may be morally or economically motivated. At least two contradictory motivations are driving the current interest in social cohesion. According to Heuser (2005), social cohesiveness helps organizations grasp the potentially advantageous aspects of collective solidarity, the force that comes from moral conviction, and how these dynamics can be socially constructed to demolish positive dynamics in social bonds and structures.

Groupthink is a phenomenon in which a group prematurely and often incorrectly comes to an agreement on a critical topic or strategy as a result of in-group pressures, despite evidence pointing to the presence of ill-debated alternate courses of action. According to Janis (1983), Groupthink causes a decline in mental efficiency, reality checking, and moral judgments. During procurement processes such as user needs’ assessment, bid document preparation, bid solicitation and review, and contract awarding, procurement professionals succumb to peer manipulation at the expense of reasonable argument and principled stances. Groups frequently believe that what they are doing is best for everyone (Beer, Eiseinstadt Spector 1990).

These two basic elements lead an individual, within a community, to think that things could not work otherwise. This loop of functioning engenders attitudes and habits (regardless these attitudes being ‘positive’ or ‘negative’), which have habitual and partly predictable

consequences. In public procurement, these basic social phenomena have the effect of diverting large sums of money from public funds to inefficient uses.

Current ‘inefficiencies’ countering solutions that focus on human capital are based on the ‘proposal’ of codes of ethics, based on Somers (2001) and the studies that followed, which found that the formal dissemination process exposing employees to a code of ethics generally ensures the highest standards of behavior and restrains unethical conduct. The 2009 OECD guidelines, for example, focus on the issue of transparency and good governance. However, organizational experiments have shown that work-place group effects frequently undercut official standards of conduct. Ajzen (1998) writes ‘A person’s desire to do [or not perform] a behavior is the immediate determinant of that action’, ‘and people are expected to act in accordance with their intentions, barring unanticipated events’. That being said, these solutions are obviously completely ineffective in countries where the two mechanisms mentioned above make these principles useless or simply ignored. To solve these problems at least partially, we propose to integrate into the public procurement charters or guidelines modifications to adapt to local specificities, and to counter abuses that could occur due to an inadequate public procurement.

To clarify this proposed solution, yet to be detailed in a further research, we will make a case based on the very well-known concept of ‘social trust’ (Murtin 2018) and innate ‘secretiveness’ of a culture:

- First, in a government structure where people are by-nature expansive (for instance some East Africa Swahili speaking countries, but also some Romance-speaking countries in America) and not inclined to keep secrets, giving them information about a public contract risks disclosing sensitive information to malicious or non-

compliant actors. On the contrary, in a state structure of a country where secrecy is a fundamental element of the “high” culture (e.g. China, Japan, Switzerland or Italy), particular attention must be given not to the information of the parties, but to the publicity of the proceedings.

- Second, in cultural structures where social trust is very low, an additional effort of transparency must be made on the attribution modalities. On the contrary, in a country where social trust is high, a particular effort must be made on the functionality of the proposals, which too often happens to be totally separated from reality.

Broms, Dahlström and Fazekas (2019) have shown that in the case of small cities in Sweden, low political competition is associated with more restricted public procurement processes. Integrating cultural sensitivities can correct this lack of efficiency, in a very interesting way, by allowing shifting the burden from bureaucrats, to the stakeholders in general. Also very significantly, this will allow an increase of accountability: PP problems are by no means limited to developing countries (Hunja 2003) Even in jurisdictions with more established administrations, the concerns are underappreciated, making them vulnerable to systemic accountability failures –sometimes because the agents of accountability themselves have just a rudimentary understanding of the difficulties (Peachment 1992). Failures to understand when contractual connections exist, or when the transfer of information on the process constitutes breaches of confidentiality, have been documented in multiple cases (Peter and Esselman 1997 ; Rice 2007). Even when these flaws are disclosed, it is usually on an *ad hoc* and exceptional basis, despite the fact that the problems are sometimes persistent and endemic.

Finally, adopting last-generation tools such as blockchain or DLT could be a major solution. Ferreira and Amaral (2016) highlights several benefits of ICT adoption associated with purchasing practices, including: (i) a simple and efficient way of buying, allowing for lower transaction costs; (ii) a more efficient way of identifying and negotiating with suppliers; (iii) automation of workflows that can then be extended to the entire supply chain and to the entire organization, allowing for information sharing and integration; and (iv) a more efficient way of identifying and negotiating with suppliers (see also Schoenherr and Tummala 2009; UE Commission 2010). Ronchi (2010) concentrates on three types of benefits: (i) strategic benefits (connected to comparative efficiency); (ii) transactional benefits (related to transactional efficiency and effectiveness); and (iii) informational benefits (as well as decision support and timely communication). This dialogue is critical for developing the overall government transparency strategy for public procurement in order to improve accountability through the use of information and communication technology (Lourenço 2013), and continues to do so to serve the public interest.

DLT (Distributed Ledger Technology) is a data-storage system that stores information about

transactions, activities, or operations and is highly dependable due to the technology it employs. Its use has risen in recent years in a variety of industries, most notably in the financial sector. Together with a strong cultural focus, DLT can impact three aspects: transparency, impartiality, and control over the bidding processes. For instance, once the tender documents have been published, they cannot be changed. Any changes must be made through the filing of an addendum. Any effort to introduce alterations will be recognized as a red flag by the system. Second, and depending on the cultural context, bidders can either submit encrypted proposals that would be distributed only to stakeholders, or, in other contexts, to every party, in order to increase social trusts.

To recap, we believe that a public procurement that will take into consideration the problematics linked to any cultural *habitus*, regardless of moral consideration, will manage, in the long term, to improve the public procurement outcomes. Taking into consideration group think and the social cohesion, in particular, will allow procedures to get the best outcome possible. Integrating DLT technologies, particularly, will allow an evolution for the best.

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