



# Introducing Public Procurement

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Jolien Grandia, Lizet Kuitert, Fredo Schotanus,  
and Leentje Volker

## Abstract

This chapter introduces the concept of public procurement and explains what it is and is not and how it is distinct from private purchasing. To do so it describes the public-private continuum and explains what publicness is. Subsequently, the public procurement process is described using the circular 3P (Prepare, Purchase, and Perform) model. This is followed by a discussion of the seven developmental stages of public procurement. It explains how public procurement has developed over time from an executive management function aimed at fulfilling an internal demand to a policy instrument that can collaboratively create public value. The chapter ends with an explanation of the multifaceted nature of public procurement and why understanding and applying multiple perspectives (e.g., economic, legal, societal, and political) is necessary to bring public procurement into a new era and fully understand and utilize the impact of public procurement.

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J. Grandia (✉) • L. Kuitert  
Department of Public Administration and Sociology, Erasmus University Rotterdam,  
Rotterdam, The Netherlands  
e-mail: [grandia@essb.eur.nl](mailto:grandia@essb.eur.nl); [kuitert@essb.eur.nl](mailto:kuitert@essb.eur.nl)

F. Schotanus  
Faculty of Law, Economics and Governance, Utrecht University, Utrecht, The Netherlands  
e-mail: [f.schotanus@uu.nl](mailto:f.schotanus@uu.nl)

L. Volker  
Department of Civil Engineering and Management, University of Twente,  
Enschede, The Netherlands  
e-mail: [l.volker@utwente.nl](mailto:l.volker@utwente.nl)

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**Keywords**

Public procurement · Public-private continuum · Private purchasing · Procurement process · 3P-model · Public procurement development · Multifaceted public procurement

**Learning Objectives**

After studying this chapter, the reader will be able to:

- Define public procurement.
- Describe the public-private continuum.
- Explain differences between public procurement and private purchasing.
- Describe the public procurement process using the 3P-model.
- Understand why the public procurement process is circular and continuous.
- Describe the seven developmental stages of public procurement.
- Explain why the development of public procurement is crucial for achieving public value.
- Understand that multiple perspectives on public procurement are necessary to fully understand and utilize the impact of public procurement.

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**1.1 Introduction**

In the European Union (EU) over 250,000 public organizations spend around 2 trillion € annually, which is about 14% of GDP, procuring works, supplies, and services. Also, in countries outside the EU, around 12% of the GDP is spent by public organizations. This can add up to values between 5000 and 8000 € per citizen per year. Despite the considerable impact that public procurement has on the market, economy, public organizations, citizens, and businesses, it has not (yet) matured into a broad academic field. This book therefore seeks to shed light on public procurement by discussing what it is, how you can procure in the public sector, and ways to bring public procurement into the modern era, an era where public procurement is more than a management function and actively contributes to societal goals such as the reduction of greenhouse gas emissions or creation of job opportunities for long-term unemployed citizens and the overall creation of public value. By reading this book the reader will not only learn what public procurement entails, but also learn how they can become an agent of change via public procurement and actively contribute to the achievement of societal goals and creation of public value.

This book addresses the influence of the economic, legal, societal, organizational, and political context of public procurement. This first chapter lays the foundation of the book, explaining its necessity and the relevance of presenting an

integrated and multidisciplinary view on procurement practices and tools to prepare for a new era of public procurement.

Section 1.2 addresses what is public and what is private. In Section 1.3, this chapter introduces and defines the concept of public procurement. Section 1.4 explains the main differences between public procurement and private purchasing. In Section 1.5, the procurement process is introduced as a process of prepare, purchase, and perform. Section 1.6 introduces the seven development stages of public procurement. Section 1.7 addresses how the economic, legal, societal, political, and organizational perspectives intertwine in public procurement. Section 1.8 provides a reading guide for the rest of the book.

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## 1.2 The Public-Private Continuum

To determine what public procurement is and how it is different from its private counterpart, it is important to first define what ‘public’ means and what public organizations are. The degree to which the organization is public determines, among other things, to what extent public procurement rules apply. In general, a distinction can be made between organizations that are purely public (e.g., municipalities or ministries) and who are usually required to abide by public procurement law (e.g., public transport or semi-public health care organizations) and purely private (e.g., furniture companies or supermarkets) that fall outside the scope of EU public procurement law. However, in today’s society, the lines between public and private are blurring, due to developments such as externalization, outsourcing, and public-private partnerships. The ‘publicness’ of organizations is now no longer a dichotomy but a continuum. Organizations can embody the characteristics of the public and private domain and therefore create and safeguard both public and private values. The position on the public-private continuum is partly determined by the extent to which organizations are constrained by political control, how they are funded and financed, and the extent to which they perform public and private tasks. This means that if an organization is considered public or private can vary per country, dependent on whether institutions that provide public services such as health care, transport, and education are privately or publicly owned. This is further addressed in Chapter 2.

On opposite ends of the continuum are organizations that are purely public and are thus required to abide by EU public procurement law, and private organizations that fall outside the continuum. The semi-public organizations that are positioned in the middle of the public-private continuum are usually internally hybrid, meaning that they often have characteristics of both the public and private domain, such as combining a public task and/or mandate (such as housing or care) with more private organizational values (making profits or satisfying shareholders). Some examples of such semi-public organizations are private hospitals, housing corporations, health insurance companies, and foundations or joint ventures. If the relevant legal criteria are met, these entities can also fall under the scope of EU public procurement law. Accordingly, the position of an organization on the public-private continuum

determines whether an organization is considered to be a public ‘contracting authority’ and therefore whether they need to comply with the rules of public procurement law when purchasing works, supplies, or services on the market. This can also differ per country. More information about public procurement law can be found in Chapter 3.

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### 1.3 What Is Public Procurement?

Public organizations continuously try to guide society by certain ways of governance. Their governance is aimed at ensuring the security, safety, and well-being of citizens, but can also stimulate or obstruct specific societal developments in fields such as education, immigration, animal welfare, and climate change. The resolutions, choices, and actions of public organizations regarding these specific societal developments are implemented through public policies which illustrate how public organizations try to drive or hinder developments that they deem (un)desirable. For the execution of these policies, as well as their own operations, public organizations worldwide need works, supplies, and services.

- *Works* encompasses public works that are built and maintained for the internal functioning and operation of public organizations or primary process of public organizations, such as offices of public organizations or public buildings such as town halls and schools. Public organizations also procure the construction and maintenance of public roads and water works, such as tunnels, highway maintenance, coastal protection activities, bike paths, and sidewalks.
- *Supplies* (also referred to as *Goods*) encompasses products or other commodities that are necessary for the internal operation and functioning of the public organization, such as office supplies, coffee machines, furniture, ICT, energy, or transportation. Public organizations also procure supplies that are necessary for the execution of their policies and primary tasks, such as uniforms for police officers, fighter planes for the air force, fire engines for the fire department, hospital beds for public hospitals, or passports for citizens.
- *Services* encompasses services that are necessary for the internal functioning of the public organization, such as cleaning, security, or catering services, as well as consultancy work, translation services, or workshops for civil servants. It also encompasses services that are necessary to execute the policies and primary process of the public organizations, such as dyslexia training, mental health care services, unemployment training programs, or cleaning services for the elderly.

If a public organization requires a work, supply, or service, they have the option of producing these works, supplies, or services themselves or to buy (procure) them from private or non-public parties. This decision is called the make-or-buy decision. When public organizations decide to procure it rather than make it themselves, this is called public procurement.

In this book, we define public procurement as the acquisition of works, supplies, or services by government or public organizations from the market or another outside body, while simultaneously creating and safeguarding public value from the perspective of their own organization.

The words ‘*acquisition*’ and ‘*from the market*’ are important here because it highlights that public procurement does not encompass all expenditures of public organizations. It, for example, does not include money spent on benefits or salaries of people that are employed by public organizations via a labor contract. Simply put, it only includes acquisitions from private or non-public parties that a public organization receives an invoice for (Telgen, 1994).

The addition ‘*while simultaneously creating and safeguarding public value*’ is also important because it highlights that public procurement is more than fulfilling a demand of the internal organization for a work, supply, or service. It plays a role in creating and safeguarding public value as well. A common misconception regarding public procurement is that it is restricted to the purchase and signing of a contract with a supplier, while in fact it also includes the initialization, preparation, and performance management of contracts with multiple and diverse suppliers. In this process, public value is created and safeguarded. Please note here that the legal EU framework only regulates the ‘*acquisition*’ part of public procurement, whereas national law can include rules from private or administrative law, as further discussed in Chapter 3.

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## 1.4 Public Procurement Versus Private Purchasing

The terms procurement and purchasing are often used interchangeably. However, purchasing often signifies the process of acquisition in manufacturing and other markets, while procurement is used mainly to describe acquisition in the public sector. The procurement volume and value of public organizations is similar or even substantial than many of their private counterparts. In the Netherlands, for example, the central and decentralized governments procure yearly around 84 billion Euros on works, supplies, or services for their 17 million citizens. In this book, we focus on the process of acquisition in the public sector and therefore use the term procurement rather than purchasing if we refer to the whole acquisition process.

Public procurement is expected to meet high standards of transparency, integrity, accountability, and exemplary behavior. These values and often conflicting goals need to be managed according to the governance mechanisms that are in place. These mechanisms, in combination with political goals and the political responsibility of politicians, place demands on public procurement that are not found in private purchasing. Furthermore, unlike private organizations, public procurement faces a plethora of stakeholders, such as citizens, fellow politicians, line management, civil servants, labor unions, and taxpayers, all with differing and even conflicting objectives that need to be considered. Chapter 4 describes the organizational deliberations of public procurement processes.

However, and perhaps more importantly, public procurement is constrained by legal rules that do not apply to private purchasing. These are established in various national and international regulatory frameworks, such as the pluri-lateral Agreement on Government Procurement (GPA) of the World Trade Organization, or primary and secondary legislation of the European Union, such as the Directives on public procurement (2014/24/EU, 2014/22/EU, and 2014/23/EU). These legal rules enforce the demands regarding, for example, equality, transparency, and integrity.

Moreover, public procurement is also frequently used as a policy instrument for reaching desired goals in society and creating public value, such as creating possibilities for small- and medium-sized enterprises (SMEs), driving the market for sustainable supplies or reducing the distance to the labor market for long-term unemployed citizens. Strategic public procurement choices are addressed in Chapter 5.

Therefore, the main differences between public and private purchasing are the compliance with legal rules, the expected standards with regard to values such as transparency and integrity, and the variety of societal goals and public values that need to be addressed. These differences are discussed and related to procurement activities in Chapter 2 on public values.

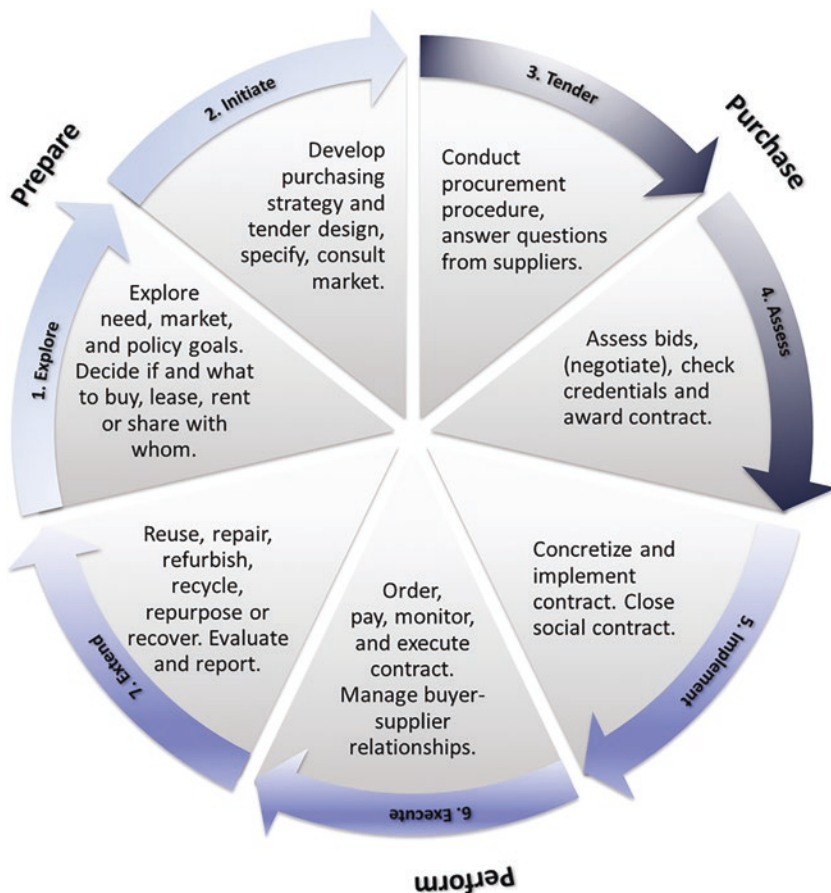
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## 1.5 Procurement Process in Three Ps

The general procurement process has been portrayed quite differently between various scholars and practitioners. Some authors provide detailed models, with some models being linear and others circular. Despite these differences, there are no clear contradictions between the different models. The main differences are found when the models are applied to individual tenders and contracts. For instance, for simple tenders and contracts, standardized templates can be used and purchasing steps can be taken quickly. For more complex and unique tenders and contracts, a customized and detailed approach is more appropriate.

In this book, a circular process model is used to illustrate the procurement process, called the 3P-model (Schotanus, 2022), see also Figure 1.1. The 3P refers to the three phases in the model: Preparation, Purchase, and Perform. The 3P-model is developed specifically for the public sector, and it uses a continuous approach, like models developed for private purchasing such as the purchasing wheel (Van Weele & Rozemeijer, 2022). The procurement process is visualized as a circular and thus continuous process. The circularity of the process affects what and how purchasing activities are used to make purchasing-related decisions—such as buying less, using products longer, (re)using products instead of using disposables—part of the purchasing process. Despite the differences between public procurement and private purchasing, the phases of acquiring and using supplies and services are similar. Yet, this 3P-model adds concepts such as policy goals, procurement procedure, social contract, and circular procurement elements that fit the specifics of public procurement.

Below the seven steps that fall within the three phases of prepare, purchase, and perform of the 3P-model are shortly introduced.



**Figure 1.1** The 3P-model of public procurement

### Preparation Phase

The preparation phase consists of two steps: explore and initiate. The aim of the preparation phase is to explore the procurement requirements and initiate the actual purchasing processes.

#### Step 1: Explore

The first step in the procurement process is exploring the need and to what extent it is necessary to use the efforts of suppliers to fulfill this need or if the organization can make the supply or provide the service themselves. This is called the make-or-buy decision. The need for works, supplies, or services is based on a predictive analysis by the buyer of what is required, previous spend, and what supply possibilities are available. Sustainable procurement and policy-related elements are also considered: is it possible to share instead of buy? Is it possible to buy less or



postpone the purchase and use the current product longer? Will products be bought new, second-hand, or can a service contract be used? Is there an alternative for disposables? Is it possible to fulfill certain policy goals with the purchase? This exploration can be considered the first step of procurement. Chapters 2, 4, 5, and 7 discuss these underlying concepts and organizational structures.

### **Step 2: Initiate**

After the initial step in which it is decided to buy a work, supply, or service, a purchasing project is started, and a team is formed. The team develops a purchasing strategy and sets specific goals for the purchase related to costs, quality, and public value. As part of the strategy, decisions are made regarding the tender procedure, for example, a competitive dialogue or a restricted tender and contract length. Also, any specific societal and political sensitivities need to be identified, as well as relevant procurement policies that need to be translated into the procurement strategy. This is addressed in Chapters 5 and 7.

For specific aspects of the procurement strategy, specifications, supplier selection model, and/or contractual clauses, potential suppliers may be consulted. Based on the strategy, descriptive documents are drafted in which it is explained how the supplier(s) will be selected and what is required from the suppliers to be allowed to submit a bid. Requirements and criteria can all be used to create public value via the tender. More information about the legal aspects of procurement can be found in Chapter 3. The development of a supplier selection model is described in Chapter 6.

Additionally, a program of requirements or specification document and in some cases an ambition statement and a draft contract (especially for larger purchases) are written. Specifications can be functional, technical, or a combination of both. A draft contract lists several items such as the price arrangement, terms of payment, penalty clauses, warranty conditions, safety regulations, or delivery terms (Van Weele & Rozemeijer, 2022). Finally, before the tender is started, a decision must be made regarding who must be involved and who will make which decisions in which phase of the process. More details on these decisions can be found in Chapters 6 and 7.

## **Purchasing Phase**

The purchasing phase consists of two steps: tender and assess. If there is a pre-qualification phase, then Steps 3 and 4 are conducted twice: once for the pre-qualification phase and once for the tender phase of the tender.

### **Step 3: Tender**

At the start of the tender phase, the tender is announced publicly or, in case of a very small tender, specific suppliers are invited to submit a bid. During this step suppliers can usually ask questions about the tender at a specific moment and answers are usually shared with all potential bidders. This way demand is connected to supply. Then the suppliers can submit their requests for participation or their bids to be assessed by the buyer. Chapter 6 discusses the details of the tender process.



### **Step 4: Assess**

In the assessment phase, the requests for participation (for pre-qualification) and the bids (for awarding the contract) are assessed. In negotiated procedures, there is also the option for buyer and supplier to negotiate about the bids. In the assessment phase, the credentials of the suppliers are checked as well. Additionally, it is allowed to ask verification questions or more credentials in case there are ambiguous elements in a bid. The assessment step can be a formal process in case a buyer awards a contract based on lowest price only. In case the buyer uses qualitative award criteria as well, an evaluation committee is appointed. The assessment can then consist of several rounds of individual and joint decision-making. Based on the outcomes of the assessments, the bidders receive written and often oral feedback about their bids. The winning bidder is awarded the contract. Chapter 6 describes the details of these decision processes. Once the tender and the assessment is finished, the last step in the process is evaluating the process up to Step 4 and seeing what can be learned for new tenders.

### **Performing Phase**

The performing phase consists of three final steps: implement, execute, and evaluate and learn. These final steps link the purchase to the performance (or delivery) of supplies, services, or works that have been procured.

### **Step 5: Implement**

In the implementation phase, the contract can be finalized and signed, and the winning bid can be concretized and implemented by the supplier, often in collaboration with the buyer. For small or simple purchases, it is not required to concretize, but in many cases, buyers and suppliers need to coordinate activities and implement a contract before it can be used.

Besides the legal contract, a relationship and social ‘contract’ can be established with the supplier. A social contract typically refers to unwritten rules or codes about behavioral expectations for day-to-day human interaction. Note that in some cases, parts of the social contract are already established during the purchasing process, especially when there is a considerable amount of human interaction during the process. More about the contract implementation can be found in Chapter 7.

### **Step 6: Execute**

After the contract is implemented, the execution of the contract starts. This has different meanings for different types of contracts and projects. It can mean that a supplier starts with designing or constructing a new building, that there is a new operator for public transport, a new provider for social support services for citizens, or that internal users can now order specific supplies such as pens or paper or services such as temporary labor, cleaning, and engineering services. Sometimes there is a strict distinction between ordering (Step 6) and executing (Step 7) (e.g., first placing an order for office supplies and next receiving the supplies). In other cases,

Steps 6 and 7 are more intertwined. For instance, when there are several go/no-go moments in a project after which invoices are paid. This is further discussed in Chapter 7. During the performing phase, the relationship with the contracted supplier needs to be managed as well. The quality of the work, supply, or service needs to be monitored, complaints of internal users or citizens need to be addressed, and it is important to verify whether promises made during the supplier selection process are kept. If certain promises cannot be met, an alternative must be found or more formal steps need to be taken to assure that the initial goals of the purchasing project will still be met. When managing a contract, it can be especially challenging to ensure that sustainable and social promises made in bids are realized.

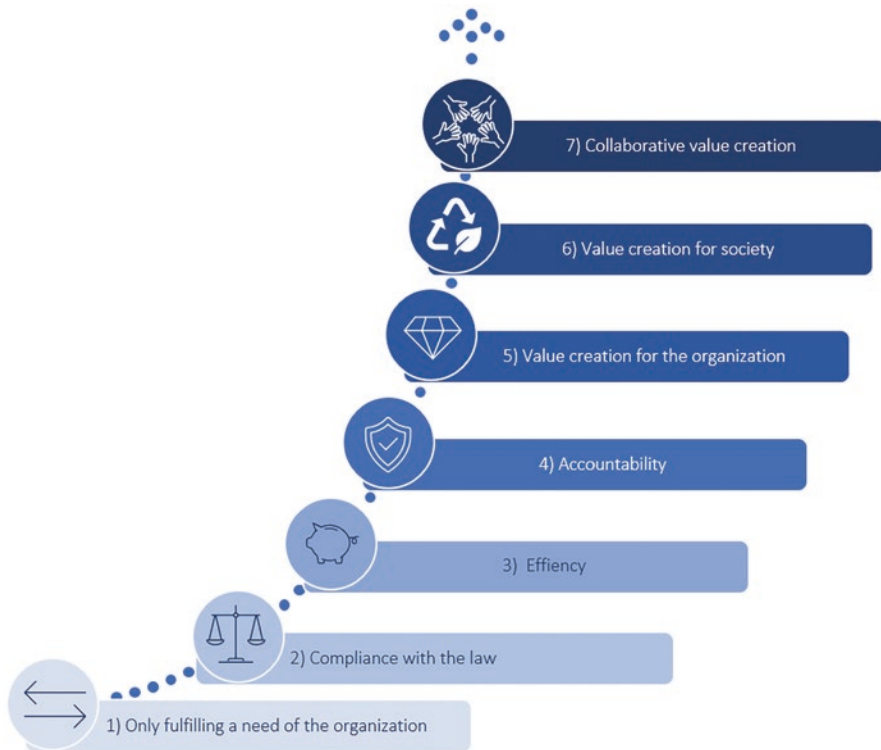
### **Step 7: Extend**

The final step is trying to extend the use period of a product or work as long as possible. Circular terms such as reuse, repair, refurbish, recycle, remanufacture, repurpose, and recover apply to this step. Once the work, supply, or service is delivered or when the contract is going to expire, the last step in the process is evaluating and reporting about the contract and seeing what can be learned and start preparations for a new contract (when relevant). In addition, it is important to monitor what happens to public works or supplies after they have been used. This can be challenging for public organizations as their focus may have already shifted to preparing for a new contract. Chapter 7 discusses this in detail.

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## **1.6 Seven Development Stages of Public Procurement**

Over the years public procurement has developed from an executive management function aimed at fulfilling internal demands for works, supplies, or services to a policy instrument that can create societal value. Knowing and understanding the different stages that public procurement is progressing through is crucial for understanding how public procurement can contribute to achieving societal value, such as creating employment opportunities for people excluded from the labor market, improving labor conditions abroad, or diminishing the negative results of production and consumption. As explained in the previous section, each procurement process goes through the three phases of prepare, purchase, and perform. However, the considerations that play a role during each of these procurement phases have changed over time. This has changed because public procurement (as a management function) and the role it plays, inside and outside of public organizations, has also changed over time. In many European countries, public procurement has developed from an executive management function (fulfilling a need of the organization) to a highly tactical and strategic management function (using procurement to reach policy goals) (Tassabehii & Moorhouse, 2008). It is however important to note that not all public procurers, even those in Europe, have such a tactical role. How much public procurement as a management function has developed varies per country and organization and continues to develop.



**Figure 1.2** Seven stages of public procurement development (based on Telgen et al., 2007)

Currently, the following seven developmental stages that public procurement can progress through are recognized: (1) fulfillment of needs, (2) compliance, (3) efficiency, (4) accountability, (5) optimizing internal value for money, and (6) achieving external value and (7) collaborative value creation. However, as public procurement continues to develop, new stages might be added. The seven developmental stages of public procurement (based on Telgen et al., 2007) are illustrated in Figure 1.2 and discussed below.

### Stage 1: Fulfilling the Need of an Organization

In the first developmental stage of public procurement the main issue is the fulfillment of needs. Procurement aims to fulfill what users demand, in the right quantity, at the right time, and in the right place. Availability of whatever is needed is the only objective. Thus, the duty of procurers is only operational and executive. They purchase what the organization needs and only pay attention to fulfilling that specific need.

## **Stage 2: Compliance with the Law**

In the second developmental stage of public procurement, compliance with the law comes into the picture, thereby changing the duty of procurers. Procurement is no longer only about fulfilling a need, now it is also important that this need is fulfilled without any fraud or corruption. Even though, in the last two decades, Member States of the EU have introduced a wide range of anti-corruption measures, studies show that corruption still prevails in the central eastern EU countries. There are also indications that Directive 2004/18 did not address many well-known corruption risks, such as outside suppliers that are formally or informally involved in drawing up specifications. Thus, fraud and corruption pose a major risk to public procurement and undermines efficient procurement.

## **Stage 3: Efficiency**

In the third stage of public procurement, the focus is on efficient procurement. In this stage, the focus shifts to getting the most for a fixed amount of money while, of course, still fulfilling the need and preventing fraud and corruption. The attitude of public organizations toward public procurement becomes more commercial at this stage, and procurers start to look at how they can ensure that their organization gets ‘the most bang for their buck’ and to try to make their procurement as efficient as possible.

## **Stage 4: Accountability**

In the fourth developmental stage of public procurement, accountability becomes an issue for the procuring organizations. Apart from preventing fraud and corruption and ensuring an efficient procurement process, from this stage onward public organizations also must explain and convince the public why they are doing this and that they are doing it well. Public organizations are held accountable for their procurement and procurement decisions and are thus required to have a transparent and well-designed procurement process, such as the EU directives that require European Member States to publish tenders above a threshold in the Tenders Electronic Daily (TED).

## **Stage 5: Value Creation for the Organization**

In the fifth developmental stage, the scope of public procurement starts to broaden outside the direct scope of the procurement process. It is not only cost or efficiency that is important, but also the value that such items and services themselves bring to

the organization. This means that, for the first time, the attitude of public procurement starts to change from reactive (you ask, we buy) to proactive (we suggest, you ask, we buy). From this stage onward, public procurers must start looking for ways to add value to the organization through the procurement of works, supplies, or services. If the organization has a need for new computers, the procurer could, for example, suggest contracting *Devices as a Service* (DaaS) including laptops, desktops, and so on depending on the user need instead of just buying desktop computers. This not only fulfills the need for new computers and could result in cost savings, but also makes work more convenient and flexible for the employees when they choose a laptop instead of a desktop, as it better enables them to work from home. The additional value that is created by procuring works, supplies, or services is in this stage still internal. Although DaaS also creates incentives for circularity, as the supplier remains the owner of the laptops, the value in Stage 5 is typically created for the public organization, its employees, citizens, but not for society.

## Stage 6: Value Creation for Society

In the sixth developmental stage, value creation for society becomes part of public procurement. At this stage, public procurement's scope expands outwards and starts to look at how procurement can add value to its environment as well. For example, governments increasingly use their authority as a large buyer in the market to compel private organizations to contribute to the achievement of their public objectives, such as preventing climate change or unfair working conditions down the supply chain, creating employment opportunities for long-term unemployed citizens, or creating opportunities for small- and medium-sized local businesses. For the DaaS example described in Stage 5, this means, for instance, that the procurer also has requirements for the supplier such as how to recycle or upgrade the devices. In this stage, public procurement is no longer just a management function, but also a policy tool that can be used to achieve outcomes in society. To further stimulate this development, the European Commission has reformed its procurement Directives to give EU Member States more freedom to use their procurement as a policy tool as of 2016. Although this is already the sixth developmental stage, it is by no means a recent development. The first major move away from using procurement merely to fulfill internal needs already happened soon after World War I, when the British Government introduced a program that employed disabled ex-servicemen via public procurement. After World War II, this approach spread beyond ex-servicemen in Britain, to giving preference in government purchasing to products produced by sheltered workshops for disabled workers, for example (McCrudden, 2004). Nowadays, governments in the EU use their public procurement for a multitude of societal goals. Although the use of public procurement to achieve social outcomes is widespread in Europe, detailed information about how it operates is often unreliable and difficult to find.

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## Stage 7: Collaborative Value Creation

In this seventh developmental stage of public procurement, public organizations do not attempt to use their procurement for the creation of external value alone, but rather do this in collaboration with other (public or private) organizations and/or citizens. Through co-production or co-creation, value is created that is considered necessary and useful by not only the public organization itself, but also by others. For example, a municipality in need for a new playground can opt to procure a sustainable play equipment made from recycled and natural materials. However, by collaborating with local citizens (and their children) they could create a playground that is both sustainable and creates more value for the local children that will use the playground.

The development of public procurement as a management function is crucial for achieving public value. In the early stages, the creation of value, or even the recognition that public procurement could achieve societal outcomes, was absent. Fortunately, this has changed over the years in many organizations. To be able to utilize public procurement for the creation of public value, public procurement as a management function must develop to at least Stage 6. This has proven to be a challenge and is one of the main reasons for this book.

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### 1.7 The Multifaceted Character of Public Procurement

The mixture of governance models and multiplicity of domains from which the works, supplies, or services are procured requires a multifaceted view on public procurement. With around 14% of the GDP spend on public procurement in Europe and around 12% worldwide, *the economic perspective* is an obvious one. Spending money at the levels of public procurement will certainly impact the economic market. For example, austerity policies can result in public spending cutbacks, which can have implications for both the economy at large and markets for specific supplies and services. The economic perspective can be a dominant perspective in decision-making surrounding public procurement, both in general and for specific projects, and often overshadows other perspectives. The economic perspective is, for example, visible in the discussion of the three governance models and the reducing complexity approach in Chapter 2, the emergence of joint procurement structures in Chapter 4, the discussion of risks and routine strategies in Chapter 5, the choice between lowest price and Most-Economically-Advantageous-Tender approach in Chapter 6, or the discussion on how the type of remuneration selected affects the supplier's behavior and efforts in Chapter 7.

The *legal perspective* is, together with the economic perspective, often the prominent or even dominant perspective in public procurement. This can manifest itself through risk-averse behavior to avoid legal issues. The legal perspective can,

however, also be used to open the door for other perspectives, for example, awarding contracts based on sustainability and social requirements instead of lowest price is becoming more common. In this book, the legal perspective is used to explain and highlight how the legal framework impacts the procurement process and how it can drive or hinder the other perspectives. While the legal perspective is of course central in Chapter 3, where relevant legal aspects are discussed in light of achieving social and sustainable objectives, the legal perspective can be identified in most other chapters as well. For example, in the description of the 3P-model as well as the developmental stages of public procurement in Section 1.5, the discussion of dilemmas and value conflicts in Chapter 2, the question whether a public procurement policy is allowed in Chapter 5, as an underlying logic in the sensemaking that a tender is, as is explained in Chapter 6, or in the discussion of disputes and enforceability of contracts in Chapter 7.

*The societal perspective* has more recently been growing in importance, with the continued development of the procurement function in public organizations. Applying a societal perspective can for example stimulate the market to deliver more sustainable works, supplies, and services and provide employment opportunities for people currently excluded from the labor market, helping to end child labor and ensure fair working conditions for all. One must realize that much of the service that is delivered by public organizations to citizens uses supplies, services, and works that are procured to fulfill these primary responsibilities. Think, for example, of public transport, infrastructure works, or health care services that have a significant impact on quality of life. The societal perspective is therefore also applied throughout the book, although it is most prominent in Section 1.6, Chapters 2, 5, and 8 where it is used to explain how public procurement has developed and can contribute to the achievement of societal goals and public value.

Finally, public procurement should also be viewed from an *organizational perspective* and a *political perspective*. Topics such as political corruption or political competition shape make-or-buy decisions, procurement strategies, or tender procedures. In this book, we use the political perspective to highlight aspects or complexities that are related to the politics in which public procurement takes place, such as the impact of elections, coalition agreements, or promises made to voters. This is not particularly dominant in one specific chapter but can be found throughout the book and specific examples that are used to explain the complexity of public procurement. The organizational perspective is particularly visible in the discussion of the creation of public value in Chapter 2, the organizational aspects of procurement in Chapter 4, and considering public procurement policy and strategy discussed in Chapter 5. Chapter 6 describes the organization of a tender process in relation to aligning demand and supply.

These multifaceted characteristics can reinforce or counteract each other and play a large role in understanding why achieving public value in public procurement is not easy. Each of these implications can be seen as a different perspective on public



procurement, and the interactions between them are the basis on which this book is written. These perspectives are not only relevant for understanding and analyzing public procurement, but also for optimizing public procurement. Only focusing on one perspective in the procurement process can result in sub-optimal procurement. For example, focusing on the economic perspective and achieving the lowest price might be cost-effective but goes against the European legal framework, whereas a too strong of a focus on preventing legal issues might result in the procurement of a safe option which is not the optimal choice for society. Understanding and applying multiple perspectives is therefore also necessary to further public procurement and become the change agent that the field of public procurement needs. Chapter 8 describes the developments in public procurement in this era of change and the implications of these developments for public organizations.

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## 1.8 Reading Guide

This book consists of eight chapters. Each chapter starts with an overview of the learning objects and a short summary of how the chapter is structured. It introduces the topic and then describes the most relevant concepts, models, and other information that we think belong to the field of public procurement. Each chapter includes several examples of the concepts that are introduced to show their relevance. We aim to make each chapter individually accessible for different audiences, which enables the use of the chapters for a variety of educational purposes. The complete book provides an integrated multidisciplinary and contemporary view on the field of public procurement.

The first four chapters provide the basis for this book. The definitions and basic concepts of public procurement as used in this book are introduced in this first introductory chapter. Chapter 2 focuses on the aim of public procurement from a public administration view with regard to creating public value. Chapter 3 provides the legal context of public procurement law and regulations. Chapter 4 introduces how the procurement function is organized in public organizations.

Then the three Ps of the public procurement process are discussed building on insights from a combination of disciplines, such as public management, purchasing and supply chain management, and organization science. Chapter 5 explains how to develop procurement policy and translate this into a purchasing strategy in the preparation phase. Chapter 6 indicates how to organize a tender and select a supplier in the purchase phase. Chapter 7 discusses the design and evaluation of public contracts in the perform phase of public procurement.

The final Chapter 8 summarizes the trends and developments in public procurement and explains why we believe it is so important to become a change agent in the essential and intriguing field of public procurement and bring it into a new era.

## 1.9 Summary

In this chapter public procurement is defined as the acquisition of works, supplies, or services by government or public organizations from the market or another outside body, while simultaneously creating and safeguarding public value from the perspective of their own organization. It is also explained in this chapter that due to developments such as externalization and public-private partnerships, the ‘publicness’ of organizations is not a dichotomy but a continuum. The main differences between public and private purchasing are the compliance with public sector-specific legal rules, the expected standards with regard to values such as transparency and integrity, and the variety of societal goals and public values that need to be addressed. The public procurement process is subsequently described using the 3P-model, specifically developed for public procurement, referring to the three phases in the model: Preparation, Purchase, and Perform. Although these phases are also found in private purchasing, the model adds concepts such as policy goals, procurement procedure, and social contract that fit the specifics of public procurement. This is followed by a discussion of the seven developmental stages of public procurement. It explains how public procurement has developed over time from an executive management function aimed at fulfilling an internal demand to a policy instrument that can collaboratively create public value. The chapter concludes with an explanation of the multifaceted nature of public procurement and why understanding and applying multiple perspectives (e.g., economic, legal, societal, and political) is necessary to bring public procurement into a new era and fully understand and utilize the impact of public procurement. A reading guide of the book finalizes the chapter.

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