

DEVELOPING A PUBLIC VALUE HEALTHCARE PROCUREMENT FRAMEWORK

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ABSTRACT. This paper explores the potential application of public value management theory to the practice of UK healthcare procurement. By conducting a literature review, key elements of public value theory and practice that can be applied to healthcare procurement are identified together with mechanisms that can be used in procurement to protect public values and enhance the creation of public value. These are formed into a Public Value Healthcare Procurement Framework which represents a fresh normative approach to healthcare procurement by focussing on a broader, societal view of value; by providing a blue print for procurement leaders centred around Moore's vision of "exploring" and "moral" public managers; and by promoting a public service ethos amongst all providers including the private sector.

INTRODUCTION

In the context of the UK Coalition Government's NHS reforms as contained within the Health and Social Care Act 2012 (The Stationery Office, 2012a) and the subsequent Procurement, Patient Choice and Competition Regulations (The Stationery Office, 2013) with their focus on increased competition and the opening up of the healthcare market in England, there will inevitably be increased healthcare procurement activity and hence a focus on the procurement competences of commissioners, which have already been perceived as a significant weakness (Allen et al, 2009; NHS Confederation, 2010).

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As Allen et al (2009, p.97) point out, the need for greater attention to be paid to procurement in NHS commissioning mirrors “a global shift in focus towards the strategic role which procurement plays within the function of successful commercial organisations”. This is a long-held concern (Kraljic, 1983; Ellram and Carr, 1994; Reck and Long, 1988; Gordon Murray, 2002; Hughes and Day, 2011) within the public and private sector. Within the NHS, Lonsdale and Watson (2005 p.168) found that procurement was regarded as an “administrative service function”, “expected to carry out the orders of others”, with a key role being to help “with the European rules and other such procedural matters”. Moreover, Allen et al (2009 p.100) identify the need to develop “theoretical scaffolding” and “fresh theoretical underpinning” for the practice of procurement within the context of healthcare commissioning in the English NHS.

Public value may be summarised as an approach to the management of public services, with an emphasis on the creation of “public” value and hence a broader societal-wide conception of value; a vision of “exploring” public managers aiming to create that value so as to meet the needs of citizens as defined by their organisation’s strategy and goals in the context of a political environment from which authority is obtained; and a focus on ensuring that the appropriate operational tools and resources are in place to ensure delivery of public value and the measurement of the value created (Moore, 1995).

In parallel to the debate about the role of procurement, the concept and application of public value management is also much debated. This centres around whether public value is seen as a pragmatic, flexible tool (Alford and Hughes, 2008) suited to addressing the ‘democrat deficit’ and the ‘delivery paradox’ (Coyle and Woolard, 2010; Horner and Hutton, 2011) or whether it lacks specificity (Williams and Shearer, 2011) and is hence “both everywhere and nowhere” (Oakley et al, 2006 p.2) and thus is in danger of attack from the “validity police” (Alford & O’Flynn, 2008). In their review of the concept to date, Williams and Shearer (2011, p. 14) conclude: “there is, as yet, little concrete evidence to suggest that public value can be operationalized at the level at which it was intended – that of the local decision maker and manager. Our recommendation would therefore be that research into, and

evaluation of, the applicability of public value to the local strategic management level would be the most logical starting point.”

It is therefore argued here that procurement, and the procurement of healthcare in particular given the context of the current NHS reforms (Department of Health, 2010a,b,c, & 2011a; The Stationery Office, 2012a) provides an opportunity to apply public value theory in this way and, in turn, the marriage of strategy, legitimacy and operations offered by public value offers a much-needed blue-print for the forward development and application of healthcare procurement because it addresses those very issues: lack of strategic context and direction; narrow definition of value; failure to secure legitimacy for a broader role; and operational frailties; that need to be tackled if procurement is to make a significant contribution within the new commissioning landscape of the NHS.

Although the focus here is on the NHS due to the current reforms in commissioning arrangements and their impact on the procurement of healthcare together with the relative poor standing of the procurement function, the public value approach presented in this paper is likely to have broader application to other healthcare procurement systems and to public procurement in general.

Despite the author’s contention that procurement and public value “are made for each other,” the perception prior to this research was that little connection had been made between the two in the literature. This research therefore aims to fill this perceived gap by exploring how the concept of public value could be used to enhance the procurement of healthcare in the NHS by answering the following questions:

- What is the concept of public value?
- How has it been applied in public organisations including within the NHS?
- Has the concept been applied to public procurement and specifically healthcare procurement, and if so in what way?
- Based on the above research, in what ways can the concept of public value be applied to the procurement of healthcare and what benefits could this have particularly in the context of the current NHS reforms?

- What issues would operationalizing the concept of public value to healthcare procurement face and how could these be overcome?
- How can the application of public value in this way contribute to the debate about the usefulness of public value as a concept?

Following a presentation of the methodology used the pattern of these questions will be mirrored by firstly identifying the theoretical construct and key components of public value within the literature which are of greatest relevance to healthcare procurement. How public value has been applied in both healthcare and public organisations generally will then be explored in order to identify some lessons arising from the practical application of public value. The extent to which procurement and public value has been linked within the literature will be examined before using these key themes to construct a public value framework aimed at enhancing the conduct of healthcare procurement.

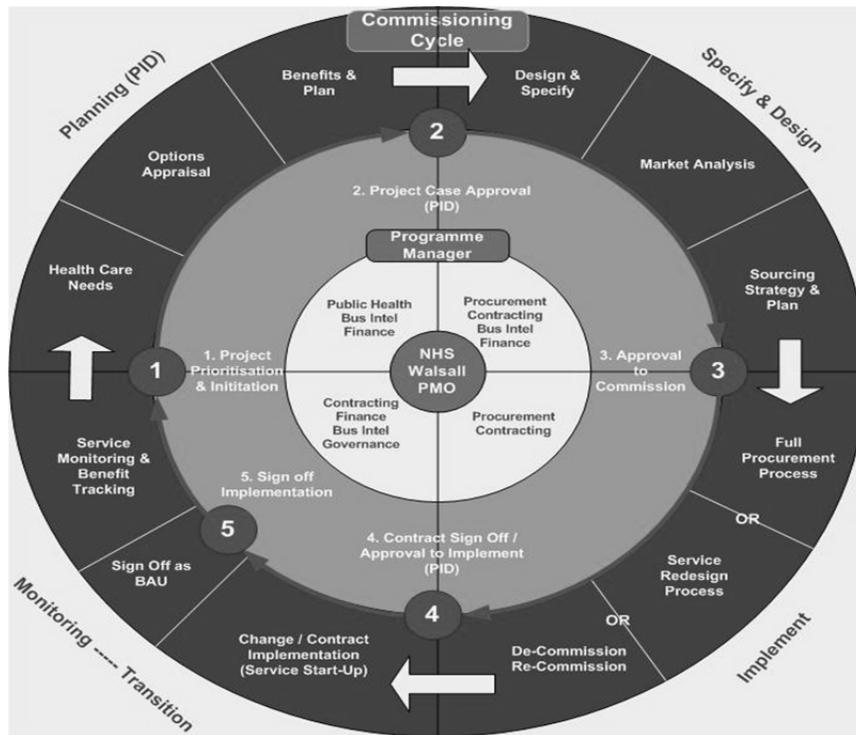
Before embarking on this journey, it is applicable to understand what is meant by “healthcare procurement.” Taking the Chartered Institute of Purchasing and Supply’s (2013) definition of procurement as “all those processes concerned with developing and implementing strategies to manage an organisation’s spend portfolio in such a way as to contribute to the organisation’s overall goals and to maximise the value released and/or minimise the total cost of ownership”, healthcare procurement embraces, as illustrated in Figure 1, those processes in the context of the commissioning of healthcare services including market analysis and agreement of a Sourcing Plan (Gateway 3); the procurement process and entering into a contract (Gateway 4); and contract mobilisation and ongoing contract management (Gateway 5).

METHODOLOGY AND LITERATURE REVIEW

Given the research questions, the strategy for the literature review was primarily to focus on the combination of procurement and public value, preferably within a healthcare context. This determined the selection of the search words and their combinations as summarised in Table 1.

It can be seen from this that although there is plentiful literature covering public value and procurement as individual subjects, as

FIGURE 1
Procurement and the Commissioning Cycle



Legend: Numbers indicate each Gateway in the commissioning cycle.
 Arrows indicate the sequence of activity.

Source: NHS Walsall (2012).

anticipated, articles combining them were relatively scarce, and those combining public value, procurement and healthcare were almost non-existent. This further reinforces the belief that the scope of this research is unique.

Following initial exploration, in order to focus on the application of “public value” as a concept, the search in this field was restricted to “public value” and “strategic triangle” rather than using broader terms such as “social value”. It also became evident at this

TABLE 1
Summary of Literature Search

Search #	Search Words	Database/# of results		
		HMIC	ABI/Inform (Proquest)	ISI (Web of Knowledge)
1	'public value(s)' or 'strategic triangle'	47	323	144
2	'procurement' or 'contracting' or 'purchasing' or 'commissioning' or 'public procurement'	11,352	1,210,664	64,480
3	1 and 2	5	21	13
4	1 and 'health' and 'healthcare'	130	8	15
5	2 and 4	0	0	3

exploratory stage that much of the discussion linking procurement to public value was based on “public values” rather than “value” so the search words accommodated this variation. This helped, for example, to identify a series of articles on “public values in public infrastructure” (Koppenjan et al, 2008) of which several were procurement related.

In selecting the databases to be used, a balance of healthcare (HMIC), business (ABI/Inform) and social science (ISI/Web of science) was chosen. Because of the large number of articles available on public value in general, the selection of those relevant to this study was aided by reference to various literature reviews or comprehensive studies of public value (including Alford and O’Flynn, 2008; Williams et al, 2009; Coyle and Woolard, 2010; Williams & Shearer, 2011).

It also became evident that some of the literature on public value was outside the mainstream academic journals and therefore additional searches were made in Google Scholar and known specialist websites, such as The Work Foundation.

For general procurement information, additional material was sourced from specialist journals and websites such as Supply Management, CPO Agenda and Future Purchasing.

In the review of the literature in the following section, a thematic approach was taken in selecting and synthesizing the literature (see

Tables 5 and 6) by identifying the key theme or argument being pursued in each article and to group these in order to build a picture of the key themes that had relevance to the aims and context of this research. For example, given the perceived weakness of procurement skills within commissioning and the desire to increase the standing of the procurement function, Moore's view of the role of public manager's seemed particularly relevant. Similarly, the criticism of procurement for being a bureaucratic and rule-driven process appeared to be able to be addressed by the emphasis on relationships, networks and co-production within the public value literature. Additionally emphasis was given to those articles that identified the practical application of public value particularly in a healthcare or procurement context.

FINDINGS

Theoretical Development of Public Value

Although the summary of public value given above provides an introductory overview, in order for public value to be understandable and meaningful in the context of healthcare procurement, the concept needs further explanation, and this requires some understanding of its origins.

It is clear from the literature (for example, Kelly et al, 2002; Stoker, 2006; Horner et al, 2006; O'Flynn, 2007; Jantz, 2009; Walker, 2009; Greve, 2010) that the theoretical foundations of public value are as an alternative (or "counterblast" as Oakley et al (2006 p.3) term it), to New Public Management (NPM) or neo-liberalism (Marquand, 2005), which itself was an alternative to traditional public administration (Stoker, 2006).

For its proponents, public value is seen as a preferred alternative to NPM away from "a narrow focus on squeezing out efficiency and meeting performance targets" (Gains and Stoker, 2009 p.441) and "rampant individualism that currently blocks any collective conception of public value" (Whiteside, 2011 p.87) towards "the achievement of the broader governmental goal of public value creation" (O'Flynn, 2007).

It can be seen from this that public value has emerged as the trajectory of public management theory has moved away from the limitations of seeing the goal of public service being to meet the

needs of individuals “as just consumers whose desires and wishes simply need to be added up and measured via satisfaction ratings” (Horner et al, 2006 p.13) but to consider the broader contribution of public services to society as a whole, and thus giving public value a communitarian and co-operative perspective.

In this conception, the needs of the public as citizens as well as consumers comes to the fore as does the concept of creating value as the key driver rather than achieving targets. More importantly, public value is more than the aggregation of individuals needs and has politics and deliberation with key stakeholders at its core (Stoker, 2006).

In terms of the implications for procurement, the comparison provided by Greve (2010) in Table 2 shows that public value management adopts a more relational approach, seeks outcomes broader than service efficiency, and a provider base beyond the public sector. Although this refers to public value as being “post-competitive”, it is clear that in many conceptions of public value (particularly Kelly et al, 2002) contestability remains a core component.

TABLE 2
Comparison of New Public Management and Public Value Management in Treatment of Competition, Contracts and Performance Management

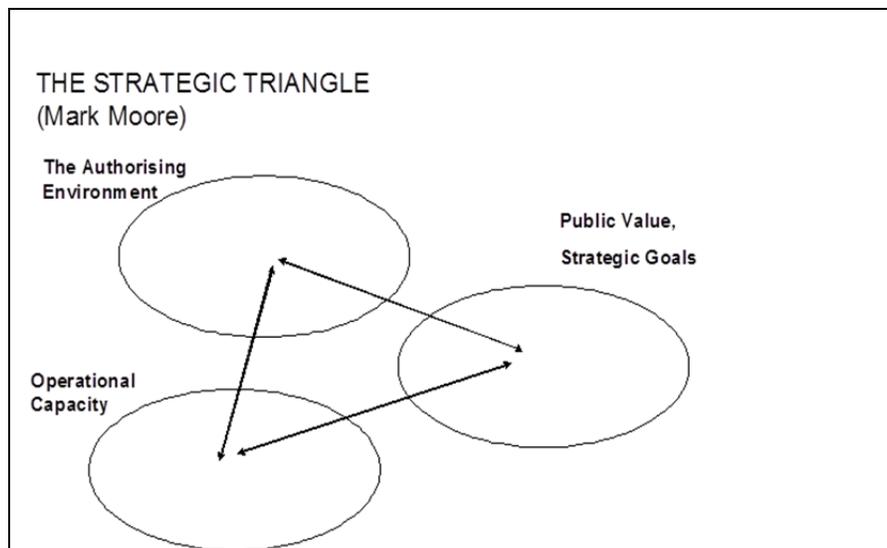
New Public Management	Public Value Management
Competitive Government.	Post-competitive.
Focuses on results.	Focuses on relationships.
Defines the public interest aggregated individual preferences.	Sees collective preferences as expressed.
Performance objective is managing of inputs and outputs to ensure economy and responsiveness to consumers.	Sees how multiple-objectives are pursued, including service outputs, satisfaction, outcomes, trust, and legitimacy.
Accountability is upwards via performance contracts and outwards to customers via market mechanisms.	Sees multiple-accountability systems.
Preferred system of delivery is the private-sector or tightly defined arms-length public agencies.	Delivery system is a menu of alternatives selected pragmatically.

Source: Adapted from Greve (2010).

Key Elements of Public Value

The review of the general public value literature has enabled five key elements of public value to be identified which are particularly relevant, and hence transferrable, to the practice of healthcare procurement. Firstly, the Strategic Triangle is the centrepiece of Moore's (1995) concept and, as illustrated in Figure 2, this approach determines that the agreement of values and overall strategy, the approval of the authorising environment, and the availability of the appropriate operational capacity is essential to any strategy aimed at the creation of public value.

FIGURE 2
The Strategic Triangle



Source: Moore (1995).

The second distinguishing feature about public value is that it is focussed on societal goals for the benefit of the public as citizens foremost. Benington (2011) makes a distinction between two elements of this approach with the questions "What do the public most value?" and "What adds value to the public sphere?" The key to the latter is determining what constitutes "public value" and although

it is acknowledged that there will always be debate about precisely which values are predominant for each project (For example, Jorgensen and Bozeman, 2007 identify 72 'public values') and indeed this is a prime concern of the authorising environment, the categorisation of values provided by Benington as summarised in Table 3 is a useful starting point. The key message here is that "the notion of public value, therefore, extends beyond market economic considerations" (Benington, 2011 p. 45) and this immediately challenges the traditional approach to healthcare procurement whereby price and service quality criteria, rather than any broader societal goals, are the key considerations.

TABLE 3
Categorisation of Public Values

Economic value	Adding value to the public realm through the generation of economic activity and employment.
Social and Cultural value	Adding value to the public realm by contributing to social capital, social cohesion, social relationships, social meaning and cultural identify, individual and community well-being.
Political value	Adding value to the public realm by stimulating and supporting democratic dialogue and active public participation and citizen engagement.
Ecological value	Adding value to the public realm by actively promoting sustainable development and reducing public 'bads' like pollution, waste, global warming.

Source: Benington (2011).

The third key component is Moore's vision of the role of public managers as innovative explorers responsible for co-ordinating the three elements of the strategic triangle and managing any trade-offs between them. Although this vision has sparked much debate (Rhodes & Wanna, 2007, 2008, 2009; Gains & Stoker, 2009; Alford, 2008; Talbot, 2009) it is relevant to our scenario whereby managers responsible for healthcare procurement generally have licence to interpret and implement national policies and guidelines. This reinforces Rhodes and Wanna's view (2009, p. 180) that "'public value' is best regarded as a tool used by public servants to identify and implement operational arrangements in the workplace".

With the advent of increased public engagement, the overseeing role of Health and Well Being Boards (Local Authority Committees to oversee health provision in their area), and the introduction of controversial policies such as Any Qualified Provider (AQP) (whereby any providers who meets specified standards are on an approved list against which patients make their choice) (Department of Health, 2011b), healthcare procurement within the NHS will increasingly be operating in a highly political environment and therefore Moore's (1995) emphasis on the need for public managers to have political management skills is particularly relevant.

Fourthly, some interpretations have emphasized that the role of public managers extends to "network governance" whereby actors within and beyond organisational boundaries, between different levels of government, between different services and professions, and between the citizen and the state (Benington and Moore, 2011b) are required to work together to create public value for their communities. As indicated above, the public value approach accepts a "mixed economy" in the sense of public services being delivered by a combination of public, private-sector, third-sector or partnerships of these, and this in itself creates networks of providers requiring co-ordination and maintenance (Stoker, 2006; O'Flynn, 2007).

The fifth element of public value to be highlighted from the literature is the concept of co-production which Bovaird (2007, p.847) defines as "the provision of services through regular long-term relationships between professionalized service providers (in any sector) and service users or other members of the community, where all parties make substantial resource contributions". This means that the public are not only engaged in deliberations about what constitutes value in the public realm and hence the priorities and future provision of services through the authorising environment, but they are actively engaged in the delivery of services.

A key element here, as highlighted in Table 4, is that co-production extends to engagement in planning of services as well as their production and delivery. For healthcare procurement, this has two implications: the need for public engagement in the planning and conduct of the procurement process and the need to encourage providers to embrace these two dimensions.

TABLE 4
Range of Professional-User Relationships

	Professionals as sole service planners	Service user and/or community as coplanners	No professional input into service planning
Professionals as sole service deliverer	Traditional professional service provision	Traditional professional service provision with users and communities involved in planning and design.	
Professionals and users/communities as codeliverers	User Codelivery of professionally designed services.	Full user/professional coproduction.	User/community codelivery of services with professionals, with little formal planning or design.
Users/communities as sole deliverers	User/community delivery of professionally planned services.	User/community delivery of coplanned or codesigned services.	Traditional self-organized community provision.

Source: Bovaird (2007).

These findings identifying the five key themes of public value which have most relevance to the concept's application to healthcare procurement are summarised into an 'at a glance' guide in Table 5. It is intended that this presentational approach will provide those new to the concept, such as procurement managers, with an introductory appreciation of public value management theory as well as a guide to the key literature.

How has Public Value been applied in the NHS and other Public Organisations?

A common theme to emerge from the review of the literature linking public value and the NHS is that of political legitimacy including commissioners' engagement with the local community and the building of trust (Kelly et al, 2002; Chapman. 2005; Williams et

TABLE 5
Five Key Themes in Public Value Management Theory

Theme	Summary of Findings	Illustrative Quote	Example Literature
Strategic Triangle or variations thereof	<ul style="list-style-type: none"> - This is centre-piece of Moore's construction. - Public Value can only be created if all 3 elements; strategic goals/values, the authorising environment; and operational capability are aligned as much as possible. - This will inevitably require trade-offs between these three elements and between competing values. - Variants on this theme include: Work Foundation's Authorise, Create, Measure; Kelly et al's Service, Outcomes and Trust; Smith's Public Sector Context; and Micheli and Bocci's Mission Orientated Scorecard. 	<p>"The strategic triangle posits that a strategy for a public sector organisation must meet three broad tests. It must 1) be aimed at creating something substantively valuable (ie constitute public value); 2) be legitimate and politically sustainable (ie attract sufficient ongoing support – and concomitant resources – from the authorising environment, that is, from political and other stakeholders taken as a whole, with due recognition of their differential power; and 3) be operationally and administratively feasible (ie doable with the available organizational and external capabilities needed to produce it" (Alford & O'Flynn, 2008, p.4).</p>	<p>Moore (1995), Smith, (2004), Work Foundation (eg Horner & Hutton, 2011), Kelly et al (2002), Alford (2008), Alford and O' Flynn (2008), Micheli and Bocci (2009)</p>
Emphasis on societal rather than individual needs.	<ul style="list-style-type: none"> - Combines 'what the public most values' with 'what adds value to the public sphere'. - Deliberation required to determine public values/refined preferences. - Various classifications of values. - The achievement of public values must be measureable. 	<p>"The challenges facing governments and public services therefore include how to complement improvement of basic services for individuals, with strategies also to improve the context and culture within which individuals live and work; to strengthen long-term preventative measures as well as short term remedial services; to create the preconditions for the development of communal and shared responses to needs; and to support and promote the development of citizenship, 'the community' and the public sphere" (Bennington, 2011, p. 33)</p>	<p>Moore (1995), Jorgensen & Bozeman (2007), Barber (2007), Alford and Hughes (2008), Talbot (2009), Bennington (2011)</p>

TABLE 5 (Continued)

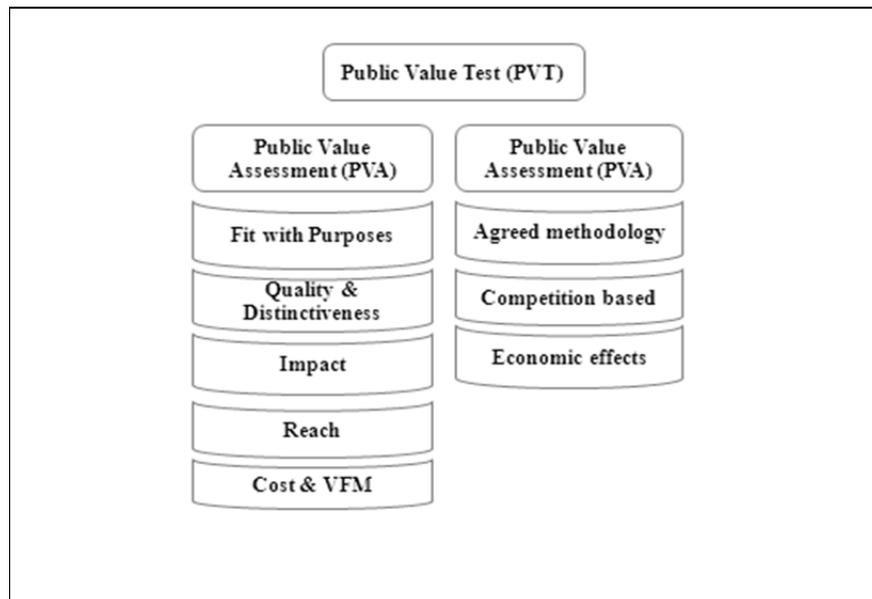
Theme	-Summary of Findings	Illustrative Quote	Example Literature
The role of public managers (e.g., as explorers) with emphasis on political management.	<ul style="list-style-type: none"> -Public managers are explorers and creators of public value. -Managerial view is outward, upward, downward and inward. -New role requires new skills and competences. -Political management skills are key competence. -Potential danger of usurping democratically elected politicians. -Experience, skills and knowledge of organisation constitute Capital Value. 	<p>“In this view, public managers are seen as explorers who, with others, seek to discover, define, and produce public value. Instead of simply devising the means for achieving mandated purposes, they become important agents in helping to discover and define what would be valuable to do. Instead of being responsible for guaranteeing continuity, they become important innovators in changing what organisations do and how they do it”. (Moore, 1995, p. 20)</p>	<p>Moore (1995), Smith (2004), Stoker (2006), Bovaird (2007), Alford and O’Flynn (2008), Talbot (2009), Williams and Shearer (2011)</p>
Networked Governance including mixed economy	<ul style="list-style-type: none"> -Leadership across boundaries. -Three nodes of state, market and civic society. -Mixed economy. -Management of network of providers. 	<p>“Whole systems thinking and action requires new patterns of governance and leadership across boundaries and beyond authority, in networks with other organisations and actors in the public, private, voluntary, and informal civil society sectors” (Benington & Moore, 2011b)</p>	<p>Kelly et al (2002), Stoker (2006), O’Flynn, (2007), Benington & Moore (2011a/b), Benington (2011), Williams and Shearer (2011)</p>
Co-production	<ul style="list-style-type: none"> -Co-production in both planning and service provision. -Community leaders as mediators between participating groups and public managers. -Threat of domination by particular groups. -Potential threat to power of professionals. 	<p>“What is needed is a new public service ethos or compact in which the central role of professionals is to support, encourage, and coordinate the coproduction capabilities of service users and the communities in which they live” (Bovaird, 2007, p. 858)</p>	<p>Moore (1995), Kelly et al (2002), Collins (2007), Bovaird (2007), Try & Radnor (2007), Jantz (2009), Talbot (2009), Alford (2011)</p>

al, 2007; Taylor-Goodby & Wallace 2009; NHS Institute for Innovation and Improvement, 2009). This may extend to the need to build a “value mission” within the local health economy (Tritter, 2011).

This theme is echoed by Holbecke (2011) who argues that for the newly created Clinical Commissioning Groups (CCG’s) to deliver public value they will need to agree a “higher level purpose”; “proactively engage the public in deciding what the objectives should be”; and adopt key operational capabilities such as management support and leadership.

Outside the NHS, the most publicised application of the concept of public value in the UK is its adoption and use in the BBC. As well as a general orientation towards increased customer interface (Collins, 2007), its primary use has been the Public Value Test (PVT) (BBC Trust, 2007) which is a two-step process used to determine whether new services should be introduced in the context of the BBC’s six public purposes set out in its Charter as illustrated Figure 3.

FIGURE 3
The BBC Public Value Test



Source: BBC Trust (2007).

Despite this limited application (Coyle and Woolard, 2010), the BBC's experience with public value provides important lessons. On the negative side, it illustrates the danger of using it in a rhetorical, defensive or opportunistic way (Oakley et al, 2006) whilst, more positively, it demonstrates that its emphasis on values and network governance is of considerable benefit during a period of environmental change including where there is an increase in choice and competition (Collins, 2007). This, of course is pertinent to the current NHS reforms.

In summary, it can be concluded that the literature linking public value to specific services, such as within the NHS and the BBC, suggests that it is much easier to describe its application in theory than to implement it in practice. Where there has been practical application, this has centred on public engagement, often in a priority setting context, and to a lesser extent, the consideration of public values and measures. As with the theoretical coverage, this has served somewhat to devalue Moore's concept, not least that of the Strategic Triangle, which gets very little coverage in this part of the literature. As a key element of the triangle is operating capability, it is perhaps not surprising that there has been much rhetoric about public value but little practical application precisely because the tools and resources associated with the operating capability to apply public value have not been put in place.

Public Value and Public Procurement

As can be seen from the research questions, a key element of the literature review was to identify the extent to which the public value concept and the practice of procurement was linked, and, if so, how. No evidence was found that such a task has been attempted previously and therefore this aspect of the research in particular is breaking new ground.

As illustrated in Table 1, coverage combining public value and procurement even when extended to include "public values" is relatively scarce. However, a closer look at the literature does reveal that at least some connections have been made and therefore this coverage has been classified as per Table 6.

Firstly the mainstream literature (covered in the general review of public value above) includes some procurement related issues including the need within the public value framework to manage a

network of public, private, and third-sector providers; to promote a public service ethos amongst such providers; and to apply a more relational approach to contracting. This content is limited to a small group of authors.

TABLE 6
Classification of Public Value and Procurement Literature

Key Themes	Illustrative quote	Example Literature
Panel A. Public Value interface with procurement is included within mainstream Public Value Literature		
Selection of providers should be based on public value selection criteria and public service ethos should be built into contracts.	"Another set of issues concerns the criteria for selecting provider organisations. The prevailing approach across much of government has been to ignore altogether wider questions such as ethos and instead select providers on the basis of their capacity to deliver a given output at the lowest cost (eg this was the case with CCT)" (Kelly et al, 2002 p.33)	Kelly et al (2002), Cole and Parston (2006), Stoker (2006)
Co-production applies to be contracted out services.	"traditional conceptions of professional service planning and delivery in the public domain are outdated, whether the professional is working in a monolithic bureaucracy, an arm's length agency, or an outsourced unit, and need to be revised to account for the potential co-production by users and communities." (Bovaird, 2007 p. 858)	Kelly (2002), Bovaird (2007)
Recognition of a 'mixed economy' and the need for the co-ordination of a network of providers.	"it should be understood that value is not public by virtue of being delivered by the public sector. In fact, it can be produced by government organizations, private firms, non-profit or voluntary organisations, service users, or various other entities. It is not who <u>produces</u> it that makes value public. Rather, it is a matter of who <u>consumes</u> it" (Alford and Hughes, 2008 p.131)	Kelly et al (2002), Stoker (2006), O'Flynn (2007, Bovaird (2007)
Creation of public value is more likely to be delivered by relational contracting.	"What public value management expects is for a relational approach to service procurement. There should not be a great divide between client and contractor, both should see each other as partners looking to sustain a relationship over the long run and should not be narrowly focussed on any contract" (Stoker, 2006 p.48)	Stoker (2006), Try and Radnor, 2007
Type of service provision (or procurement process) should be determined by contingency through set of "design rules".	"Contracting can be beneficial in some circumstances and harmful in others" (Alford & Hughes, 2008, p. 139).	Alford & Hughes (2008)

TABLE 6 (Continued)

Key Themes	Illustrative quote	Example Literature
Panel B. Application of a public value approach to procurement		
Characteristics of the procurement process are likely to impact on the ability to deliver public value.	"A lowest cost approach to procurement will still create public value, as the facility will enable a government department to provide goods and services. However, at the top of the continuum, the public value approach recognises that the procurement process has the potential to create additional public value, as well as just creating a physical facility" (Staples & Dalrymple, 2011 p.514). See Figure 4.	Staples (2010), Staples & Dalrymple, 2011
The public value of procurement can be measured through the analysis of impact on society through the achievement of public procurement goals and the level of participation and consultation.	"While it is recognised that public value is a demanding standard, it is argued that its emphasis outwards on societal outcomes rather than merely inwards on internal processes provides a necessary democratic element to procurement policies and processes" (Erridge, 2005 p.1032). See Figures 5 and Table 7.	Erridge (2005, 2007), Greater London Authority (2010).
A public value approach to procurement requires increased competency, improved information, an overarching policy and the measurement of procurement's contribution.	"The development of a tool for measuring procurement's contribution to public value, taking it well beyond the simple concepts of price, total cost of ownership and savings, is the next major step that public procurement needs to take. When this has occurred, and a single, high profile, easily understood and recognised measure of procurement effectiveness is in place, public sector stakeholders will be positioned to recognise the effectiveness of agencies in contribution to organisational success." (Kidd, 2005 p.421)	Kidd (2005)
Panel C. Public values and procurement		
In order to maintain public values in the context of private sector provision, there is a need to build public values into the procurement process and selection criteria.	"Our research suggests that the client has the greatest potential to affect overall change, by making worker safety a project deliverable." "Best practice worker safety should be incorporated into contract selection criteria and given the same weighting as more traditional public values. It would no longer be viewed as an incidental consideration – it would become a core value." (Charles et al, 2008 p.165).	Keogh and McCarson (1997), Bozeman (2008), Charles et al, (2008), Jones (2008), Koopenjan et al (2008), van Gestel et al (2008), Cordella & Willcocks (2009), Jackson (2009)

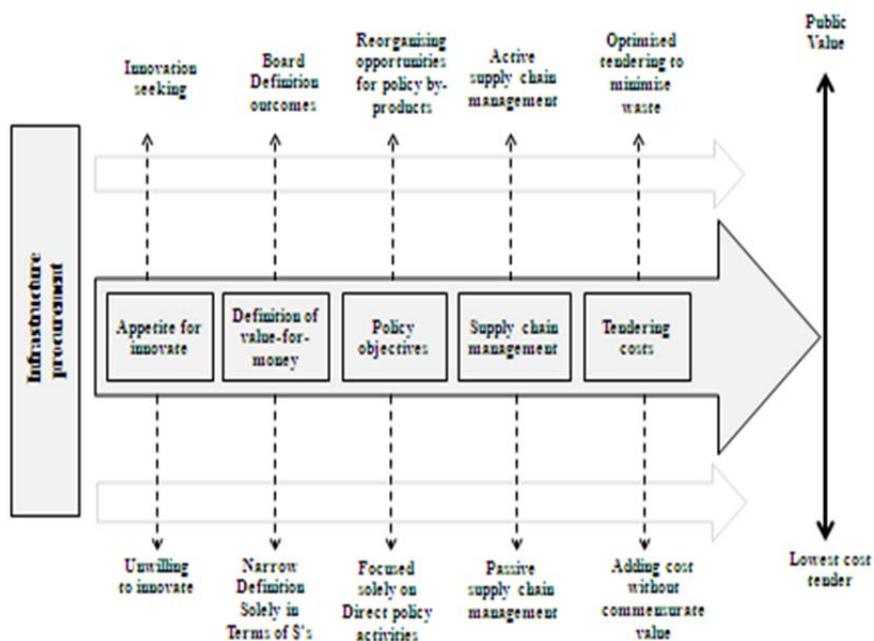
TABLE 6 (Continued)

Key Themes	Illustrative quote	Example Literature
A “collaborative capability” and shared culture is needed in provider relationships in order to preserve public values.	“Whilst synergistic partnerships are characterised by close personal bonds and a culture of ‘leaving the contracts in the drawer’, public organisations are ideally characterised by diametrically opposed values.” (Weihe, 2008 p.156)	Weihe (2008), van Gestel et al (2008)
Appropriate institutional arrangements, such as policy and capabilities, are needed in order to protect public values.	“It is clear that from the Australian examples that procurement from the private sector does not necessarily entail the loss of public values, provided that appropriate institutional arrangements are in place to safeguard them.” (Furneaux et al, 2008 p.172)	Kidd (2005), Furneaux et al (2008)
Panel D. Values and markets		
Values, institutions and markets impact on the contracting strategy and failure to protect public values can result in ‘public-value failure’.	“If the conferral of public value has been delegated to private contractors, there is no <u>necessary</u> failure in public value, but there is at least a hazard. If government does not have the capacity to ensure core public values and must rely on the lowest public bidder, the possibilities for public failure increase. This occurs if government becomes hostage to contractors, which can occur in the absence of nonmarket means of providing public value and, from a practical standpoint, the inability of government to monitor contractors” (Bozeman, 2002 p.152)	Jackson (2001), Bozeman (2002), Brown et al (2006)

The second category is limited to a few articles and authors who have directly applied the public value concept to procurement and this includes two models. That offered by Staples and Dalrymple (2011), Figure 4, is based on empirical research of Australian infrastructure projects such as roads and construction, and identifies the factors in the procurement process that are likely to lead to increased public value. Although all these factors are valid, the focus of this model is on the procurement process itself rather than on broader organisational factors such as internal relationships, public engagement, and skills and competences.

The second model (Erridge, 2005; 2007), as per Figure 5, provides a framework to assess the conduct of public procurement from a public value perspective by measuring compliance with a group of public procurement goals alongside the degree of

FIGURE 4
Infrastructure Procurement Public Value Framework



Source: Staples and Dalrymple (2011).

consultation and participation, with customers, providers and stakeholders. Although values and the authorising environment are integrated into this model it does not appear to adequately accommodate the operational capability needed to deliver high quality, value creating procurement.

Despite these shortcomings, it should be acknowledged that both of these models are 'first attempts' to give procurement a public value perspective and they go some way to demonstrating the

considerations that need to be taken into account when creating a public value healthcare procurement framework.

FIGURE 5
Framework for Analysis of the Value of Public Procurement

Impact on society/ Contribution to government goals	Direct	Public Value			
		Social Welfare			
		Efficiency			
		Economy			
		Transparency			
	Indirect	Propriety	Internal Customers	Suppliers/ markets	External stakeholders
				Low	High
Consultation/participation					

Source: Erridge (2005).

A third grouping of articles are those which explore public 'values' (rather than 'public value') in relation to procurement. Some of these are focussed on the mechanisms which it is claimed are needed to protect public values such as procurement competency, having a guiding policy and the explicit application of values to the conduct of the procurement process. Additionally, the emphasis on shared culture, networks, and organisational "collaborative capability" (Weihe, 2008) echo the theme of relational contracting.

Although much of this literature is Australian based (mirroring the general public value literature) and is focussed upon infrastructure procurement, there are several parallels with healthcare procurement including: the degree of complexity compared with 'standard' goods procurement; the increased level of private sector provision including through partnerships; a diversity of commissioning bodies; and anxiety concerning the availability of appropriate skills, which makes these findings valid and transferable to a healthcare setting.

The final category is that which discusses how public value and values are influenced by markets and in turn have an influence on

the format of contractual arrangements. Brown et al (2006) argues that the contracting strategy is influenced by public values, institutions and markets, whereas Bozeman (2002) provides a model setting out the circumstances when “public-value failure” may occur. These include failure to appropriately articulate public values, scarcity of providers, and, particularly apt in the context of recent concerns in the NHS and social care, threats to dignity. These again provide valid issues for consideration in any attempt to construct a public value procurement framework for health.

From the literature search, there was no evidence that public value and procurement have been linked specifically in relation to healthcare.

In summary then, although there is evidence of some literature covering public value (or values) and procurement, with the exception of a few authors, the recognition of this connection has not been made in the generic public value literature.

It seems therefore that, as in reality, procurement will also have to fight for a place at the top table of public value theory. The following section therefore suggests how this fight may begin!

TOWARDS A NEW MODEL OF HEALTHCARE PROCUREMENT

Synergy between Procurement and Public Value

From the literature review summarised above, it is evident that there is considerable synergy or parallels between public value and healthcare procurement in that there are some common themes that public value management and healthcare procurement share.

Firstly, both are concerned with concepts of value, albeit defined differently. However, applying the broader view of “value” as contained within the public value concept should, as Kidd (2005) asserts, be regarded as another tool in the toolkit of public procurement.

In return, public value theory has something to gain from procurement: “Broadening the focus of the ongoing discussion of the achievement of public value, so that it considers procurement, offers the potential to more clearly and accurately assess the return that agencies receive for their investment in delivering outcomes” (Kidd, 2005, p. 428).

It has been shown that in its practical application, public value has been particularly prominent in priority setting and decision-making scenarios. In many ways the procurement process mirrors such exercises with both of them concerned with the evaluation of options against a set of agreed criteria to determine the favoured option. This suggests that there ought to be an equally good fit between procurement and public value at a practical level.

Public value has been put forward as being particularly suitable to tackle the current challenging climate characterised by “a series of profound, simultaneous, systematic, global changes” (Benington & Moore, 2011b). Anyone working in commissioning in the NHS would not argue that a similar “Copernican Revolution” is happening in healthcare procurement with the fragmentation of purchasing power amongst commissioners, greater emphasis on choice and competition, the introduction of new procurement processes (such as Any Qualified Provider), and uncertainty over organisational structures. Public value therefore may be able to provide a much needed “compass” for the procurement of healthcare in the NHS (Benington & Moore, 2011a).

If it is accepted that contestability is a key ingredient needed for the creation of public value (Kelly et al, 2002), then it follows that procurement will be at the centre of this activity. On the other hand if it is felt that “unfettered competition...blocks any collective conception of public value” (Whiteside, 2011, p. 86) then it can be equally argued that the procurement function has a duty to protect public value and values by the way it conducts competition and manages contracts. Either way, this puts procurement at the centre of a public value approach.

Finally, procurement managers have been crying out for a definition of their role and that offered by Moore (1995) in his vision of the “exploring” public manager provides a valuable template to tackle the lack of recognition.

A Proposed Public Value Healthcare Procurement Framework

This makes for a compelling case that there is merit in applying the public value concept to healthcare procurement particularly in the context of the current NHS reforms.

In order to apply the principal elements of public value theory identified from the literature search (see Tables 5 and 6) together with some of the lessons learnt from the practical application of public value set out above, I have devised a public value healthcare procurement framework (PVHPF) in Figure 6.

To assist the understanding of the PVHPF it is best to explain some of its design features. Firstly, the approach taken has been to stay loyal to Moore's (1995 p.22) contention that "in envisioning public value, managers must find a way to integrate politics, substance, and administration" and hence the Framework is built around the Strategic Triangle (Figure 2).

Furthermore the intersection of the three emphasises the interoperability between them and hence provides a more comprehensive framework than those offered by Staples and Dalrymple (Figure 4) and Erridge (Figure 5) which are process and value-based respectively.

Indeed, an important message about the PVHPF is that it is proposed not as a procurement process but as an overarching framework within which healthcare procurement should be conducted. This is consistent with Kidd's (2005, p. 418) view that "Focussing on a particular procurement project, even when taking account of its contribution to organisational success, does not address the whole picture. The focus should be on the entire procurement function."

The placing of the elements of procurement activity within each sphere has been undertaken on a 'best fit' basis but it is acknowledged that some elements could be placed in an alternative (or more than one) sphere. The list in each is not exhaustive and could be amended subject to debate in keeping with the spirit of the authorising environment! Indeed, the Framework is seen at this stage as a work in progress.

Having designed the PVHPF, a key question to answer is why is it different to current approaches to procurement? Although it is true that many of the elements included here such as skills and competences (Cousins et al., 2008); internal relationships (Lonsdale and Watson, 2005; Patel, 2005); and supplier relationship management (Day, 2010; "State of Flux," 2011) are on the menu to improve public sector procurement (Hughes and Day (2011), the

PVHPF provides added ingredients, such as the need to agree public values and to use these as selection criteria; the emphasis on “exploring” public managers and political management skills; and the promotion of a public service ethos and co-production. Such an approach is not only relevant to the “under-developed” healthcare procurement function (Allen et al., 2009), but it accommodates aspects that are pertinent to healthcare commissioning such as the emerging strategies of CCG’s, the need for both public and patient and clinical engagement, and the focus on integration and network co-ordination.

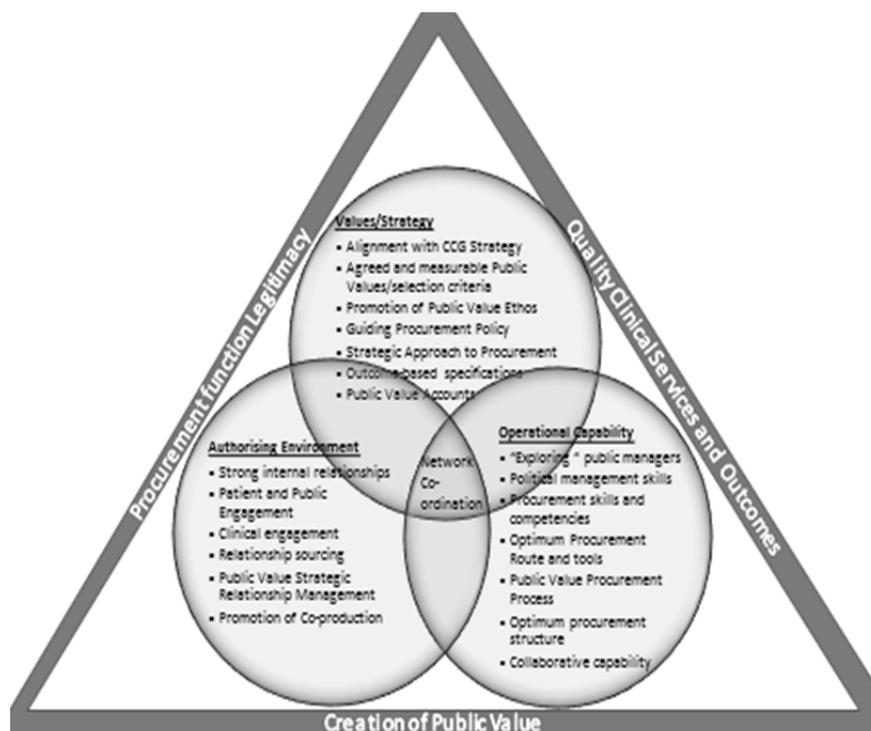
This in turn leads to the achievement of broader outcomes. Although there is currently focus on improving patient experience and improving clinical outcomes (Department of Health, 2010f), the PVHPF approach broadens the objectives to accommodate public value creation for the benefit of the community as a whole and at the same time provides a route to secure the much sought-after legitimacy for the procurement function.

Therefore the PVHPF offers a broad framework for the forward development of healthcare procurement that is currently missing with current policy narrowly focussed on rules and regulations (Department of Health, 2010d and 2010e; The Stationery Office, 2013).

In looking at the framework in more detail concentration will therefore be given to those elements that constitute this new approach. Taking the Values/Strategy sphere first (see Figure 6), in order to become an “integrative” procurement function and “functional peer” (Reck & Long, 1988), it is insufficient merely to align the procurement approach to the organisation’s values and strategy but it is essential that there is engagement in the overall strategic planning processes so that procurement is leading not just following.

As the new commissioning organisations develop, first impressions will be key and the procurement approach will need to avoid the “red tape” which Try and Radnor (2007) found to be an “impediment” to executives’ “abilities to manage for results”. This is echoed by Holbecke’s (2011, p. 134) warning regarding the establishment of CCG’s that “too much bureaucracy at an early stage signals lack of trust and stifles innovation.” A key to this will be that

FIGURE 6
Public Value Healthcare Procurement Framework



“a balance must be struck between formal management processes and the emerging ‘spirit’” and this is almost certain to require a more flexible approach to procurement.

Although the use of values as selection criteria (Charles et al, 2008) is a valid approach a broader view of procurement values will be required which embraces both the conduct of the procurement process and the promotion of the public value delivered by providers through their adoption of a public service ethos (Stoker, 2006). Erridge’s Framework of Public Procurement Values as per Table 7 provides a valuable starting point. Additionally, the use of “public value accounts” suggested by Moore (2011) to measure the creation of public value by providers, sits neatly alongside the current requirement for healthcare providers to produce “quality accounts.”

TABLE 7
Framework of Public Procurement Values

Goals	Values
<u>Regulatory goals</u> Propriety Transparency	Conduct, behaviour and corporate governance Requirements and procedures are open
<u>Commercial goals</u> Economy Efficiency	Cost reduction More for the same price; same for less
<u>Socio-economic goals</u> Social welfare Public value	Equity, protection of minorities, sustainability Trust, legitimacy, equity, ethos and accountability

Source: Erridge (2005).

Turning to the authorising environment (see Figure 6), Moore's focus on the public manager securing political authority from the "external" political environment clearly has application to procurement. However, this may best be applied by regarding "external" as being outside the immediate realms of the procurement function so that it also encapsulates the myriad of internal relationships that are so important to establishing procurement as a strategic function.

A further key message is that often the procurement function will already have a considerable level of authority but is reluctant to use it without asking permission to do so (Patel, 2005). This reticence is hardly in keeping with Moore's vision of the role of public managers. This is echoed by the recognition in procurement circles (The Future Purchasing Alliance, 2012 p. 21) that "there is a behavioural requirement for purchasing leaders to inject energy, drive, and urgency, and to ensure that potential sponsors understand the size of the prize and their role in securing it". However, public value adds an additional dimension to leadership with Moore's vision (1995, p. 299) of public managers as "moral leaders" whose "ethical responsibility is to undertake the search for public value conscientiously." It is unlikely that currently healthcare procurement managers would describe their role in this way. However if they adopted this as a blue print for their future demeanour it would go a long way to securing legitimacy within

their new organisations as well as putting the public value message firmly on the agenda.

As made clear in Erridge's model (Figure 5) engagement is not restricted to the demand side of the supply chain, but dialogue with the provider base is also crucial. Within procurement circles this is being tackled by the concept of Strategic Relationship Management (SRM) defined as "a discipline of working collaboratively with those suppliers that are vital to the success of your organisation to maximise the potential value of those relationships" ("State of Flux," 2011). This reinforces the contention that public value is more likely to be produced by relational contracting, but within the public value model the driving of "value" from such relationships would incorporate compliance with a public service ethos and the measurable creation of public value. Furthermore, "the public value paradigm recognises that a more pragmatic approach to selecting providers to deliver public services would create more space for maximisation of the public value" (O'Flynn, 2007, p. 361). In this sense pragmatism means selecting the optimum procurement route and contractual arrangements as per the "Design Rules" advocated by Alford and Hughes (2008).

If it is accepted that SRM is "rarely encountered" and constitutes "a massive capability gap" in the NHS due to the practice of "let and forget" when awarding contracts (Hughes & Day, 2011), this in itself represents a major challenge and change of direction.

The authorising environment sphere also includes the need to encourage providers to engage in co-production with their clients and customers, which as demonstrated in Table 4 relates to both planning and service delivery. In healthcare, this may take two forms. Firstly, by awarding contracts specifically for the delivery of coproduction activities, for example, selecting a provider to deliver an expert-patient programme (Tritter, 2011). Secondly, contracts may oblige providers to engage their clients in co-production activities such as the need for GP practices to establish Practice Patient Groups.

In considering operational capability (see Figure 6), procurement skills and competences are top of the agenda (Allen et al., 2009; Cousins et al 2008; Kidd, 2005). However, within the PVHPF this approach is enhanced by incorporating Moore's (1995, p. 113) emphasis on political skills:

Political management involves four elements: building (1) a climate of tolerance, active support or ongoing operational assistance for (2) a manager, a policy, or an overall strategy among (3) those outside the scope of an official's direct authority whose (4) authorizations or operational assistance are necessary to achieve the public purposes for which the official will be held accountable.

Such skills are clearly essential in the building of effective internal relationships, as well as gaining external political legitimacy as was Moore's main focus. This approach is consistent with the findings of Lonsdale and Watson (2005) that conflict and power, rather than technical issues, are fundamental in determining effective internal customer relations in the procurement process.

Where applicable skills and experience in procurement have been acquired it is important that they are regarded as being part of the "capital value" of the organisation (See Table 5).

Linked to this is the need for organisational "collaborative capability" highlighted in Table 6 which as well as being essential for building provider partnerships can also be a useful asset in building internal relationships. Similarly, as emphasized by Furneaux (2008), adopting the optimum organisational structure for procurement is crucial to safeguarding public values as is having a central procurement policy. These are both relevant to the current NHS Reforms as there is much debate as to whether organisational responsibility for contracting and procurement will sit locally within CCGs or more centrally within CSUs (Commissioning Support Units) and currently there is the absence of an overarching framework for healthcare procurement that goes beyond regulations.

The intersection of the three spheres illustrates that a major role for procurement, and one that is perhaps not generally recognised in practice, is as a network co-ordinator. This involves: acting as the principal interface between the organisation and its external providers; co-ordinating, interpreting and consolidating the requirements of internal customers to avoid fragmentation of spend (Lonsdale and Watson, 2005); and "steering networks of providers in the quest for public value creation" (O'Flynn, 2007, p. 360).

In summary, the PVHPF in adopting the key strands and findings from the public value literature presents a comprehensive framework

for the future conduct of the procurement of healthcare in the NHS. Although some of these elements are already in place, the PVHPF as a whole represents a new approach which puts the creation of public value at the centre of healthcare procurement and in doing so promotes increased legitimacy of the procurement function and strengthens the delivery of clinical outcomes.

DISCUSSION

Having developed this framework, the remaining questions then are how should it be used, what benefits will it bring, what challenges will it face and how should it be developed?

The literature (Alford & O'Flynn, 2008; Williams and Shearer, 2011) identifies several ways public value theory has been used including: as a paradigm or overarching framework as per the work foundation approach (Horner et al., 2006); as a performance framework (Cole & Parston, 2006); or for rhetorical or political purposes as we have seen with the BBC (Oakley et al., 2006). Here, it is proposed that the PVHPF is developed as a normative approach against which the future conduct of healthcare procurement can be modelled. Initially it could be used as a tool or check-list to measure current practice against each of the elements within the spheres.

There are several benefits of using the PVHPF in this way. Firstly, it captures the synergy between procurement and public value that we have identified and in doing so represents a fresh approach to healthcare procurement which goes beyond the current 'rules and process' model. By encapsulating a broader sense of value and by providing a blueprint for the role and behaviour of procurement professionals, the Framework represents both a major challenge and opportunity for the procurement function to gain credibility when engaging with the new commissioners (Holbecke, 2011).

It is also consistent with current procurement thought (Hughes & Day, 2011; The Future Purchasing Alliance, 2012) which seeks a more strategic role for procurement through improved skills and competency, inspired leadership, and the application of Strategic Relationship Management. The PVHPF captures all of these but within the context of public value creation and the promotion of a public service ethos.

Although the Framework has been designed to address the current commissioning environment in the English NHS, by addressing the strategic role of procurement, the behaviour of procurement managers and their skill-set, relationships with providers, and the preservation and promotion of public values, much of its approach is applicable to the procurement in other healthcare systems and to public procurement in general.

This approach is also consistent with the current trajectory of public management theory which recognises that the era of “rampant individualism” represented by NPM is being replaced by an increased interest in “what adds value to the public sphere” (Benington, 2011) and in co-production (Bovaird, 2007). Indeed, there is already some legal recognition that public procurement can make such a contribution in the form of the Public Services (Social Value) Act 2012 (The Stationery Office, 2012b, “Interview Chris White,” 2011) which as can be seen from Table 8 closely mirrors the approach being proposed through the PVHPF.

TABLE 8
Extract from Public Services (Social Value) Act 2012

The Authority must consider:

- (a) How what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area, and
- (b) How, in conducting the process of procurement, it might act with a view to securing that improvement.

Source: The Stationery Office (2012b).

There may also be political benefits to using the PVHPF. Promoting a public service ethos amongst providers, adopting public values as evaluation criteria, and encouraging the use of co-production is likely to contribute to the “humanisation” of private provision (Marquand, 2005).

The approach is also likely to be welcomed by the third sector which has struggled with traditional tendering procedures associated

with the more narrow concept of value and would welcome a change of emphasis more akin to their own culture (Kelly, 2007).

However some difficulties may be encountered in applying this approach including: the lack of awareness of public value as a concept at operational level combined with the lack of presence of procurement at a strategic level in NHS commissioning; a heavy reform agenda against which procurement will struggle to gain attention; and, as we have seen, a shortage of the very skills and competences needed not only to implement the PVHPF but to spread the message in the first place.

These barriers may be overcome by applying the following recommendations to progress with the ideas proposed in this paper: entering into a dialogue with academics and procurement practitioners alike to ascertain the credibility and usefulness of the PVHPF and agreeing some areas for further research to develop and enhance the concept; exploring how this concept fits alongside the soon to be released NHS Procurement Strategy; piloting the PVHPF within one of the new Clinical Commissioning Groups or Commissioning Support Units; and, not least, to continue to promote a positive message about the contribution that can be made by the procurement function so as to lay a sound reputational base in preparation for the introduction of this new approach.

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