

# WHAT IS PROCUREMENT?

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At the conclusion of IPPC5 in 2012, a challenge was set to departing participants to define “procurement.” There does not seem to be a single, obvious answer, with definitions perhaps differing with the respondent and their relation to the topic. Is a single off-the-shelf purchase “procurement”? What if it is part of an overall strategy? Is “procurement” achieving contracts, outcomes, or something else? The answers to these questions, and others, are extremely important to those affected by the discipline. The author explores this broader topic of the nature of “procurement,” in general and in terms of “public procurement,” in order to frame the discourse on procurement, and to examine what it may mean for those in and around the field.

## INTRODUCTION

At the conclusion of IPPC5 in 2012, a challenge was set to departing participants to define “procurement.” Before this challenge can really be taken up, however, its purpose must be considered. Why does it need to be answered? Procurement officers and officials go about their business every day. They know what to do. They are successful. They have long careers and they retire. So, why bother asking a question that will have no practical effect on the world and business of procurement?

One issue is that of the many trade agreements that deal with procurement (at least in the Canadian context). Consider the North American Free Trade Agreement (NAFTA) that says at Article 1001 that “This Chapter applies to measures adopted or maintained by a Party relating to procurement,” however, it does not venture to define what is meant by procurement. Without a full understanding of the term, knowing to what, *exactly*, this refers to may be difficult. Is it “purchases”? What about instances of in-kind exchange of value, or other kinds of exchange where goods are services are received in exchange for something other than currency? It is difficult to know whether or not obligations are being complied with when the definition of those obligations is not necessarily clear.

What about procurement in relation to other concepts such as contracting, acquisition, or purchasing? Are they the same? If not, what effect does each have on the other, if any? If one cannot fully define each concept, their interaction, if any, is difficult to determine. From a practical perspective, this may make it difficult to determine to which policies one should be adhering. From an academic perspective, this may make unclear a topic of study.

Questions also arise when one looks at what was done in the course of the career of a procurement practitioner. Was it successful? Were the procurements completed successful? How do we know? Is a successful procurement one in which a contract is entered into? What about the performance of that contract? Does the contract have to go well in order for the procurement to be (or to have been?) successful? Is success measured based on the ability to balance these sometimes competing aims? Or, does any of that matter? Perhaps a procurement could be successful if all of the laws, rules, regulations, and policies were followed, regardless of whether a contract was entered into or not. Maybe a “contract” is not even necessary in procurement.

The author has met individuals working in procurement who considered each of the interpretations above as a measure of success. Is one of them right? More than one? Procurement practitioners may consider the start and end points of a procurement process to be at entirely different spots. One may start at the decision to make or buy the requirement. Others may start at the procurement strategy development. Some may end at the award of a contract, others at the conclusion of a contract. There is no convenient way to measure success if one does not necessarily know what the topic is.

This paper seeks to explore this broader topic of the nature of “procurement,” in general and in terms of “public procurement,” in order to help further the discourse on procurement, and to examine what it may mean for those in and around the field.

However, such a topic needs at least some conditions and qualifiers. In this case, we will try to keep it to just one: That public sector entities “do procurement,” and this can be evidenced, among other ways, through

solicitation notifications (and we will even attempt to keep this one qualifier to minimal use). This will raise all sorts of other questions, to be sure. Are procurement and tendering the same? Why or why not? Is every requirement on a public sector tendering website necessarily a procurement? If not, what are they? These questions may be addressed in some degree throughout the discussion here. Otherwise, this clearly demonstrates the amount of thought, consideration, and research that can be done on this topic.

Analysis will be done in three (3) ways, each building towards the next. The first is an exploration of terms related to the discipline, using primary sources for definitions (dictionaries). This is followed by an application of philosophical analyses to move the discourse to the nature of procurement in general, and public procurement ‘specifically.’ Finally, some types of procurement actually done in the course of work of a procurement practitioner will be examined, using the discourse framed in the first two (2) areas of analysis. This paper will conclude with a review of the position of the discourse on procurement, and broader conclusions that may be drawn, or at least considered, along with some potential areas of additional study.

## LINGUISTIC DEFINITIONS

Given this paper is written in English, it is appropriate to begin with a definition of the word “procurement” in English (understanding, of course, that conducting this exercise in another language may lead to different results). It should first be noted that there are a plethora of sources of definitions for procurement. Aside from the vast number of dictionaries published, there are text books, professional guides, University course material, and likely dozens of other sources that all might have claims of being “definitive,” or “the best source” for all things procurement. However, most of these sources would likely define words to best suit their needs, and thus will be biased towards those needs. A project management textbook, for example, may tend to define procurement as a step in project management that involves purchasing of goods (or, if it’s a bit better, it might also include services). An engineering textbook may tend to define procurement around the definition of specs to be met. Neither of these definitions would necessarily be wrong, it would simply have a different focus to what the goal is in this discussion.

A perfect example is from that tome of collective knowledge that is Wikipedia. The “procurement” page there gives the following with regard to the definition of procurement as opposed to acquisition:

“The US Defense Acquisition University (DAU) defines procurement as the act of buying goods and services for the government.

“DAU defines acquisition as the conceptualization, initiation, design, development, test, contracting, production, deployment, Logistics Support (LS), modification, and disposal of weapons and other systems, supplies, or services (including construction) to satisfy Department of Defense needs, intended for use in or in support of military missions.

“Acquisition is therefore a much wider concept than procurement, covering the whole life cycle of acquired systems.” [2]

These definitions focus very specifically on military aspects of the term, using military sources. And as such, the result is militaristic, even saying that it covers “the whole life cycle of acquired systems,” written with such finality that, of course, *only* systems could be acquired.

The goal in this paper is to look at procurement “from the ground up,” without presupposing anything. As such, an obvious place to start looking is a basic dictionary. But even these may be different. In order to get a fuller picture, three (3) dictionaries are reviewed: The Merriam-Webster (for American English), the Oxford English Dictionary (British English), and, for a third party, Dictionary.com. First, we will review the definitions, and then we will discuss what impact the key points of these definitions may have.

We should also note that it is very easy to chase down chains of definitions: we could define each word in each definition, then each word in that definition, *ad nauseum*. To keep from this, we will keep any secondary definitions to key words that are important for the discussion of procurement.

### *Definitions*

According to the Merriam-Webster Dictionary Online, “procurement” is defined as: “the act or process of procuring; *especially*: the obtaining of military supplies by a government” [3-1]. This is an immediately troublesome start, given the definition uses another form of the word we seek to describe within the definition itself. So, to move on with this, we need to define “procure,” which this dictionary defines as: “to get possession

of: obtain by particular care and effort” (Note that there are other definitions of this word given, however they are much less applicable to the course of analysis here) [3-2]. To combine these, we get ‘the act or process of getting possession of something by particular care and effort.’

Moving on to our next source, in the Oxford English Dictionary, “procurement” is defined as: “the action of obtaining or procuring something” or “the action or occupation of acquiring military equipment and supplies” [4-1]. As above, the first definition describes its term using a different form of the word it seeks to define. “Procure,” according to the Oxford English Dictionary, is essentially the same as the Merriam-Webster, “obtain (something), especially with care or effort” [4-2].

However, the Oxford adds a different twist in its second definition: the notion of *acquiring* something. The Oxford defines “acquire” as “buy or obtain (an asset or object) for oneself” [4-3]. Interestingly, Oxford seems to believe that one cannot acquire something on behalf of a third party (for example, a procurement department procuring something for another department in a Ministry of a Government, rather than for itself). This subtlety may be a start in determining the difference between “acquisition” and “procurement.” However, this differentiation is better dealt with below with a more fulsome analysis of the terms.

Dictionary.com also has two (2) germane definitions related to “procurement:” “the act of procuring, or obtaining or getting by effort, care, or the use of special means,” and “the act of obtaining equipment, materials, or supplies” [5-1]. Again, “procure” according to Dictionary.com is “to obtain or get by care, effort, or the use of special means” [5-2].

### *Key Considerations*

Some of the key phrases from the above include:

- Obtaining military equipment and supplies;
- Getting possession of, or obtaining something;
- Doing so with great care or effort;
- The use of special means to obtain the thing.

Firstly, it seems that there is a perception (at least among linguists) that procurement has a lot to do with the military. While this is certainly not untrue, a quick look at the Canadian Government Electronic Tendering Services (GETS) website shows requirements for, among other things, dry cleaning, vehicle rental, computer systems, software, and surveying services (and this is only on the first page!) [6-1]. A look at the European Union Tenders Electronic Daily website for EU-wide competitions reveals competitions in mining, services, and computer services [7]. Based on this, it seems we can disregard the concept of procurement as only obtaining military equipment and supplies.

The remaining three (3) concepts are all somewhat similar. Getting possession of something carefully, or with special means. This is quite a broad interpretation at this point. It does not indicate the use of competitions, the obtaining or entering into a contract, or a particular form of payment. The concept of “buying” was also introduced in some of the definitions above; however, this has been excluded here in favour of a more open-ended “getting possession,” with more discussion on the use of these words below.

We can, it seems, rather safely include in our working definition an idea of process. The definitions all seem to clearly indicate that “process” is important in what “procurement” is. They all use words such as “the obtaining of,” “the act of,” or “to get,” leading to a safe conclusion that procurement is active.

Furthermore, this process is clearly thoughtful. Whether it’s using “great care” or “special means,” the process has some measure of caution or effort associated with it.

At this point, though, it is pertinent to mention one more concept: procurement involving the obtaining of a thing. Merriam-Webster referred to “military supplies,” Oxford to “equipment and supplies” and to “obtaining (something),” and Dictionary.com to “an asset or object.” In this case, I consider “thing” to be a tangible object. Something that can be taken in one’s hand, or at least touched. Is this necessarily true? A look again at GETS shows 523 requirements for goods, 310 requirements for services, 70 for construction, and 29 services related to goods [6-2]. Clearly services procurements exist, should this websites be taken as a source of “procurement.” Is there a ‘thing’ involved in a service?

This is a complicated question. From the public procurement point of view, on the surface this may seem simple: No matter what the service is, there should be some sort of tangible output: a report, software code, or

something similar (Given the type of discussion here, it is worth noting that a report these days may be soft-copy only, and would not typically be tangible as the meaning here. However, it will suffice that it could be, if desired). Right? Not necessarily.

Consider cleaning services. The outcome in that case is a clean space (that will, more likely than not, need to conform to a particular standard of “clean”). Is a cleaned space “tangible?” Is it something that can be taken into one’s hand? Not necessarily. Is it observable? Quite likely, particularly when the space was not so clean prior to services being performed!

Consider further IT services for so-called “cloud storage” (This refers to the practice of storing data on third-party servers in a virtualized environment, typically with the aim of making that data available from multiple locations or multiple by multiple platforms, and/or for backup or disaster recovery purposes. See [http://en.wikipedia.org/wiki/Cloud\\_storage](http://en.wikipedia.org/wiki/Cloud_storage) for an introduction on the topic). The output in this case is stored data, with no other tangible necessarily required (though reports would likely follow, the storage is what is primarily required).

One final consideration should be taken from the Oxford definition that has an interesting twist when considering the word “acquire” within the definition: “buy or obtain... for oneself” [*emphasis added*]. This seems to indicate that procurement is done by and for the individual. However, at this stage it may not be suitable to begin discussion of “who” the procurement “is for.” This idea will be raised again as more information is brought into the discussion.

### *Resultant Working Definition*

Following from these examples and considerations, it seems we can make three (3) cursory determinations as to a basic starting definition:

- Firstly, it seems that we can reasonably consider “procurement” to be active. Here, we will talk about the “activeness” of procurement in terms of a “process.”
- Secondly, given the context above, it also seems appropriate to expand upon the dictionary definition slightly from “obtain something” to “obtain *an outcome*.” This allows the possibility of obtaining a tangible, or intangible object—one that can literally be grasped, or not.
- Finally, it was determined that a measure of “carefulness” seems attributable to the definition

So the resulting working definition at this point can be given as “the act of carefully obtaining an outcome.” With further analysis, we will now begin to discuss reasons, and add some idea of “why” to our definition.

## **PHILOSOPHICAL ANALYSIS**

In this discussion, we hope to bring some clarity and some weight behind what procurement means, beyond the dictionary. But, we will have to start with at least one assumption at this point (otherwise, this analysis could easily end up going in many different directions at once): that procurement exists as an independent concept, and not necessarily tied to any other. That said, for the purposes here, procurement, purchasing, and acquisition will be considered to *not* be synonyms. After this analysis, we will have more tools with which we can examine whether or not this assumption is true.

It is tempting to start off with Renee Descartes and his classic idea *Cogito ergo sum*. “I am thinking, therefore I exist”[8]. This is most frequently known by a basic translation, ‘I think, therefore I am.’ Is it enough to say “I procure, therefore I do procurement?”

While on the face of it, this might seem odd, this idea might actually have some merit for our purposes here. Those that work in procurement follow a process. In different jurisdictions, with different people, this process is likely to be very different—ranging from a formal Request for Proposals sent out to the public on an electronic tendering system through which potential suppliers can review documentation, submit responses, and receive their evaluation results and award notices once it is complete, to someone calling a couple of suppliers down the road to get a price or two. Both are processes for the same purpose. And to the one doing them, they likely consider them “careful.”

The person publishing all the documentation spent a lot of time and effort in crafting it and getting it ready to publish on the system. The person making the phone calls is likely calling suppliers with whom they have already familiarized themselves. And both are working to obtain an outcome.

What if a procurement practitioner orders 100 chairs for \$20,000 from a supplier they know, with only a single phone call. There is a process (and we hope there is documentation), albeit a very short one. There is an outcome. The practitioner was likely careful and deliberate in their choice of supplier. But, no real competition per se. Indeed, in some jurisdictions this would be permitted (In Canada, for example, requirements under \$25,000 CAD do not require competition [9]). So, it meets our current definition. Is this procurement?

What if a non-procurement person does that? Where a non-procurement practitioner makes a purchase, they may only follow the same sort of process most people use in their own personal lives: they check out the features available and decide what they might need and what they might want; they might look at flyers to see if there is a good price; maybe they will go to two or three stores in order to compare prices; then they buy the thing. None of this process is typically written out—that is, there is no written record of choices made and the reason for those choices, other than, very frequently, a receipt that records the exchange of money for goods. And in some cases, even this process, such as it is, does not happen. People just go to a store they know and buy what's there. This "process" is something most would call "purchasing," or perhaps only "shopping," regardless of who does it.

This non-procurement-practitioner's "process" is not so different from the procurement practitioner for the same sort of purchase, with the possible exception that the procurement practitioner would be more likely to record what they did to make the purchase. So, could we say that procurement requires a written record? Or, is it truly that just because the procurement practitioner did the work that what they did was procurement, and not "purchasing?"

The above looks at the attainment of a good. What about services? It seems safe to say that in the majority of jurisdictions, some form of agreement is entered into prior to the delivery of service by a person or group of people to another person or group of people. Often this is in the form of, or at least called, a "contract," which is defined as "an agreement between two or more parties for the doing or not doing of something specified" [5-3]. To reach this agreement, by necessity there has to be some process, even if that process is so simple as an individual asking another "could you edit that document for me?" with a response of "yes, for \$10." So long as some consideration (e.g. price) has been agreed to, that could conclude the process of coming to an agreement, or concluding a "contract" (though, in some jurisdictions, this type of verbal contract may not be legally binding).

At this point, I will interject our assumption from the Introduction, that "public sector entities "do procurement," and this can be evidenced, among other ways, through solicitation notifications." Given that this refers to a written process, this allows us to consider with this above process that things should be written down (Furthermore, the very fact that public sector institutions used e-tendering systems like GETS in Canada and TED in the European Union are further cause to allow us the introduction of the concept writing things down). We could then make a further, somewhat reasonable jump in our logic, that it is likely somebody's job to establish agreements on behalf of an organization, and these agreements could be (among other things) to conduct required services that are not done by employees of that organization—for example, establishing an agreement for third-party editing.

Following with one or two more leaps of logic, we may then be able to say that the one who puts the agreement in place to do a service must be the one doing procurement: the service being the outcome that they seek. So, does this mean that lawyers do procurement, given that they can be specifically trained in laws governing contracts, and also write contracts? Isn't coming to that agreement—deciding on what should and should not be in a contract—an integral part of achieving the "outcome" of attaining a contract? This will be explored further on.

Continuing with our philosophical inquiry, similar to Descartes, we will look at Machiavelli and his concept in "The Prince" that "the end justifies the means" [10]. Or, further, just after his famous statement, Machiavelli goes on to say:

"Let a prince therefore aim at conquering and maintain the state, *and the means will always be judged honourable and praised by everyone*, for the vulgar is always taken by appearances and the issue of the event; and the world consists only of the vulgar, and the few who are not vulgar are isolated when the many have a rallying point in the prince" [10] [*emphasis added*].

One could interpret this as the ruler (in our cases, politicians, prime ministers, presidents, ministers, or their public servants who implement direction on their behalf, etc.) should impose rules, and if those rules keep things tidy, everyone will be happy. Of course, we do have to assume that we are talking about the "maintaining the

state” part of the quote: conquering the state through procurement would be quite a feat (although, given the military-only definitions above, perhaps writers of the dictionaries had something like this in mind).

Continuing with the above, Machiavelli does seem to say that a ruler who maintains the state will have their means judged favourably. Procurement, we have discussed, is a means to achieve an outcome, and a tool, in our discussion here in public procurement, of the state (and thus the ruler) (of course procurement is not a tool limited to the state alone: to say that the private sector or non-governmental organizations do not do procurement would be inaccurate at best). Could we say, though, that the outcome of a procurement justifies the process through which it has been achieved? That is, is the process or the outcome more important (or are they equal)?

Consider the purchase of new Information Technology (IT) equipment: for example, 1,000 laptops. At current retail price (reviewing bestbuy.ca (on 21 January 2014) with prices between about \$270 and \$930 CAD) we could say they are at about \$600 CAD a piece, so the total spend would be \$600,000. A significant amount of money—and in the case of many readers, public money. Now, imagine some retailer, recognizing the need and opportunity, called and offered those laptops for \$400,000, as long as they are awarded the contract without needing to participate in a competition. Is there justification for skipping the procurement process and making the purchase? After all, that is a significant discount!

According to the training of many readers, this would likely be seen as not possible. However, knowing the retail value of the laptops, and knowing how likely it is that any competitive bids would come in at a price similar to the retail price (perhaps slightly discounted due to volume), maybe it is. There may be an active process: the procurement practitioner would need to know the current retail price to know that the price offered was a significant discount, and could document these facts. There would be some sort of written agreement (hopefully). And there would be an outcome that, according to these written facts, is good, with lots of money “saved.” Consider also that the procurement process itself costs money in the time and resources it takes to do a competition. Indeed, such an agreement could be met with awards and accolades for all the money saved. And there is documented “proof” of the process.

But, does that supposedly seen-as-beneficial “end” justify the means used to achieve it? To look at this further, we can turn it around: take the same 1,000 laptops, and do a full competitive procurement, with an RFP posted on an electronic tendering service, bids received and evaluated in full, exactly according to the terms of the RFP (In Canada, it is the law to evaluate bids as stated in the solicitation. See, for example, The Supreme Court of Canada decision in *The Queen (Ont.) v. Ron Engineering*[11]. It is indeed possible to do a procurement outside of the framework it prescribes, however to cite and discuss each procurement law in Canada would require another paper, if not a book!). And imagine, then, that at the end of this process, there is no contract award. No bid is found to meet the technical specifications as stated (some jurisdictions might find this to be an impossibility, allowing some degree of negotiation in the event no bid is found to be in technical compliance. However, in Canada, due to the process outlined in the above court case, this is a possibility, and the author has witnessed this occurring). But, the process has been followed! Do the means justify that end? Where the view of procurement is process oriented, some may consider that the means (the competitive process) did indeed justify that end (no contract). Others, however, would simply not ‘stop doing procurement’ at that point, and continue on until a contract has been found—thus, the goal of the procurement is maintained (while equally an outcome).

However, our definition at the moment is that procurement is *a process* to achieve an outcome. It does not (yet) presuppose that the outcome will be met. Is it necessarily true to say that in every case when an RFP goes without a contract award, a procurement did not take place? Or is the outcome required for a procurement?

To address these questions, perhaps it is best now to turn to existentialism. Jean-Paul Sartre has stated that “existence precedes essence” [12]. This, it seems, perhaps best describes procurement as we have it today: In the introduction, we asked the first important question: “Why bother discussing what procurement is, because people do it now, so there is no point.” Sartre’s concept, as concisely stated above, seems to allow that once the thing is, the essence of that thing may be able to be determined through that existence. It is Descartes’s concept on its head: ‘I am, therefore I think.’

So, is it then possible that procurement is defined rather in this way? In each jurisdiction in which there is procurement, there are often rules and processes to follow. Commonly, there are policies, regulations, and laws. It is fair to say that at some point, these did not exist. But, did procurement?

Throughout history, rulers have attained what they require for their domain: they obtained equipment for their militaries (which would make the writers of the dictionaries quite happy), they built buildings, and they obtained

horses and equipment, clothing, furniture. These things are rather obvious. But it is safe to say, I believe, that stuff got bought, or at least obtained “for the public” (at least ostensibly). Whether or not there was “procurement” in this, though, would need to be a subject of a much more detailed study than is possible here.

Today, we have policies, regulations, laws and other things that tell us what to do in a procurement. Through this concept of existentialism, it is possible, then, to say that it is these things taken together that defines what procurement is. Going back to the example of the laptops, this would seem to corroborate the concept that where the process is followed as it is supposed to, yet no contract was achieved and thus no products were delivered, that a procurement did indeed occur: Procurement in this case would be concerned with process, evidenced by the documentation around that process, and that process was carefully done to achieve an outcome

From this point, it seems that the fact that the definition we have at the moment does not presuppose the attainment of an outcome is not at all a problem: our current working definition states that procurement is “the act of carefully obtaining an outcome,” which puts the emphasis on doing the act, rather than the need to successfully complete or attain the outcome. Further, we may be able to say that, according to existentialism, where there is no documentation to define a process through which procurement takes place, there is no procurement.

But, again, is that necessarily true? For public sector procurement, there is often indeed a lot of documentation around how a procurement should be done, and how it was done once it is “completed.” This is not necessarily true for the private sector. In Canada, there are laws that must be followed when an entity decides to formally seek bids (in most of the country, this is through the common law system). What if they do so informally? Is that any less a procurement if the laws, and therefore any required defined process, do not necessarily apply? What if it is done through telephone calls, with no paperwork for a solicitation? Is that any less a procurement process? There are not necessarily written rules that must be followed for an individual in the private sector to do such a thing. But, a process is followed, whether or not it is a process that is predefined.

So, can our existentialist argument be applied in a case wherein there is no defined process? Or, is it rather that the essence of the procurement is there, even if the defined thing in real life is not so easy to see? That is, back to the dictionary definitions above, one was careful in the process to obtain an outcome, even if there is no defined or documented process around it that was followed. This work may be the essence of procurement, even if it is not called procurement, necessarily, or if it follows the steps one expects of procurement.

Or, perhaps that was purchasing? Or is that acquisition? It is to that question we now turn.

## **PROCUREMENT, ACQUISITION, PURCHASING, AND PROCESS**

As with the above, it is perhaps best to start with definitions. Procurement, we have above as an active process to achieve an outcome. Acquisition, again as above, is “buy or obtain (an asset or object) for oneself” [4-3]. Purchase, however, we have not yet previously defined. From the Oxford English Dictionary then, we have “purchase” as “acquire (something) by paying for it” [4-4].

Already, some interesting interplay. Part of purchasing is, it seems, acquiring something. Both purchasing and acquisition have the concept of buying, but “purchase” has introduced the concept of *payment*. So far, this has been left out of our discussion entirely.

It seems that, based on the evidence presented here, a hierarchy is arising between these three terms: Purchasing is payment, acquisition is obtaining, and procurement is the active process of achieving the outcome—which I will leap to say is obtaining something, be it goods or services. That is, it seems from this that purchasing and acquisition are parts of the procurement process.

Internationally, this may give people pause: with various jurisdictions using these three terms somewhat equivalently (see our Wikipedia entry above with Acquisition actually ‘above’ procurement in the hierarchy). Or, for example, using the term “Purchasing Department” as the place that does procurement, but is not at all a place that payments are done.

From the Canadian public sector context, this may also pose a bit of a problem within the current discussion. Canada’s *Financial Administration Act* provides a separation of authority to receive the thing being acquired (section 34), ensuring that funds are available and making a requisition (section 32), and certifying the actual payment for that thing (section 33). These provisions define separate roles in which one person is able to receive the goods, and another authorizes payment. Typically, payment is done by an individual in a finance department, and not by the procurement practitioner.

So, looking back to Descartes, if the procurement practitioner cannot do part of the procurement—that is, the payment—is it necessarily true that what they do is procurement if it is only *part* of the procurement? Or, is the payment “purchasing” and not part of procurement as a whole?

Further, it is common practice for the individual with the need to acquire something to define what that thing is, and give that to a procurement practitioner to, for lack of a less confusing word, procure.

But, is having part of the procurement process, as defined here, carried out in different roles of any consequence? This leads to another question, more pertinent to the discussion here: Does procurement require “acquisition” and “purchasing” to exist, or is procurement separate from these (can it exist with only one of them, or are they all, really, the same)?

When one makes a purchase in one’s daily life, one typically receives two things: The thing that you bought, and a receipt. In an “acquisition,” perhaps there is even less: When one acquires something, all that is implied is that ownership of it has been obtained. Payment or written receipt of that thing does not come in to play. It does seem fair to say, though, that if you purchase something, you thereby acquire it. Is that enough for procurement to exist?

One part of the process that readers will be aware of, and wondering about, is the contract. In the discussion of purchasing above, so far there is no written contract *per se*. And, maybe people that “do procurement” would say that they “get contracts” (or perhaps “give contracts”?). Is there necessarily a contract in the purchase of a good at Best Buy? There is an unwritten understanding that when you provide the retailer with legal tender at the stated amount of the thing you wish to obtain, that thing then becomes yours, and the legal tender becomes theirs. There is no written contract here. Perhaps an implied contract, however this is definitely left more to a legal discourse rather than the philosophical one we are concerned with here.

Suffice it to say, contracts are part of procurement today. A review of [buyandsell.gc.ca/tenders](http://buyandsell.gc.ca/tenders), or [merx.com](http://merx.com), or [ted.europa.eu](http://ted.europa.eu) is enough to demonstrate that contracts are being sought. This leaves us with yet another question: Is the outcome sought in a procurement a contract, or that which the contract is trying to achieve?

Before we get in to where a procurement may end, we should start with where it likely starts. For this, we can again turn to our first working definition: first, that procurement is a careful process. So, if one wants to be careful, where is it best to start? At some point, someone has to decide that there is a need to be met. And then they have to decide whether or not to make something to meet the need themselves (or have internal resources do it), or get someone else to do it; that is, buy it, or at least get it elsewhere. I think we can safely say that if someone decides to get the thing elsewhere rather than do it themselves, this is more likely to lead to procurement than not.

But, is that the start of procurement? Or, is the start of procurement when one decides how to get the thing? A fine point, and perhaps not one to consider in great depth here, given that once a decision is made to get something from outside the organization, it must necessarily follow that one considers how that should be done. And the how is the process, which is part two of our definition of procurement. While it may be an unacceptable leap of logic to say that in consideration of how to get a thing (or a service, or what have you) you will necessarily arrive at a procurement, it is likely safe to say that this is at least the decision point at which procurement may be considered to start.

Where, then, does it end? Once a contract has been awarded? Once payment is made? Once the thing is received? What if it is services? What about a standing offer or other prequalification list?

Here we move to the last part of our working definition: to achieve an outcome. Now we get to the question from above: what *is* the outcome of a procurement? Is it the signed contract? Or is it the thing that the contract is meant to achieve? Again, let’s take the Cartesian approach from above: Where a procurement practitioner does contract management, this act may put contract management as part of procurement, whereas if they do not do it, it is not. This can allow for a sort of relativistic approach. In some jurisdictions, we are sure to find procurement practitioners working through to manage the contract, whereas in others, perhaps they stop once the contract is in place, and leave the management of that contract to the individual who required that which was procured.

However, to say that the outcome is the contract supposes that a contract is an end. However, a contract in itself is rather a means to an end: according to [Dictionary.com](http://Dictionary.com), as discussed above, a contract is “an agreement between two or more parties *for the doing or not doing of something specified*” [5-3] [*emphasis added*]. A

contract, like procurement, is active. It is meant to get something done (or, as this definition allows, prevent something from happening, but this is less germane to our discussion).

To throw another challenge into the discussion: what about a prequalification list like a standing offer? Such a list exists to allow people to eventually provide goods or services, once a further process takes place. Organizations or people are qualified to a list through a defined, careful process, but then nothing happens except that they agree to be available and ready to provide goods or services at set terms and conditions. More process must occur to get those goods or services. Does the procurement process continue until the next step of that process? Is it even possible for the procurement process to stop even if that process has started, goods were delivered, and that process has ended? After all, the supplier does not get taken off the list once they provided something, and so there is still process there, hanging in the air.

This leaves us with two possibilities: That procurement is a cog in a larger process (a process to move to another process), or that the procurement process continues once an agreement has been reached (either a contract or other prequalification-type arrangement), and only ends when the agreement ends. The latter would then mean that contract (and even vendor/supplier) management is part of the procurement process. Our Cartesian argument above then gets confused: where a procurement practitioner is not necessarily responsible for contract management, then others also may “do procurement,” but where they are doing so, perhaps that makes contract management part of the procurement?

Looking back at our existentialist argument (and to a degree, the Machiavellian one), we could then ask the question “does the process followed determine if the end is a procurement?” This could help determine what, if any, difference there is between a “purchase” and a “procurement.” Perhaps where one simply exchanges money for a good or service, there is no procurement, whereas if one does more process, it becomes one.

One consideration that could be made here is whether the process is within a predefined plan, or not. For our purposes here, we can consider a “plan” to be an outline to achieve outcomes for a given period of time. This, by necessity, adds a process to something that could otherwise be only a single step. For example, take our previous example of going to a local electronics store and buying a laptop. In this case, there was likely a definition of need, then the purchase, and that is all. By adding plan, the first step becomes not just the definition of need, but also a consideration of when that need will arise, and how it should be met. It could be determined at the planning stage that in June a new laptop is likely going to be required, and to get that new laptop someone will go to the local electronics store and make the purchase.

What was at first simply “the achieving of an outcome”—that is, purchasing the laptop—now we have added the “*careful consideration* in achieving an outcome.” Just *how* careful the consideration in this example is, however, is debatable. There is not necessarily a review of prices, or suppliers, or other ways of getting the outcome. But, there is some consideration, and it was deliberate consideration.

Throughout this discussion, there seems to be a thread that has arisen that may add to our definition. It seems that in all of the above, the concept of documentation adds focus to whether something is a procurement or not. Whether it’s a plan, a contract, a solicitation, or of a call log and quotes received when calling suppliers, it seems that adding a written component may be a key consideration in a procurement versus a purchase. Certainly documentation is one way to see that there was, in fact, a process. That said, it is hard to say that where there is nothing documented, there is no procurement. However, given the frequency in which “documents” appear in the discussion, it seems prudent to add this to our working definition.

#### *Updated Working Definition*

At this point, we can add some concepts to our working definition. It seems we can say that the process starts at the “make or buy” decision, and continues either to contract award, or through to the close of the contract. Further, we can add the concept of documentation to our working definition, so that it may now read: “Procurement is a careful, usually documented process towards achieving an outcome.”

It may be argued that we are inching towards a distinction between “public sector procurement” and “private sector procurement,” particularly with the increased focus on the written aspects. Admittedly, the examples in the following section are drawn from the experiences of the author in public procurement rather than private sector procurement. It is interesting that this distinction seems to arrive at this point—particularly at the introduction of writing into the process; however this is not something we will be able to examine in much depth at this point, as it will lead astray of the main purpose of the paper.

## IN PRACTICE

Here, we will continue to apply the tools derived above to some examples of procurements that may be done. We will look, briefly, at four different varieties to see to what degree they can add to a definition of “procurement.” Of course, we will need to put parameters on these. Given that above we determined that a written process is usually involved in a procurement in some way, we will limit this discussion to those methods that clearly leave a written process of some type. They are:

1. A single-stage competitive process;
2. A directed process;
3. A multi-stage competitive process; and
4. A prequalification process;

### *Single-Stage Competitive Process*

From the point of view of the author, a single-stage competition, very briefly put, is one that involves a “buy” decision, the requirement is defined as is the method through which the best candidate will be chosen, these documents are made either semi-public (given to a few candidates directly) or public (for example posted to an electronic tendering website), responses are received, evaluated, and a contract is awarded to the “best” one in accordance with the terms of the competition. That individual or business then provides the service (as described in all of the documentation generated to this point), finishes the work, at which point the agreement is over (the requirement has been met), and payment is made (also as described in the documentation).

Very generally speaking, this likely meets our definition so far: it is a careful, written process to achieve an outcome. But what if it is modified? For example, if the process is considered “finished” at contract award, rather than when the agreement has been completely fulfilled, as it’s described above. Has it still achieved its outcome? Perhaps that depends on who did it: was the process done by a procurement practitioner? A lawyer? A program officer? What about a private sector corporate buyer? Does that change the “end point” of the above process? And then, what if the individual’s job description was modified to include (or not include) a particular part of the process?

What if we remove the payment? There have been processes in which an agreement has been “self-funded.” An example of this is the National Do Not Call List (DNCL) in Canada [14]. This agreement specifically says that it will be “self-funded.” That is, the owner searched for a supplier who would agree to do work, and not get paid a regular fee by the owner directly. Instead, the supplier would be able to make money on their own throughout the course of the work.

In this process above, there is a careful consideration of a process in order to achieve an outcome. There is written documentation throughout the process. And there are services rendered. But, given that the value the agreement is small (\$1, Canadian), is it still a procurement?

What about if the documents were made public, responses were received and evaluated, and it was determined that no response met the requirements. Or, there were no responses to evaluate. In a practical case, these documents would be modified, discussions would be had asking potential suppliers why they did not bid (if that is permitted in the jurisdiction in question), and another attempt would be made. So, in this case, it seems that this ‘failure’ would be simply an unintentional elongation of the process until the original outcome desired has been achieved.

### *Directed Process*

By this, we mean here that a requirement has been determined, and the rules, regulations, policies and law allow that this requirement can be given to a chosen supplier without the need for competition or public posting. So, this process involves the decision to buy, the development of documents, the coming to agreement with the predetermined supplier, the delivery of the goods or services in question, payment, and the end of the agreement.

Again it meets the current definition: a careful, written (or perhaps “documented”) process to achieve an outcome. As such, I would call this procurement.

If this were modified as above, perhaps that could change. What if, as above, the services were requested with minimal or no payment? In this case, the process becomes simply coming to an agreement with an individual to supply a good or service, and that is all. Is consideration (that is, money, or at least some form of barter or

perceived in-kind exchange of value) a requirement? What if the supplier requested as payment, instead of a per unit dollar-rate, goats? That may be considered a form of payment, however odd as far as public procurement in many jurisdictions go. But, would that still count?

Disregarding these changes, is there a difference between this agreement, and the signing of another contract, such as an employment contract? An employment contract could follow this exact process (or for that matter, the competitive one above). One could have a need, decide to hire, write out an agreement for the individual, assess them through an interview, and have a written agreement, in exchange for money (likely, in this case, not goats). A careful, written/documented process, to achieve an outcome. Procurement! However...

### *Time to Update the Definition*

One thing that, so far, has been a common thread is that these examples, and throughout the discussion as a whole, all involve the attainment of a good or a service. Human Resourcing, in some respects, is getting the continuing services of an individual. However, these are quite a different form: there are frequently benefits and pensions involved, typically work space and equipment provided to do the work, and perhaps authority, or at least the right, to say you are 'from' that organization. A contractor, however, would not typically have any of these things. In addition, these types of agreements are frequently "permanent." Even in cases of limited term contracts for employees, they frequently would come with an expectation of possible renewal without another competition.

So, perhaps we can add to our definition, that procurement is a written process to achieve an outcome "within a given time frame." And it may also be appropriate at this point to add "usually for goods or services."

### *A Multi-Stage Competitive Process*

This process starts as the first, but the solicitation process developed here involves multiple rounds of evaluation or decision-making. For example, technical specs for a product may be reviewed to determine if they meet the written requirement. A selection of those (could be all of those that meet the requirements, top X ranked, or so on) then go on to a further process, for example, a trial process. After that process, the products are further reviewed, prices may then be considered, and an agreement may be issued to get the "best" one. After this time, upon delivery of the products, payments are made appropriately, as with any services rendered (maintenance, for example). This process could be used to describe that for services where an interview is done in the stage after a technical evaluation of printed material provided.

Once again we run into the questions from above. Where goods are concerned, where does the "procurement" end? When they are delivered? When payment is rendered for them? When services are rendered and payment made? Or, when the entire agreement has come to an end? And then, what about any warranty period? Where services are concerned, what makes this process different than a process to hire someone for employment?

The answer to both of these may be in the word "outcome" of our definition. It seems that "outcome" must mean a good or service rendered in a method agreed upon, and as we discussed above, for a limited period of time. If this is the case, in a multi-stage process, the "procurement" continues through the agreement being signed to the management of the agreement and to that agreement's conclusion (which could include any amendments that lengthen the time or increase commitments in that agreement).

If this definition of "outcome" does not hold, what happens above? Questions arise as to who is responsible for the interim process. For example, when a product trial is taking place, or testing is being done, who is responsible? It is part of a written agreement, so is it a contractual matter? But, the *final* agreement hasn't been reached. Who oversees that? Does the procurement end only when the *last* agreement is reached? What, then, about modifications to the agreement? If modifications are made during the life of the agreement, then clearly the one signed at the "end" of the procurement process otherwise is not final, really. And thus that should not be the end of the procurement.

Our final process is not so different from this one, and may shed some more light.

### *A Prequalification Process*

By a "prequalification process" here, we mean one in which multiple suppliers are reviewed to be able to provide defined goods or services at a later date. So after the need has been determined, and documents written up, suppliers submit responses that typically say "we can provide those goods/services at these prices (or in some cases "no more than X price") when you ask for them later, provided you tell us what, specifically, you

want.” These types of agreements are made where multiple or frequent reorders of particular goods need to be made (for example office supplies), or where a list of suppliers who are qualified to provide a service is desired in order to shorten processing time and ensure a qualified supplier is ready, faster (such as IT professional services or even procurement services).

Once this list of suppliers is made, this prequalification process is done. Now there is a list of people “ready” to provide services or goods whenever they are asked. It remains, then, simply to issue a further document (or in some cases make a phone call) to explain exactly what is needed (for example, for IT services, perhaps you only need a web developer and not a database architect, and only for 25 days’ worth of work), and figure out the exact price.

So then, as long as this list exists, is there a state of perpetual procurement? Does procurement “pause” while there is a wait for this second part of the process? Who manages those second-part documents?

For one thing, it does seem fairly safe to say that the “outcome” is not this list: indeed, practically, there is no telling what suppliers would do or say if they found out they spent time and money to get on a list simply to have their name there to grace the wall of someone’s cubicle in some sort of formal way (perhaps in a nice frame?). It seems only natural that no supplier would take the process seriously, and may, perhaps, question the value of future requirements from the same source.

So then, our carefully planned and documented process is to get to an outcome of getting those goods or services, at very specific times and places, and potentially at very specific amounts, but simply at a time that cannot be given at the time of writing the solicitation—or at multiple times that might not all be known.

Returning to our last set of questions in the above section, perhaps the individual responsible for the first part of the procurement process as defined (writing the documentation, managing the distribution process, etc.), should also be responsible for the agreement made, and this should likely be continued until the end of the agreement itself.

#### *Updated Definition*

At this point, we have added a further term to our definition: that the “outcome” being sought should be goods or services to be delivered within a set time period. Additionally, it does seem that, while procurement may still be a process, it seems that the process must have an end: That is, it is more than merely a process leading to another process, and it is, indeed, a means to an end. This may be demonstrated in the above, in that all of the processes described seem to continue past the signing of any agreement, and that this process appears to be part of the same process used to get that agreement in the first place.

So our working definition at this point is that procurement is “is a careful, usually documented process resulting in delivery of goods or services within a set time period.”

#### **FUTURE RESEARCH**

There is a great degree more that could be done to discuss this topic. To start, one of the assumptions that was made was that solicitations posted on e-tendering sites such as TED or MERX are “procurements.” Analysis could be done to see to what degree this could be true. For example, does putting any request on an online system make something a procurement? Why or why not?

Another assumption made was that procurement practitioners “do procurement.” This also was not fully questioned. Do others? Do “procurement practitioners” do things other than procurement? Does that matter? Why or why not? In addressing these questions, it can help us with another important concern in the procurement field, towards the consideration of procurement practitioners as professionals. Hopefully, the start of this discourse here could lend some tools to others examining these questions.

More detailed work could be done through an exegetical analysis, reviewing multiple English dictionaries. Or, an analysis of historical dictionaries could be conducted to determine the development of the word “procurement” over time, which could be used to see to what degree, if any, this is reflected in procurement practices as they progressed. Further, a comparison of key terms in different languages could be done to determine commonalities and differences. These could be used to help discover any trending course in the procurement field, as well as commonalities and differences in different countries and regions that may be of benefit in others.

In addition, an analysis of the historical progression of purchasing, acquisition, procurement, and contracting in one or more society would be useful to further understand why procurement is the way it is today. Similarly, a comparative analysis of procurement in different countries, either contemporaneously or historically, not only could give a better understanding of procurement as a whole, but perhaps also derive some overall standards or best practices that may be applicable in multiple jurisdictions.

The division of purchasing, acquisition, procurement, and contracting, has only been dealt with at a cursory manner in this paper, and could use more elucidation to determine their interactions on a practical level, as well as a deeper examination of their differences and similarities.

Once some of these considerations have been examined, more specific concepts could be reviewed: what is meant by a request for tender, proposal, quote, or bid? If there are differences, why? Could any of these words be exchanged yet lead to the same result? This may lead to a consideration of procurement tools as they exist today, and perhaps lead to consolidation of tools that may not be so different from others from a practical perspective, or development of new ones.

Perhaps of great importance, though, is the role of the contract in procurement, both in terms of the role of a procurement practitioner, and within the field as a whole. Must procurement involve contracts as a medium? If something does not have a contract, could it still be procurement? What is the difference, if any, between procurement and contracting?

In addition to the above, many questions have been asked throughout this paper, and many more would have been arrived at by the readers. Any of these are very likely areas where further thought and research could be well received.

## **CONCLUSION**

No doubt the reader at this point must be thinking “so many questions, but so few answers.” This is indeed the outcome I was aiming to achieve. The discourse on procurement is often very technical in nature in academics (‘what’s a good model to predict outcomes in this case?’), and very operational in nature in practice (‘what’s the best sourcing method for this requirement?’ or ‘what criteria are best applied to differentiate bidders?’). The goal of this paper has been to further the overall discourse a discussion about what the topic is, from different angles, starting from “the ground up.”

Throughout this paper, we have challenged many different concepts within the field of procurement. Indeed, throughout the discussion, we have even challenged whether there is a field of procurement, as opposed to purchasing, or acquisition, and even law.

At the end, the closest we can manage is that procurement “is a careful, usually documented process resulting in delivery of goods or services to be delivered within a set time period.” And the author fully expects this definition to be challenged. With this contribution to the discourse, it is hoped that the questions developed here will be further reviewed and discussed. Through this discourse, matters such as, but not at all limited to, “is this part of procurement?” “who should be doing this in a procurement process?” and “how well is this being done?” can be addressed with more depth of meaning.

From a practical perspective, this discourse will be able to help with things such as job descriptions, organizational charts, and procurement planning and training, among other things. From an academic perspective, it gives a new, different angle from which questions can be considered—even those that “have been answered”—as well as giving rise to a whole new set of questions that may not have been considered.

While these things are being considered, continue reviewing and improving your written processes and your outcomes. For now, it may be all we have!

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