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HOW COUNTIES BUY: A STUDY OF ORGANIZATIONAL ALTERNATIVES
FOR THE PROCUREMENT FUNCTION IN MICHIGAN COUNTY
GOVERNMENT

Michigan State University

Ph.D. 1982

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HOW COUNTIES BUY: A STUDY OF ORGANIZATIONAL
ALTERNATIVES FOR THE PROCUREMENT
FUNCTION IN MICHIGAN COUNTY GOVERNMENT

By

Joseph David Stephansky

A DISSERTATION

Submitted to
Michigan State University
in partial fulfillment of the requirements
for the degree of

DOCTOR OF PHILOSOPHY

Department of Agricultural Economics

1982

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ABSTRACT

HOW COUNTIES BUY: A STUDY OF ORGANIZATIONAL ALTERNATIVES FOR THE PROCUREMENT FUNCTION IN MICHIGAN COUNTY GOVERNMENT

By

Joseph David Stephansky

County governments play an important role in determining the quality of rural life. Policy and program decisions of a county board of commissioners are not final until translated into expenditures; purchasing operations are a part of the operationalization of allocation decisions. In a period of general fiscal difficulties and a need to control expenditures, counties have recognized procurement processes as an area where changes might be made.

The standard prescriptions for procurement function organization are based upon an implicit conceptual model of government as a command structure: it is assumed that if purchasing authority is centralized in a strong purchasing agent position, it can be exercised as explicitly granted, and the desired behaviors of important actors will be forthcoming. The spread of executive power throughout county government, however, makes it a system of shared powers, where desired behaviors cannot always be commanded: relationships among the important actors are characterized by bargaining and trading rather than command. An exchange approach to intraorganizational relations is used, with the alternatives for purchasing function organization analyzed on the basis

of resources and trading materials available to actors for use in bargaining.

The buying center concept is used; actors with conflicting interests participate in buying decision making. Control of decision making for important purchasing activities will determine final performance relative to the important actors' goals. The working hypothesis is that participation in decision making reflecting the board's priorities will increase as the position assigned purchasing authority obtains more trading materials. Case study counties are used within a comparative descriptive methodology to examine the factors determining patterns of participation in purchasing decision making. Results indicate that changes in procurement function organization do affect buying center participation in this way for purchases for departments with appointed heads. While the available organizational alternative provide the appearance of central control, however, the members of the "old courthouse gang," composed of the officials elected from a county-wide base, retain their abilities to exclude the board from procurement decision making.

To my wife, Lynn, who supports me in
all the ways I decide to use my life

ACKNOWLEDGEMENTS

Many people have provided help and encouragement for this work, and I cannot name them all nor express in words all that their support and patience have meant. I have special thanks for Al House, who has lead me through the complex and confusing world of local government, and for Al Schmid, who has tried to help me learn to ask meaningful questions. Appreciation is also extended to Larry Libby and Don Holecek, who provided necessary support at critical times.

I am indebted to all those officials and employees of the county governments I have worked with for extending me the trust necessary to complete this work.

Appreciation is expressed to the Department of Agricultural Economics, Michigan State University, for their financial assistance.

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CHAPTER I

INTRODUCTION

Problem Setting

Underlying the investigation of county government procurement is a concern with the allocation of county resources. Decisions on how purchasing, inventory, and disposal activities will be handled represent important decisions on how county resources will be used: the policy and program decisions of the county board of commissioners are not final until they are translated into actual expenditures. Purchasing processes are a part of this operationalization of the allocation decisions; it is not a mechanical or automatic process.

In the present period of generally increasing fiscal difficulties for local units of government, counties are being forced to find ways to cut their expenditures or at least control their rate of increase. Any change in the expenditures for a functional activity or a final output can be disaggregated into some combination of the following sources: (1) cost, (2) workload, (3) quality, and (4) productivity.¹ The first source presents the only element having a common denominator across all functions and activities of government: dollars. Instead of examining each output function of the government across all four dimensions and asking whether each output or impact could individually

¹John P. Ross and Jesse Burkhead, Productivity in the Local Government Sector (Lexington, Massachusetts: Lexington Books, 1974), p. 7.

be produced for fewer dollars, an examination of the procurement function asks an aggregate question about doing all functions of the county government for less.

Fiscal difficulties have also increased the desire of county boards of commissioners for tight financial control and accurate information. A purchasing system may play an important role in this area: an accrual system of accounting (i.e., one using encumbered fund balances), for example, requires certain consistent flows of information from the purchasing processes. Increasing purchasing workloads (as reflected in budget size), the greater complexity of many of the commodities purchased, often with a wider selection of alternatives, along with increasing numbers of legal challenges to the actions of government officials, have combined with this period of general fiscal difficulties to prompt many county governments to ask for help in this area: what was considered to have worked well in the past often becomes perceived as inadequate. In Michigan, county government concern is reflected in the many questions addressed to the Cooperative Extension Service staff at Michigan State University; at the national level, county governments from around the nation have been asking the National Association of Counties for aid in guiding decision making about changes in the organization of purchasing processes and procedures.

Purpose and Format of Study

The question in practice is, Do the procurement function organizational alternatives available to county governments result in differing purchasing performance? The examination of this question will be based on the Institutions-Behavior-Performance paradigm:

this framework for institutional analysis assumes a causal relationship exists first between institutions (the rules of the game, "sets of ordered relationships among people that define their rights, exposures to the rights of others, privileges, and responsibilities"¹) and the behavior of people (both individually and aggregatively), and then between behavior and performance. The alternatives for the organization of the purchasing function in county government may be seen as different ways in which some part of the relationships among the actors can be structured. (Changes in the rules governing how actors will be related in procurement decision making will occur within a larger set of institutional relationships within county government.) The need for research in this area stems from a body of literature on procurement that offers prescriptions for the organization and operation of a government purchasing function that are unrealistic given the nature of the form of county government found in Michigan and in other states where county government takes a similar form: i.e., the adoption of a certain formal organizational structure is assumed to lead to certain desired behaviors (and thus to desired performance). It is this behavioral assumption that is in question.

The majority of the literature starts with the implicit assumption that government organization is predominantly a command structure, with bargaining between the participants playing a minor role. It is assumed that if nominal authority is given to a centralized purchasing position, that authority can be exercised as explicitly stated, and the

¹A. Allan Schmid, Property, Power, and Public Choice: An Inquiry into Law and Economics (New York: Praeger Publishers, 1978), p. 6.

desired behaviors of important actors within the organization will be forthcoming. The prescriptions of the literature based upon this implicit model of command relationships call for the centralization of all procurement decision making and control in one person or office within an organization, and in the case of governments, the prescriptions call for explicit grants of power in this area through statute law at the state level and ordinances for the local units.

The form of county government used in Michigan, however, may best be viewed through a different conceptual framework based on relationships among the important actors being characterized by bargaining, with command playing a lesser role. This stems from a spread of executive power throughout county government; this is a system of shared powers, where desired behaviors cannot always be commanded. Such a conceptual framework identifies a different set of variables, variables left out of the command framework, as major determinants of purchasing performance. Instead of being analyzed on the basis of assigned command authorities, the alternatives for purchasing function organization may be described in terms of the resources and materials available to the actors for use in bargaining and trading. The adoption of a particular alternative may change the distribution of trading materials and the potentials for their effective use.

The board of commissioners is the nominal policy-making body of the county government. This work takes the county board of commissioners as the decision-maker of concern; decisions on changes in the overall purchasing system for a county are made by this group. The other important actors in county government do not necessarily share or place the same priorities on the goals a board of commissioners might wish to

pursue in purchasing. The procurement system may be viewed as a decision-making system where conflicting interests are involved: participation in decisions and the outcomes of the procurement decision making (performance) will be determined by the outcomes of trading processes within county government.

This leads to the general hypothesis that participation in procurement decision making reflecting the board's goals and priorities will increase as either the board itself, or a position assigned purchasing authority and responsibility by the board, obtains more trading materials or bargaining power. Difficulties in the use of quantitative measures coupled with an incomplete conceptual framework covering the relationships among the important actors within county government preclude the use of an explanatory study approach. The state of knowledge about the variables and relationships involved calls for an exploratory study, to examine the nature of the general concepts, to look for their component variables and the character of the relationships among them. A comparative descriptive methodology is used, with the above as a working hypothesis guiding the work. As an exploratory study, the research objectives must be framed as open-ended questions:

What are the factors determining participation in procurement decision making within county government?

Are there general patterns of participation in decision making?

How does the nominal centralization of purchasing responsibility and authority affect participation in the decision-making process and the roles played?

These questions will be investigated through a set of purposively-chosen case studies.

The following chapter covers the general prescriptions of the literature and its assumed links between the organization of the procurement function and performance outcomes. Chapter III lays out in more detail the underlying paradigm of institutional analysis to be used and develops a conceptual framework for county government procurement. Chapter IV considers the general nature of county government in Michigan, the relationships among the important actors, and the command abilities and trading materials of the participants. The formal alternatives for procurement function organization available to county government and the state purchasing programs open to county participation are described in Chapter V. Chapter VI turns to the measurement of purchasing performance, covering the literature and the difficulties in using available measures for intergovernmental comparisons. Chapter VII describes the research methodology used, while Chapter VIII turns to an examination of participation in procurement decision making found in the study counties. Chapter IX describes the participation patterns found in the study counties and their implications for the organization of the purchasing function in county government.

CHAPTER II

THE PRESCRIPTIONS OF THE PROCUREMENT LITERATURE

Centralized Purchasing

The general position of the procurement literature is that the achievement of optimal purchasing performance requires the centralization of purchasing authority and responsibility. The general concepts of centralized and decentralized purchasing need further specification, however, before they can be useful variables in research. The discussion below indicates that the term "centralized purchasing" as used in the literature has come to represent a particular form of centralization, based on a management as opposed to a service approach.

The call for the centralization of the purchasing function (including inventory, inspection, and distribution) in government has a long history, starting with recommendations for New York City in 1913. At the general concept level, it is generally held that the centralization of purchasing will result in a money savings; lists of factors supposedly leading to the hypothesized savings are common.¹

¹Less common are considerations of possible increased monetary and other costs. For example, Al House suggests that corruption will increase with centralization: it means the creation of larger possible rewards for criminal activity. Such rewards might attract risk-taking that would not occur under a departmentally-decentralized system. Also, although the actual purchasing of items may be shifted out of the individual departments, there may not be the hypothesized administrative savings. There might not be an actual decrease in departmental time spent on the purchasing function; the staff time might be spent on trying to influence or change decisions being made by a purchasing agent.

Difficulties arise in putting the general concept into practice: if this general concept could easily be applied and resulted in all of the hypothesized savings, everybody would use it.¹ Although the concept of centralized purchasing has been offered for over seventy years, Lee and Dobler indicate that even in the private sector where it has developed the fastest, purchasing was one of the last specialized functions to be centralized, with most major changes in responsibility and authority coming since World War II.²

The literature on centralization falls into two categories. A large portion of the literature uncritically accepts the premise that if the generalized concept of centralized purchasing is applied, it will inevitably lead to a "net improvement" in an organization. There is a lack of comparison to other methods which might be used to accomplish the same ends. It is usually held that the "optimal" form of the purchasing function is known and should be immediately implemented. Purchasing is to be a pure command activity. An example of the prescriptions:

¹On the national situation: "More than 20 years ago, the National Institute of Municipal Law Officers, in cooperation with the National Institute of Governmental Purchasing, developed a Model Purchasing Ordinance to assist local governments in bringing efficiency to their operations. The purpose was to provide a guide that could be used by local governments to adopt volume-buying techniques and related principles. . . .The survey results indicate, however, that only 14% of the counties adopted any or all of the features of the NIMLO Model Purchasing Ordinance." Note also that this survey had a very low response rate: only 696, or 32%, of 2,203 counties surveyed responded. (James T. Carter and Ronald Welf, "Purchasing Practices in Counties," in The County Yearbook 1975 [Washington, D.C.: National Association of Counties, 1975], pp. 74-98. The authors claim this survey was the first major attempt to even identify county purchasing practices.)

²Lamar Lee and Donald W. Dobler, Purchasing and Materials Management: Text and Cases (New York: McGraw-Hill, 1977), preface.

The first step in the "scientific" approach to public purchasing is the transfer of all responsibility for purchasing functions from each individual department to a centralized office administered by a professional purchasing agent.¹

The purchasing agent is to have complete control over all decisions pertaining to procurement.

The other part of the body of literature does not approach centralized purchasing in such a dogmatic manner, with many authors allowing for degrees of centralization. For example, in this part of the literature a major differentiation might be made between the authority and responsibility for the purchasing function and the actual performance of particular purchasing activities.

Furthermore, regardless of the level of government or the relative size of the purchasing program, there should be a designated individual, office, or body which assures the requirements and principles of the total purchasing program are met. . . . The central purchasing authority must either accomplish all functions² of the program or see that they are properly performed by others.

Thus all of the following would be accepted as forms of centralized purchasing:

1. Actual buying done by departments, but a central office determines specifications and selects vendors
2. Actual buying done by departments, but a central office determines practices and guidelines and works to ensure they are followed
3. Centralized purchasing of key items, with other purchases decentralized

While there cannot be said to be any agreement in this part of

¹Cylde T. Hardwick, Purchasing Study of Local Government in the Southeast Michigan Metropolitan Six-County Region (Detroit: Metropolitan Fund, 1965), p. 1. Note the value-loading of the word "scientific."

²Council of State Governments, State and Local Government Purchasing: A Digest (Lexington, Kentucky: Council of State Governments, 1974), p. 5.

the literature as to the "optimum" form and degree of centralization of purchasing, there does seem to be consensus on the need for purchasing authority and responsibility to be clearly stated, with some form of central purchasing authority having overall responsibility even if not directly carrying out all purchasing activities.

Both parts of the literature, however, place primary emphasis on command activities. Alternatives are described in terms of powers and authorities assigned to the purchasing position. Some small sections of the literature have abandoned parts of the command model. Organization theory as developed for use in the materials management concept, for example, has rejected many of the usual assumptions. The possibility that the self-interest of actors within an organization could play an important role in procurement has largely been ignored in developing prescriptions for purchasing function organization.

The delegation of functions to individual departments under conventional materials organizations assumes automatic coordination and lack of self-interest. It therefore overlooks the principle of self-interest and makes it difficult, if not impossible, for individuals to work together for the common good.¹

An organization theory approach has brought with it the recognition that purchasing decisions are additive in nature and that self-interest does operate within organizations through conflicting objectives of individual subfunctions. This change in underlying assumptions has not brought with it, however, any change in the final prescriptions for handling these conflicting interests: i.e., it is still held that for all organizations there is the necessity to concentrate responsibility and authority for materials decisions.

¹Gary J. Zenz, "Organization Theory and Materials Management," Journal of Purchasing (August 1969): 14.

With the literature starting from the stance that a particular organizational form is optimal and thus not making comparisons between alternatives, it does not in general contain materials helpful in making decisions about organizing this function in situations where there may be blocks to such assignments of power or where the exercise of nominal powers may be difficult. Corey describes the procurement literature as follows:

Researchers and writers have dealt with procurement either on a theoretical plane primarily for academic consumption or on a technical level helpful for buyers. What seemed to be lacking was an understanding of the problems of procurement managers, those charged with planning and organizing procurement . . .¹

Management Versus Service Approaches to Purchasing

In the literature there are two basic approaches to the purchasing function: purchasing as (1) a dominant management function with emphasis on control of activities and planning for the organization as a whole, and (2) a service function for the using departments. (A few authors try to take an intermediate position, with purchasing having neither a dominant nor a subordinate role: i.e., a purchasing department functioning as an "equal" of the other departments. They do not,

¹ Raymond E. Corey, Procurement Management: Strategy, Organization, and Decision Making (Boston: CBI Publishing Company, Inc., 1978), p. ix. Corey finds the literature falls into three main categories:

1. ". . . describe purchasing's role and the techniques of doing the work of buying and procurement management.
2. ". . . the behavioral aspects of the buyer's job and considers the nature of the influences at work in shaping individual, as opposed to corporate, buying behavior. It would seem that the primary purpose of these studies is to help sellers understand buyers' interests, motivations, and internal relationships.
3. ". . . treats the negotiating process specifically." (p. 134)

however, go on to consider all that this might imply as far as command versus bargaining relationships and the effects upon performance.) The underlying orientation of decision makers regarding the procurement function will have important effects upon decisions concerning the assignment of authority and the allocation of resources to purchasing.

Although both approaches are identified, in making prescriptions the literature has come over time to a single path. Heinritz and Farrell conclude:

If we were asked to give a brief, all-inclusive summary of the most important trends in industrial purchasing over the past few years, the answer could only be: purchasing has emerged as a management function. A similar development is occurring in institutions and governmental procurement.¹

In keeping with this trend, the authors describe the service orientation as follows:

Since the activities of purchasing have the primary purpose of implementing the work of other departments. . . it is sometimes regarded as merely a service function. Purchasing can be carried on under this concept with partial effectiveness. The implication, however, is that purchasing considerations are subordinated to the aims, desires, and policies of the departments served.²

Some of this orientation in the literature can be traced to the interests of groups that sponsor research or choose materials for publication. It is not surprising, for example, that an association of purchasing officials would hold that purchasing officers are part of the governmental management team: "A centralized purchasing agency performs a management function. It should exercise procurement controls over the

¹Stuart F. Heinritz and Paul V. Farrell, Purchasing: Principles and Practices, 5th ed. (Englewood Cliffs, New Jersey: Prentice-Hall, 1971), p. v.

²Ibid., p. 5.

operating departments."¹

The evolution of the management orientation can be traced in the literature of the past thirty years.² Prior to the 1950s, purchasing was generally regarded as purely a service function. In the early 1950s, purchasing began to be seen not just as a service activity, but also as a profit-making activity.³ The purchasing agent was not recognized as a part of the management team, but he was recognized as an important contributor of information to top level corporate policy decision making.⁴ Entering the 1960s, purchasing comes to be explicitly identified as a management function.⁵ Now purchasing personnel are to be specifically developed for general management duties.⁶ Then in the

¹National Association of State Purchasing Officials, Principles and Best Practices in State Purchasing (Chicago: Council of State Governments, 1964), p. 2. They go on to say: "A state purchasing statute should set forth only general policies. Procedural detail should be established by executive order or regulations issued by the central purchasing officer." (p. 1) They have a definite view of what their authority should be.

²The articles cited in the following paragraphs were taken from a review of the literature in Douglas C. Basil, Emma Jean Gillis, and Walter R. David, Purchasing Information Sources (Detroit: Gale Research Company, Inc., 1977). These authors reported the contents of articles without commenting on trends. They instead took the position that a major problem facing industry is of upgrading the purchasing function into top management.

³John A. Hill, "Are Our Purchasing Concepts Out of Date?" Management Review (November 1953): 655.

⁴Howard T. Lewis, "Industrial Procurement and Marketing," Harvard Business Review (September 1950): 49.

⁵Stuart F. Heinritz, "Purchasing as a Management Function," Purchasing 6 (July 1959): 78.

⁶David S. Gibson, "The Purchasing Side of Management," Administrative Management (July 1963): 67-69.

late 1960s, the role of purchasing as seen in the literature was further expanded, with the purchasing officer sometimes seen as necessarily taking a key part in creating overall corporate strategy: it was not just a matter of simple purchasing administration, but one of corporate decision making and guidance.¹ The idea of purchasing as a support function was giving way to purchasing as an integral part of the production process.² A major reason for this change in orientation in the literature over time has been the necessity of shifting from short-run tactics to longer-run considerations, especially in the larger business enterprise. Corey, for example, states it has been simple concern for the availability of basic inputs that has forced corporations into developing long-term procurement strategies and making procurement planning of top importance.³ Thus the concept of procurement as a management function has continued to expand.⁴

¹Bruce Henderson, "Purchasing's Part in Corporate Strategy," Purchasing 13 (January 1966): 76-78.

²Daniel D. Roman, "A Reinterpretation of Procurement to Close the Academic Credibility Gap," Journal of Purchasing (November 1968): 31-42.

³Corey, p. vii.

⁴The outlined trend in the literature, taken to the extreme, has given rise to the ideal conception of the "materials management" approach, which is a reaction to the realization of the complete inter-relatedness within a producing organization. The attempt is then made within this approach to find some objective, optimal solution. Within this ideal concept, the traditional forms of organization are seen as preventing the optimization of the flow process. Ammer states: "In many cases, organization structure inhibits achievement of a proper balance of objectives. When materials management functions are sectorized throughout the organization, each materials subfunction tends to develop objectives of its own which may not be consistent with the company objectives." (D. S. Ammer, Materials Management [Homewood, Illinois: Richard D. Irwin, Inc., 1974].) In actual practice, this ideal materials management concept is not used in private sector large

As strategies are developed, it becomes apparent that they are inter-related. Tactics tend to stand alone, but materials strategies not only interact with each other, but with other company strategies. . . . This elevates the task of the procurement executive to the level of general management, and demands an understanding of not only other functions within the organization, but their relationships to each other and to the basic objectives of the enterprise.¹

The purchasing position has thus been seen as needing greater and greater powers to command, extending throughout the organization. The underlying conceptual framework assumes that if nominal authority is given to a centralized purchasing position, that authority can be exercised as explicitly stated, and the desired behaviors of important actors will be forthcoming.

County Government Purchasing and the Position of the Literature

The literature covering local government procurement is very small and is in consensus with the body of literature covering business and larger government organization; i.e., a form of centralized purchasing under a management orientation is presented as the best solution.

The major recent work on local government purchasing is State and Local Government Purchasing, published by the Council of State Governments.² The final prescriptions of this study follow the conventional

corporations. The term "materials management" has continued to be used in the literature, but it does not imply that ideal form: it is instead used to stress the need for coordination and the alignment of goals.

¹Corey, p. viii.

²National Association of State Purchasing Officials, State and Local Government Purchasing (Lexington, Kentucky: Council of State Governments, 1975). This source claims to be the first comprehensive research effort on this subject. This study involved support from organizations such as the National Association of State Purchasing Officials and the National Institute of Governmental Purchasing, Inc., which have

wisdom of the literature: ". . . purchasing must be management oriented rather than simply service oriented."¹

Purchasing also should have a management responsibility, shared with the central budget unit, to review the validity and appropriateness of purchases and to obtain adequate program information and justification from using agencies.²

Purchasing should participate in both the management and operational functions of planning and scheduling. . . . Purchasing should also participate in budget reviews, facilities planning, and economic analyses. . . [Statutes should] provide purchasing with the authority to review the validity and program appropriateness of purchases.³

Concentration of command authority remains of primary importance. No allowance is made for possible political relationships within a government; purchasing principles must rule, and political problems must be swept away.

The tradition of long-standing autonomous and politically powerful agencies is difficult to overcome, yet it should not override the fundamentals of a sound public purchasing program.⁴

For the county form of government, it will be seen that this prescription is particularly difficult to follow.

The conceptual framework used by a researcher in evaluating purchasing policies or organizational alternatives will largely determine his interpretation of results through specifying which variables are important and which are irrelevant. I have located only one study

particular views about proper organizational form and the assignment of authority to the purchasing agent.

¹Ibid., p. 3.2.

²Ibid., p. 4.2.

³Ibid., pp. 2.4 - 2.5.

⁴Ibid., p. 3.2.

pertaining directly to the procurement function within county government; it accepts the general prescriptions of the procurement literature as the base for comparison. This study is:

Stephen Blaine Gordon, "An Assessment of Mississippi H.B. No. 975 (1974) Requiring Boards of Supervisors to Implement County Central Purchasing Systems" (Master's thesis, Mississippi State University, 1975).

The bill required all counties of the state to adopt a particular centralized purchasing system to cover "equipment, heavy equipment, machinery, supplies, materials and services necessary for the maintenance, upkeep, repair, construction, and reconstruction of the roads and bridges." The impacts of the bill were assessed through a survey of county supervisors, who were asked a series of questions about purchasing practices and outcomes for before and after passage of the bill. Summarizing their responses, Gordon indicates the general opinion was that there was no overall significant impact of the bill. The expected price and operating cost benefits apparently did not occur. The major identified effects were essentially unintended consequences: supervisors and vendors became more aware of statutory bid procedures, and supervisors in general appear to have become more aware of all laws regulating their behavior.

This evaluative study is based on the same conceptual framework as the procurement literature considered above. Thus in interpreting the results, Gordon sees the statute as failing to achieve the desired changes because it did not provide for "true centralization."

In the first place, there is an absence of the authority, discretion, and political independence required for a genuine centralized purchase system. . . . the actual authority to purchase such items is in no degree removed from the supervisors and vested in the purchase clerk. Instead, the absolute power to purchase such items still remains completely within the legal power of the board of

supervisors, should the board desire to maintain all such authority. The only power that Mississippi county supervisors have been required to delegate to the office of purchase clerk created by H.B. No. 975 (1974) is the performance of certain "paperwork control procedures". . .¹

This law was described as:

. . . one of a long line of laws coming out of the Mississippi legislature with impressive titles but no substance. While this act established what it refers to as a "centralized purchase system" for all Mississippi, in reality, it only sets up a paperwork control procedure without altering the county road purchasing procedure. . . . the law under investigation here hardly resembles a genuine potentially effective central purchasing system as advocated by such national authorities as the National Institute of Governmental Purchasing.²

Thus "substance" is to mean the statutory assignment of command authority. The prescriptions of the author follow those of the literature.

Many of the commonly cited advantages of centralized purchasing found in the literature are assumptions based on logic rather than empirical verification. These are combined with observations of operating purchase systems to yield the prescriptions of the literature. These observations, however, have been of a limited variety of organizations; i.e., the prescriptions are also based on the most-studied units, which have generally been large industrial enterprises. The results have been assumed to be applicable to all sizes of enterprise. This has also been the case for governmental purchasing, with the federal government being the most studied. Because all governments purchase various commodities and services necessary to their operation, the tendency has been to assume the applicability of a single set of

¹Gordon, pp. 27-28.

²Ibid., pp. 80-81.

of prescriptions covering all government procurement functions. A basic question, however, is of the uniqueness of county government and its situation in procurement activities. If it is unique, as contrasted to the underlying conceptual framework and assumptions of the literature, solutions must be unique. If not, solutions applicable to other purchasing situations can be considered. The next two chapters consider this in more detail through the application of a framework of analysis based on an Institutions-Behavior-Performance paradigm and the development of a conceptual framework of county government purchasing that will be the basis for developing performance expectations about the procurement function alternatives in county government.

CHAPTER III

A FRAMEWORK OF ANALYSIS AND A DESCRIPTIVE MODEL OF COUNTY GOVERNMENT PROCUREMENT

A Framework of Analysis: Institutions Behavior, and Performance

This research is based upon a framework of analysis developed for examining industrial organization that has been expanded in the literature to general applications in institutional and policy analysis. The standard industrial organization paradigm holds that market structure influences market conduct, which in turn determines market performance.¹ This paradigm has been extended through an expansion of the meanings attached to the conceptual components of structure, conduct, and performance.²

Relationships between actors within what is defined as the

¹For a detailed description of this industrial organization paradigm, see F. M. Scherer, Industrial Market Structure and Economic Performance (Chicago: Rand McNally College Publishing Company, 1970), pp. 3-7, and Peter G. Helmlinger, Gerald R. Campbell, and William D. Dobson, "Organization and Performance of Agricultural Markets," in A Survey of Agricultural Economics Literature, 3 vols., Lee R. Martin, ed., vol. 3: Economics of Welfare, Rural Development, and Natural Resources, 1940s to 1970s, pp. 508-518.

²For a description of this expanded paradigm of institutions, behavior, and performance, see A. Allan Schmid, "Analytical Institutional Economics: Challenging Problems in the Economics of Resources for a New Environment," American Journal of Agricultural Economics 54 (December 1972): 893-901, and James D. Shaffer and A. Allan Schmid, "Community Economics: A Framework for Analysis of Community Economic Problems," East Lansing, Department of Agricultural Economics, Michigan State University. (Typewritten)

market covers only a narrow range of all the ways people may be related to one another. The concept of market structure has been expanded into the concept of institutions: "sets of ordered relationships among people that define their rights, exposures to the rights of others, privileges, and responsibilities" in all aspects of their individual and group lives.¹ The concept of market conduct is expanded to encompass all of human behavior. Behavior is defined as choice among opportunity sets; i.e., choice among the alternative actions open at any particular point in time. Institutions, as "the rules of the game," structure the opportunity sets of the actors by defining rights. Explicit consideration of power becomes essential in analysis, for it is the main determining factor of the contents of opportunity sets. Performance is defined as the consequences, the distributional impacts, the costs and benefits, of choices within those opportunity sets.

The basic proposition of this analysis schema is that causal relationships exist between institutions and human behavior, and then between behavior and performance. In addition, this expanded paradigm abandons the usual assumption of the industrial organization framework of a one-way flow of causality between structure through behavior to performance.² A dynamic view of this system has performance

¹A. Allan Schmid, Property, Power, and Public Choice: An Inquiry into Law and Economics (New York: Praeger Publishers, 1978), p. 6.

²See Helmberger, Campbell, and Dobson. They indicate that while the potentials for feedback are recognized in theory, in actual applications of the structure-conduct-performance paradigm to agricultural marketing, impacts of performance in one period on structure or conduct in following periods are usually assumed away.

consequences feeding back into both behaviors (e.g., performance outcomes as reinforcers for participants) and institutions (e.g., the distribution of power as a performance outcome, bringing with it the potential for changing the structure).

What are taken as institutions, behavior, and performance will depend upon the specific problem under analysis. In the case of county government procurement, the structure of county government is of concern: how will the participants within the government be related? In a more narrow sense, the policy issue is of the formal organization of the purchasing function. The chosen structure, specifying part of the rules of the game, may affect the behaviors of the actors, in turn determining the overall performance of the county purchasing operation. Conflicting interests are involved, however, and choices must be made concerning the relative importance of performance consequences. In this case, the goals for the procurement system of concern to a county board of commissioners are given highest priority; it is their policy decisions that are to be informed.

The application of the institutions-behavior-performance paradigm requires a conceptual framework of county procurement based on the general nature of the relationships among the important actors. (Concrete examples of the general descriptions of relationships are given in Chapter IV.) Changes in the rules governing how actors will be related in procurement decision making will occur within a larger set of institutional relationships within county government.

A Descriptive Model of County
Government Procurement

Bargaining Versus Command Relationships
in County Government

The prescriptions in the purchasing literature are based primarily upon the experience in large units of government, particularly at the federal level and to a lesser degree at the state level. There are institutional features at those levels and sizes of government that do not exist at the smaller county government level. It was stated in the previous chapter that if the county government situation was unique, solutions must be unique. The position here is that the form of county government found in Michigan (and in other states) presents a unique situation, stemming from the location and sharing of executive authority and power throughout the government structure.¹ Smooth, coordinated operation of the county government requires bargaining and cooperation among all the semi-autonomous power centers. The literature tends to approach government purchasing as a closed system, independent of its environment. Successful purchasing, however, relies not only on internal operations, but also upon the environment within which it operates: i.e., the county government as a whole. Within a structure-conduct-performance paradigm, the literature has assumed a structure that may not appropriately describe the rules of the game and the relationships within county government. Based on the

¹"County government in nearly every state is characterized by a number of elected officials as well as by numerous quasi-independent boards and commissions. In some states county elected officials and independent boards are mandated by state constitutions although in other states they are statutory in nature." (Kenneth VerBerg, Guide to Michigan County Government [East Lansing: Institute for Community Development and Services, Michigan State University, and the Michigan Association of Counties, 1972], p. X-5.)

assumed structure, predictions of behavior are made which are then translated into particular performance outcomes. This section will consider an alternative to the underlying conception of structure found in the procurement literature.

A major work in the procurement literature does not approach purchasing as a closed system:

Frederick E. Webster, Jr. and Yoram Wind, Organizational Buying Behavior (Englewood Cliffs, New Jersey: Prentice-Hall, 1972).

This work was not considered in the earlier review of the prescriptions of the literature because its aim was not to generate prescriptions about organizational alternatives; the approach was of understanding the buyer, his position in the organization, and the factors which influence his decision making, in order to be more effective in selling to him. (The literature on organizational buying behavior almost exclusively has a marketing orientation.) It does provide an initial framework for identifying the factors that affect how buying is accomplished within different organizational alternatives.

Four groups of factors are identified by Webster and Wind as the determinants of organizational buying behavior:

1. Individual factors: These are the attributes of the individual and his background--needs and goals, attitudes, experience, accumulated knowledge, habits, etc.--that will affect his behavior and decision making in any given situation.
2. Interpersonal factors: The personal relationships that have evolved over time, conditioned by past history of association and the need for continued interaction in the future. These are social interactions, the informal relations not shown on the organizational chart.
3. Organizational factors: These are the factors within the formal organizational structure. "The objectives, policies, procedures, structure, and system of rewards, authority, status, and communication that define the formal organization

as an entity and significantly influence the buying process at all stages."

4. Environmental factors: These are the factors that are out of the control of the organization or the individuals within it--the attempts of marketers to influence decisions, the "technical, socio-cultural-political, and economic characteristics and institutions of society," underlying ideologies, etc.

The underlying orientation is still on command in the final buying decision, with that authority assigned to a single individual--purchasing agent. But their model recognizes that other actors within the organization can take actions to affect those decisions; stress is put on the interdependency with the larger organization. To examine the influences on buying decisions, the authors define the "buying center" as all individuals within the organization who interact in the procurement decision process. Interpersonal influences are emphasized. Roles within the buying center are defined; any individual may play more than one role and more than one individual in the buying center may be associated with each role. Individuals within buying centers are classified as follows:

1. Users: The final users of the purchased products or services. They usually initiate the buying process and may have influence in setting specifications and other purchase requirements.
2. Influencers: These are the individuals identified as directly or indirectly influencing the buying decisions. "Typically, they exert their influence either by defining criteria which constrain the choices that can be considered in the purchase decision or by providing information with which to evaluate alternative buying actions." In a producing enterprise, persons with specific technical knowledge are particularly important in influencing the decisions of buyers who lack detailed expertise in an area.
3. Buyers: The buyer has been assigned the formal authority for selecting the supplier and arranging the terms of purchase. Typically this position would be called the purchasing agent.

"Although the buyer may have formal authority for negotiating with suppliers and for committing the organization to supply contracts, the choices available to him may be significantly limited by the formal and informal influences of others. For example, technical personnel may have authority for establishing specifications and may do so in a manner which forces the buyer to deal with a particular supplier."

4. Deciders: "Deciders are those members of the organization who have either formal or informal power to determine the final selection of suppliers. The buyer may be the decider, but it is also possible that the buying decision actually will be made by somebody else and left to the buyer for implementation."
5. Gatekeepers: These individuals control the flow of information into the buying center. In this model, they are seen as having most influence in defining the feasible set of buying alternatives.

Procurement decisions can thus be seen as the result of a group decision-making process. The Webster-Wind model provides the initial conceptual framework for examining procurement in counties, but it must be modified to fit the nature of county government.

In examining the procurement system in county governments, what are first perceived as management problems may in fact be political problems. To examine the nature of the political problems that can arise and the environment within which a procurement system must operate, a model of county government built around the relationships among the important actors is needed. The actors in any government entity are related and interact in ways other than indicated on an organizational chart. The Webster-Wind model can be expanded to directly consider how buying decisions are influenced with elements of a model of institutional relationships developed by Schmid and Faas for use in the analysis of administrative alternatives for agrarian development

programs.¹ This model places emphasis on the way alternatives affect the bargaining powers of the involved actors and their abilities to obtain the cooperation of others rather than concentrating only on hierarchy and command as the primary determinants in relationships within government.

There are several models [of institutional relationships] that come to mind. One is a hierarchical command type of organization with clear lines of authority running to the top. The top authority has in mind the desired development recipe and issues the appropriate orders to people who are obliged to carry them out. Consolidation of related existing agencies under the direction of a single head is a popular approach to solving problems of failure to coordinate delivery of the various ingredients according to someone's view of the desired recipe.²

Translating to the county government procurement situation, the solution advocated under this model would be the creation of a centralized purchasing authority of the type prescribed by the literature. This is the starting point of the Webster-Wind model: there is a central assignment of purchasing responsibility and authority, and the model is built around the attempts of other actors within the organization to influence that position's decisions. The purchasing agent essentially is and remains the center of the buying center. (In later work, Wind does differentiate between temporary and permanent buying centers, stating that the composition of the buying center changes with the nature of the procurement and that there may be as many buying centers as there are buying decisions to be made. Despite the possible

¹A. Allan Schmid and Ronald C. Faas, "A Research Approach to Institutional Alternatives in the Administration of Agrarian Development Programmes," in Warren J. Samuels and A. Allan Schmid, eds., Law and Economics: An Institutional Perspective (Boston: Martinus Nijhoff Publishing, 1981), pp. 145-165.

²Ibid., p. 146.

changes, however, Wind indicates that "purchasing agents do and should constitute the core of any buying center."¹⁾

Another model is that of bargained exchange between agencies. Each agency has some set of responsibilities and resources. If it wants to combine a product or service from another agency with its own, it must negotiate with the other agency to secure agreement. Where it is not possible to command, the desired action of others is achieved by making it worth their while. Something has to be traded. It can be in the present or a promise of future delivery. It can be money, client support, information, embarrassment, prestige, etc.²

Government organizational charts portray the relationships between actors as being primarily of superior to inferior; i.e., organization based on command. The city mayor or the board of commissioners are shown as being in a position of authority over the departments of the government. In practice, however, no such organization can be based on pure command.

. . . there is always an element of bargaining attached to an administrative transaction. While the administrator may have the power to imprison a citizen or fire an employee, there are usually some costs associated with such action that the inferior can affect. The person in the inferior position thus has some bargaining power when dealing with an administrative superior.³

Every government structure will involve some combination of command and bargaining relationships between the parts. Different forms of government will involve different mixes of these types of relationships, with more or less emphasis on one or the other. The mix of these types of relationships between two actors may change as the function or activity

¹Yorma Wind, "Organizational Buying Center: A Research Agenda," in Thomas V. Bonoma and Gerald Zaltman, eds., Organizational Buying Behavior (Chicago: American Marketing Association, 1978), p. 111.

²Schmid and Faas, p. 146.

³Schmid, Property, p. 15.

of concern changes. For some areas of operation, two parties within a government may not be real equals, and thus be related through command, but in other areas the two parties may be considered real equals and would thus be related in bargaining transactions. To the participants, the situation at any time may not be so clear. Schmid and Faas note:

The distinction between a request, an invitation, an offer to trade, and a command or order is blurred. The receiver of all of these has a decision to make involving a calculation of benefits (including harm avoided) and costs. . .¹

In the case of a county government procurement function, the concern is with the board of commissioners on the one hand and all the other important actors within the government on the other, for it is the board which has the initiatory power in making changes in purchasing procedures and processes. Because of the spread of executive authority and powers, relationships between the board of commissioners and parts of the county government are more often horizontal than vertical in nature, with many agencies also having direct ties to various parts of the state government. (This will be considered in detail in Chapter IV.) The board of commissioners is less able to exercise the powers of command than a mayor or city council in a charter municipality. For many purposes, county government can best be conceived of as a related set of separate governments rather than as a single entity. A city manager or city council can go back to the charter for an explicit listing of authority over departments, and where departments do not have their own statutory powers, relationships among actors would be based more on command with lesser emphasis on bargaining in relationships in

¹ Schmid and Faas, p. 153.

comparison to counties. In county government, bargaining transactions play the larger part, with the ability of the board of commissioners to require certain actions of elected officials and other agency and department heads being comparatively quite limited. This places the general county form of government toward an extreme position among possible balances between bargaining and command relationships within government.

The importance of bargaining in interactions affecting buying decisions has been considered in the procurement literature, but most has concentrated on the relationships between the buying center and vendors. Bagozzi suggests that the relationships within the buying center can also be viewed as a bargaining process.

The social actors comprising the buying center may be thought to be engaged in multi-party relationships where some conflicts of interest exist along with a certain degree of mutual concerns. Bargaining occurs over aspects of the buying process (e.g., from whom to buy, how much to buy, under what terms, etc.), and the bargaining activities include various overt and covert attempts at influence.¹

In reviewing the general literature on interpersonal behavior as a bargain or negotiation, Bagozzi finds emphasis has been placed on the negotiational/bargaining process itself, identifying the important factors as the social components of the bargaining structure (presence of audience, third parties), the physical settings where bargaining occurs, the issues involved (zero-sum situations, intangible issues), and the bargainer as an individual (such as a cooperative versus an individualistic orientation.) Distribution of power is considered in

¹Richard P. Bagozzi, "Exchange and Decision Processes in the Buying Center," in Bonoma and Zaltman, eds., p. 68.

such terms as "total amount of power in the system," "unequal relative power," or "equal power." Bagozzi instead suggests using Coleman's model of social action, a mathematical model developed for determining the outcomes of group decision processes and the amount of control over decisions any particular actor has.¹ This model directly considers the basis of power; i.e., the control that actors have over events that are of interest to others. The actors are seen as behaving to maximize their utilities through the exchange of such control abilities. This mathematical model has limited practical applicability in that the calculations require starting with two matrices that would be extremely difficult to construct for an entity as complex as county government: (1) a matrix of control that j actors have over i events, and (2) a matrix of interests (importances) that the j actors have in i events. This model does, however, suggest the next step: to examine alternatives for procurement function organization, it is necessary to consider the sources of control abilities and the way the alternatives can change the distribution of those sources.

Schmid and Faas' work suggests the relationships within county government can be conceived of in terms of transactions among all the relevant parties.² Each actor is exposed to some degree to the command

¹James J. Coleman, The Mathematics of Collective Action (Chicago: Aldine, 1973).

²The Schmid and Faas approach stems from what is becoming a well-established part of organization theory; i.e., the exchange theoretic approach to interorganizational relations. This approach was introduced by Levine and White, presented through a study of health organization interactions, and it has since been used by many others. (Sol Levine and Paul F. White, "Exchange as a Conceptual Framework for the Study of

abilities of the board of commissioners, but each may also be in a position to impose, or threaten to impose, certain costs on the board. In these transactions, each party has particular trading resources, both goods and bads, to use in obtaining certain desired outcomes. Thus, in the face of the independence of many actors from direct control, the ability of a position where nominal purchasing authority has been placed to operate effectively may depend in large part upon the trading materials with which that position has to work. The purchasing operation

Interorganizational Relationships," in Amitai Etzioni, ed., A Sociological Reader on Complex Organizations, 2nd ed. [New York: Holt, Rinehart, and Winston, Inc., 1969].) Cook notes, however, that "These theorists have utilized exchange notions simply to provide a loose conceptual framework for their analyses. Few attempts have been made to present a systematic application of exchange theory to interorganizational interactions." (Karen S. Cook, "Exchange and Power in Networks of Interorganizational Relations," in J. Kenneth Benson, ed., Organizational Analysis: Critique and Innovation [Beverly Hills: Sage Publications, 1977], p. 65.)

While in the exchange theory literature, the exchange relationship has come to be seen fundamentally as a series of transactions, the meaning of transaction has been very limited. For example, Cook defines it as "An exchange relation consists of voluntary transactions involving the transfer of resources between two or more actors for mutual benefit." (p. 66) Schmid's paradigm of the categories of human interdependence, on which the Schmid and Faas model is based, extends the meaning of "transactions" well past the ideas of "voluntary" and "mutual benefit," as well as expanding the concept of the resources used in exchange. (See Schmid, Property.) Three general types of transactions are presented: bargained, administrative, and status/grant transactions. The differing natures of these transactions and the possible interdependencies involved also expands what might be identified as trading materials for any given situation or over a series of transactions. Components of the transaction types and interdependencies within Schmid's paradigm are found in small pieces throughout the exchange theoretic approach literature, but they are not systematically related.

Also drawing upon Schmid's paradigm of human interdependence, there is no reason why such an exchange model should be restricted to applications to interorganizational situations, for where an analyst chooses to draw borders delineating "insiders" and "outsiders" does not change the nature of the interdependencies involved; it is thus applied here to intraorganizational relationships.

cannot be approached independently, for in response to actions by the board of commissioners or a purchasing agent, elected officials and others may choose to exert pressures and affect performance in other areas of government operation; i.e., they have many options in the use of their trading materials.

A Conceptual Framework for County Government Procurement

Figure 1 illustrates some of the above discussion and displays a conceptual framework for county government procurement. The nature of this conceptual framework dictates the research methodology to be used.

Components of the Conceptual Framework

The Dependent Variable - Relative Purchasing Performance

Purchasing performance is a very complex and multi-dimensional variable. Measurement techniques producing results valid for making interorganizational comparisons for many of the important dimensions of performance have not been developed, much less a method for measuring total purchasing system performance. This places important limits on the ability to make empirical comparisons of performance among alternatives for procurement function organization in county governments. This will be considered in more detail in Chapter VI.

The Independent Variable - Alternatives for Purchasing Function Organization

In the diagram, the independent variable is broken into two components. The alternatives as available in statute will be considered in detail in Chapter V; the discussion there will indicate that the

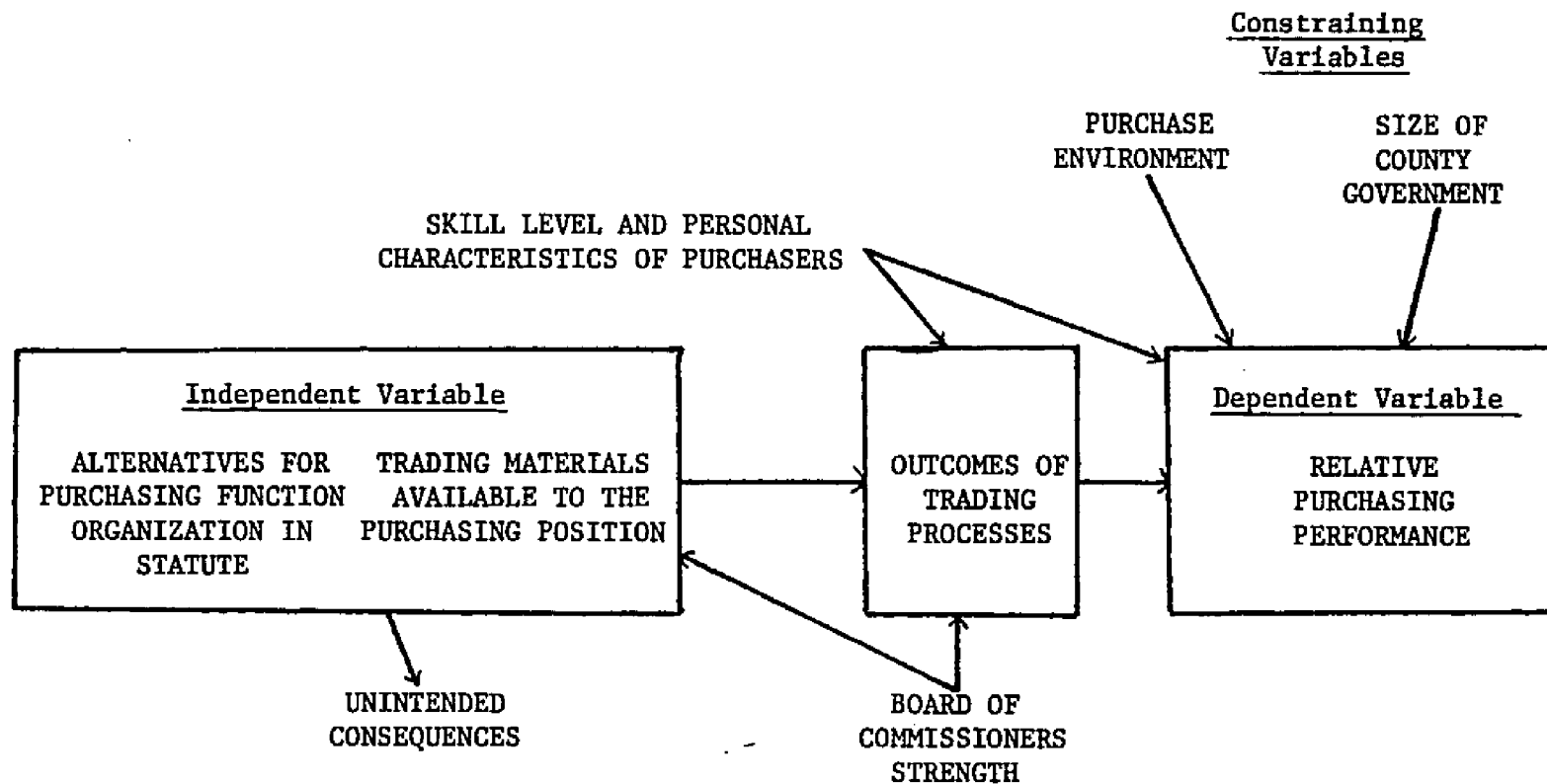


Figure 1. A Conceptual Framework for County Government Procurement

available alternatives do not differ greatly in their nominal command authorities. The board of commissioners has options in combining purchasing responsibility with other positions that have nonprocurement responsibilities and authorities which would affect the trading materials available to the purchasing position to use in obtaining the desired behaviors of others.

Outcomes of Trading Processes

The trading processes within a county government are shown as an intervening variable between the independent and dependent variables. It is an intermediate type of variable that is not completely within or outside of the board of commissioners' control: they take part in it, they can affect its structure in varying ways, but they cannot always determine its outcome. It is an incompletely specified variable, and it may be representing a number of missing variables necessary for explanatory-type research. Trading processes within government have been little studied.

It is hypothesized that while private market rules are highly developed, the externally given rules governing bargaining among bureaucrats are few. This is in part because of the conventional wisdom concerning how command systems work. We have often assumed there was no need or place for bargaining (people just issued orders and they were carried out), and therefore no attention was given to bargaining rules. You don't need a rule for something that is not supposed to exist!

It is further hypothesized that where few external bureaucratic bargaining rules are available, it will be very difficult to predict how the various development ingredients will be made available.¹

¹Schmid and Faas, p. 152.

Board of Commissioners' "Strength"

In the next chapter, the bargaining nature of the relationships between a board of commissioners and the other important actors within county government will be considered through an examination of the trading resources available to the various parties. Board of commissioners' strength is another incompletely specified variable at this point, referring to its knowledge of the options open to it and its willingness and ability to use its trading resources. For example, if the board delegates purchasing responsibility and authority to a particular position, purchasing performance may depend in large part upon the willingness of the board to stand behind the decisions made by that position. The board's strength might be reflected in the initial assignment of purchasing responsibility and authority, the knowledge of board members about the legal relationships within county government, or its active participation as part of the buying center.

Predictions of relative purchasing performance based on trading materials available is complicated by the turnover that can occur in board membership, which may mean changes in the overall character of a board. Group decisions (by the board) are being made about participation in group decisions (purchasing); even without changes in the basic procurement function organization, changes in the membership of the board may mean changes in such participation, which in turn may affect relative purchasing performance. Related concepts covering the more narrow idea of board strength would be organizational climate or sense of community.

Unintended Consequences

Each procurement function alternative may generate unintended consequences through the behaviors of important actors within the government in trying to get around the purchasing system or to sabotage it. In response to attempts to change the overall procurement system or to particular decisions made through it, these actors may take certain actions that will affect other important operations or outputs of the county government. (The ability to take such actions represents part of their trading materials.) Although a connecting line is not shown on Figure 1, these unintended consequences are often part of the outcomes of the trading processes.

Skill Level and Personal Characteristics of Purchasers

This represents an alternative explanation of performance differences between counties where there has been a central assignment of purchasing responsibility. In the large purchasing organization, with many employees that may have very specialized purchasing responsibilities and tasks, the overall level of performance can rarely be traced to the performance of particular individuals. In the small county procurement situation, however, it could be that a single person is most responsible for the success or failure of the overall purchasing operation. Lewis Spangler, Executive Vice-President of the National Institute of Governmental Purchasing, asserts that it is the quality of the person occupying such a position that will determine the overall purchasing performance, not organizational factors: i.e., a skilled

person will find ways around most of the obstacles presented by organizational form.¹

The Purchase Environment

As in the Webster and Wind model, the purchase environment refers to all the factors affecting purchasing performance that are out of the control of the county government. Webster and Wind list the following categories of environmental factors: physical, technological, political, economic, legal, and cultural. These are to affect the organizational buying process in four ways:

1. Define the availability of goods and services to the buying organization
2. Define the general business conditions within which the firm must operate, including the business cycle, the political climate, the legal environment, and the availability of monetary resources
3. They define the values and norms that provide an important set of criteria against which to evaluate alternative buying actions
4. The environment provides a flow of information to the buying organization²

All county governments could be said to be operating within the same general environment; this is a common assumption in purchasing studies. They all operate under the same general set of laws and constraints on their organizational structure and activities. Other than for a few restricted local markets for some products (as well as for ease in warranty work, such as in the purchase of tires), they all generally

¹Interview, March 1980. Note that a major program of the National Institute of Governmental Purchasing involves a certification program for public purchasing officers.

²Webster and Wind, p. 41.

have the same access to markets for commodities, especially through the available state-established contracts and other state purchasing programs.

The market environment does make research results situationally and time specific; effects may be quite different if there are shifts from normal supply-demand relationships, where the problem is one of choosing between vendors, to periods of shortage, where the problem may be simply of locating any vendor and convincing him to supply a commodity or service.

Size of County Government

After county governments reach a certain size level, the importance of the trading materials available to a purchasing agent may decrease in importance. A study involving Mississippi county governments found that there was general resistance on the part of county government officials to the use of "modern administrative techniques"; there was general opposition to any organizational changes that implied the centralization of authority and hierarchy.¹

Michigan differs from the situation in Mississippi in a significant respect: Mississippi contains no large counties that could be considered urban. Michigan does contain some urbanized counties of large population where their findings might not apply. These counties often employ sophisticated management techniques, developed over time through having to tackle the administrative difficulties of being big. These counties start with a different historical experience than the majority

¹William A. Giles, Gerald T. Gabris, and Dale A. Krane, "Dynamics in Rural Policy Development: The Uniqueness of County Government," Public Administration Review 40 (January/February 1980): 24-28.

of Michigan counties, which are primarily rural-oriented: they have more in common with the large units of government which have been the most studied in the development of the prescriptions of the procurement literature. The circumstances of dealing with the problems of large size may have overcome some of the blocks to change in procurement function organization in county government. This is reflected in a survey of counties on procurement practices: more than 90% of the respondents having a population of at least 250,000 reported using a centralized purchasing system.¹ Where centralized purchasing systems conforming to the prescriptions of the procurement literature have developed in larger counties, it may signify a different attitude towards the need for administrative specialization and professionalization. In those cases, much of the purchasing function has been removed from the area of bargaining, and the purchasing agent has come to have more effective powers of command in many (but not all) areas.

There also appears to be a pecuniary economics of scale breakpoint near the top of the size distribution of county governments. Below a threshold level, although county governments vary widely in size, none appear large enough to generate sufficient volumes over a wide variety of purchases to be at a level where they generally can obtain substantial discounts through volume buying. In order to obtain prices based on large volumes, they would have to bind together to purchase cooperatively or operate through state purchasing programs open to county participation. (These will be described in a later

¹National Association of State Purchasing Officials, State and Local Government Purchasing, Table B-8.

chapter.) Above a certain size level, however, counties may be able to generate enough volume individually to achieve better price performance than the state programs can.¹

Thus the largest counties in the state will be excluded from the target population. Because of a lack of complete knowledge, however, the breakpoint must be arbitrarily set.

Research Implications of the Conceptual Framework

The use of this conceptual framework suggests relegating some sets of variables that would at first appear to be of primary importance to minor positions.

In contrast to the conceptual framework underlying the prescriptions of the literature, the set of variables encompassing the nominal assignments of command authority in procurement are seen as of minor importance. They are not completely irrelevant, however, for such assignments may become part of a body of trading material available to a position. The formal organizational alternatives must be analyzed in terms of bargaining and trading materials.

The literature places great emphasis on formalizing particular sets of Standard Operating Procedures for procurement; their consistent application is held to lead directly to good procurement performance. These SOPs specify the decision-making processes to be used in

¹John West, Purchasing Agent for Genessee County, has knowledge of the state prices, yet generally purchases very little through these programs because he can achieve better price performance in dealing directly with vendors. He is purchasing in large volumes for delivery at a single point; the state may be dealing in larger volumes overall, but delivery is required in small quantities to many points, and the costs of such delivery is reflected in the bids received.

purchasing. Identification of SOPs presents great difficulties within county government. As will be elaborated in later discussion, the nature of county government places limits on the ability of the board of commissioners to specify certain kinds of SOPs. It may not be possible to impose many of the prescribed SOPs on all departments and agencies within the county. The starting point of formal SOPs in the form of explicit written policies and procedures for purchasing is often missing or of negligible extent. Where there are explicit policies and procedures, they generally only cover high dollar value purchases. Over time, the general tendency has been for the dollar limit above which formal sealed bidding procedures must be used to rise. This has meant that a larger dollar volume of purchases would be made under what could be called informal SOPs. Without explicit written procedures, departments will often adopt the attitude that these purchases can be made on the basis of convenience. Each department may develop its own procedures, which may not be recorded or consistently applied.

Trying to determine the general decision processes being used through the identification of SOPs may not be useful for research in that it might be said that given the nature of county government, no Standard Operating Procedures exist. In any purchase decision, there may be several persons involved; their involvement is not limited to carrying out routine procedures and activities. Webster and Wind note:

Interpersonal influences in the organizational buying decision process reflect the many viewpoints of those organizational members who perceive that buying decisions are important to their performance within the organization. Users, influencers, deciders, buyers, and gatekeepers interact to determine the outcome of the decision. Although the buyer has formal authority for the buying

decision, his actual influence on the outcome of the decision process may be significantly reduced as a result of the influence of others at earlier stages of the buying process which defines the constraints of the feasible set of buying actions.¹

Which individuals and how many are involved will change with the nature of the purchases. In routine, repetitive purchases, perhaps only the purchasing agent would be involved in procurement decisions; in other types of procurement, participation in decision making may be much wider. Corey offers as a proposition:

There tends to be a high degree of inter-functional involvement in decisions related to purchased-product specifications and vendor selection (1) in the early stages of the procurement cycle, (2) on matters involving basic changes in the sourcing system, and (3) on large, non-repetitive purchases.²

Thinking of SOPs as describing a decision-making system, Webster and Wind would suggest that the identification of SOPs would not be a good approach in examining performance differences.

These and other differences suggest that every organization might have an idiosyncratic set of buying decision processes, which again might vary from one purchase situation to another. If this is the case, it seems to imply that attempts to identify a general decision-making process are bound to be fruitless.³

The conceptual framework used here suggests that relative purchasing performance is the result of a decision-making process that is much more complex than one identified by SOPs alone; it can vary from very simple for small routine purchases to very complex where a purchase might affect many actors within a county. Given the bargaining nature

¹Webster and Wind, p. 28. This refers to industrial organizational buying where the purchasing agent has considerable command abilities in procurement. This quote again indicates that no such organization will be based purely on command.

²Corey, p. 129.

³Webster and Wind, p. 10.

of the relationships in county government, the so-called Standard Operating Procedures become part of what is bargained over; such bargains might cover a considerable period of time or be struck for only a specific purchase; they could cover a wide variety of purchases or only a very narrow subset. Whereas Wind identified the purchasing agent as always being the core of the buying center, the discussion indicates that for some purchases, the purchasing agent could be shifted completely outside of the buying center. To examine the area of organizational form, it will be necessary to take a step removed from the SOPs and instead start with the nature of the relationships among the involved actors and consider how these relationships affect how they will be related in decision making about procurement.

The conceptual outline above is essentially an incomplete framework where there are critical unknowns; it is not of a form that could support an explanatory study. For the dependent variable, relative purchasing performance, there is no empirical method available for making direct comparisons between units on total system performance. The concept of "board strength" and the nature of the trading processes within county government are not clear; they represent "best guesses" as to missing variables within the conceptual framework, and the framework indicates probable relationships among the variables. In examining the procurement decision-making process, Webster and Wind's concept of the buying center appears particularly useful. Bonoma and Zaltman comment on this concept:

This concept is a dynamic one which parallels the reality of purchasing organizations more correctly than an approach recommending the study of just the purchasing department or purchasing manager. On the other hand, we have no data regarding the nature

of buying centers. For example, we have no information as to the individuals likely to be included in or excluded from buying decisions under various product or service classifications, and we have little information about how the individuals making up the buying center integrate their decision processes.¹

The possible variations in the trading processes and participation in procurement decision making represented by the intervening variable would make any randomized sampling based on currently identifiable criteria (such as stratification by statute-given alternatives) meaningless. The state of knowledge about the relationships involved calls for an exploratory study, to examine the nature of these general concepts, to look for their component variables and the character of the relationships among them.

As an exploratory study, the research objectives must be framed as open-ended questions concerning the properties of the "missing" variables.

What are the factors determining participation in procurement decision making within county government?

Are there general patterns of participation in the buying centers?

How does a "strong" or a "weak" board affect procurement decision-making processes?

How does the nominal centralization of purchasing responsibility and authority affect participation in the buying center and the roles played?

These questions will be investigated through a set of case studies, with the conceptual framework used as a guide.

Before turning to the alternatives for the procurement function, the nature of Michigan county government must be considered, and the

¹Thomas V. Bonoma and Gerald Zaltman, eds., Organizational Buying Behavior, Introduction, pp. 16-17.

major actors in county government and the general nature of the resources and trading materials available to each must be examined, to further reveal the character of the relationships involved and to add concrete meaning to some of the above arguments.

CHAPTER IV

THE NATURE OF MICHIGAN COUNTY GOVERNMENT

County Government in Michigan

County governments, as established in the state constitution, technically are arms of the state government, assigned the duty of carrying out state policies and activities. In many respects, however, they function as autonomous units of local government. The elected county board of commissioners is the policy-making body, but it is not purely a legislative body: it may carry out a variety of executive functions. In practice, however, it does not have the sole executive power; instead, executive power is spread throughout county government, in the hands of numerous independent boards and commissions with responsibilities for specific county functions and services and a number of elected officials who may act with varying degrees of independence from the control of the county board of commissioners. This spread of executive power means that the relationships between the board of commissioners and the other important actors in county government cannot always be one of command. This is a system of shared powers, where persuasion and bargaining play important roles. The major actors within county government that typically share the executive power with the board of commissioners are the constitutionally-mandated officers (the clerk, treasurer, sheriff, prosecuting attorney, and register of deeds, who are elected for four year terms as opposed to the two years of

commissioners), the elected drain commissioner, and the elected judges of the circuit, district, and probate courts.

The legal framework for local governments in the state constitution gives little detail: implementation has required specific legislation, which has come in small pieces over a period of many years, with the pieces often contradicting one another. County government has not evolved in a necessarily rational manner; traditions and historical practices have also played important parts in determining present county government form.

The best brief, general description of Michigan county government is that it is a Patch-Work Quilt of powers, duties, and agencies which has been made up piece by piece over the past 150 years.¹

In development of a conceptual framework, two general areas must be considered: (1) the nature of the executive authority of the county board of commissioners and how it is changed by the adoption of administrative organization options available under statute, and (2) the abilities of the other important actors to prevent changes in the way executive power is shared in county government.

The spread of executive authority among the important actors will be seen to have important implications for the operation of a purchasing system in a county. The situation in the basic form of Michigan county government can be described as follows:

There is no person who is elected or appointed to an office which can be identified as that of chief executive. The executive functions are carried out by various officers who are often

¹Eugene G. Wanger, Organization, Procedure, Powers, and Administrative Options of the Michigan County Board of Commissioners: An Orientation Outline, 4th ed. (Lansing: Michigan Association of Counties, 1978), p. 2.

responsible only to the person elected or committee appointed to have responsibility for specific activities.¹

Even within the board of commissioners itself there may not be strong formal leadership. Although there is a chairman of the board of commissioners, the law does not provide the means for the chairman to exercise strong executive power. VerBerg notes important factors which weaken this office:

1. He is selected by a majority vote of the board of commissioners: he does not have his own county-wide political base. (Commissioners are elected from a particular district.) The amount of board support he has can vary.
2. He is elected only for a one year term, starting at the beginning of the fiscal year (January). He cannot learn his job and exercise effective control in so short a span. His ability to exert policy leadership, such as over purchasing, is limited if his successor is not willing to follow through. In addition, he cannot be said to have full responsibility for the budget adopted before his appointment.
3. Many counties have adopted rotation practices for this office, thus providing no continuity with a high turnover rate.
4. The chairman has few legal powers, with most duties being perfunctory.²

Committees of the county board have been able to gain power over particular areas of concern.³ Although committees do not have the

¹Kenneth VerBerg, Guide to Michigan County Government (Lansing: The Institute for Community Development and Services, Michigan State University, and the Michigan Association of Counties, 1972), p. II-2. Three counties now have elected county executives; the laws creating this option, however, do not grant that position power equivalent to a strong city executive. They do have considerable budget powers, since the board must muster a 2/3 vote to override an executive veto.

²Ibid., pp. II-25-26.

³The committee system at the county level is not based on law, other than the requirement for a committee on finance. (P.A. 301 of 1923) It is an arrangement adopted by boards to simplify administration. In many cases, committees operate simply under tradition or unwritten rules.

authority to act for a county, and their actions or decisions must be approved by the full board, in many instances boards will accept committee recommendations without question. These situations, however, reflect the relative power among commissioners themselves; they have little impact on the power relationships between the board of commissioners and the other important actors within the government.

Under Public Act 156 of 1851, as amended, the board of commissioners has the power to "appoint a county purchasing agent and such other representatives, agents, and employees for its county as may be deemed necessary by it, to carry out any of the powers granted by this act or by other law of the state. . ." Under this act, boards have created positions with various titles, such as secretary to the board of commissioners, secretary for administration, financial and budget officer, county coordinator, or county administrator. In addition, with perceptions of the need for more centralized control over the years, state legislation has been provided allowing the use of a finance committee with specified statutory powers (as opposed to the usual finance committee created by a county board which would have the same legal status as any other committee), a county controller, or a county board of auditors. These represent alternatives that must be explicitly adopted by a county, and many counties have remained in the traditional form. Even within these alternatives as available in statute, there are enough possible variations that it is impossible to generalize as to how such offices will actually operate within particular counties. The county boards have some latitude in assigning powers and duties to these alternatives.

Although there are a number of administrative arrangement options

that can be adopted by a board, no matter which alternative is used, the executive authority of the board of commissioners will remain basically unchanged in relation to the other actors within the county. The board of commissioners cannot delegate powers to these positions that the board does not possess.

If the board of commissioners cannot change the way executive power is shared within county government (except insofar as it can give away some of its authority), changes must come through action by the state legislature. The power of some of the other important actors in county government to block such change from the state level can be seen in the two following examples.

While cities may be operated under their own charters, no Michigan county is, although the 1963 Michigan Constitution provides for the creation of charter counties.¹ Strong lobbying efforts by county elected officials, road commissions, other associations, and the Municipal League had the result that the enabling legislation for charter counties (Act 293 of 1966) did not actually provide for any major changes in the operation of county government; i.e., it required the continued existence of the fragmented power of the semi-autonomous departments under independently elected constitutional officers, as well as the continuation of the county road commission and the office of drain commissioner.² There is no change in their powers and

¹The 1908 Michigan Constitution provided for "home rule" for cities and villages. Wayne County, always a special case because of its great size, will have a charter government starting January 1, 1982.

²The role of the state and national associations of various county officials can be important. They may meet only once a year, but it is the time for measurement against peers. An official does not want to

authorities: the 1966 act specifies "that the general statutes and local acts of the state regarding counties and county officers shall continue in effect. . ." With the act providing for no significant changes from present operation, no county has yet adopted a charter: statute law remains the enabling material.

Another example of the lobbying power that can be exerted at the state level is found in the originally proposed legislation covering an optional form of county government that could involve either an elected county executive or a manager appointed by the board of commissioners.

The original bill as introduced eliminated all departments and agencies of the county except the Board of Commissioners and the elected department heads. It also permitted the county board to remove activities from departments under elected officials which would best fit under a central department of administration. . . . When the amending process was over, the executive or manager forms could be chosen by the voters, but offices of the elected officials and road commissions remained untouched, and 27 boards and agencies could not be eliminated.¹

Because many of these boards and commissions that must be retained have strong ties to the state (i.e., the county as an arm of the state government), this further complicates the problems of the central coordination and direction of county government activities.

The basic nature of the power relationships between the board of commissioners, the constitutionally-mandated and independently elected county officers, and the other semi-autonomous boards and agencies

"lose face" as his home unit cuts his staff or otherwise takes away particular powers. Professional jealousy can be a powerful motivator.

¹Garland Wood, ed., Handbook for Public Affairs in Michigan (East Lansing: Cooperative Extension Service, Michigan State University), p. 33. This refers to Act 131 of 1973. (The Wayne County charter authorizes the executive to appoint the road commission.)

within the county government are unlikely to undergo major changes in the near future. VerBerg lists three basic problems in attempts to change county government operations:

1. The nature of the relationships between the state and county
2. The relationships between a county and the cities, villages, and townships within it
3. The use of elected officials and quasi-independent boards and commissions

He sums up the situation surrounding the third problem as:

The fact that these elected officials and independent boards are provided for both in constitutions and statutes means, theoretically at least, that the provisions can be changed. The problem is not so much legal as political - often county officers and various associations of boards of commissions wield a great deal of political influence among the voters and the state legislatures, thus rendering the theoretical changes impossible from a political point of view.¹

The Characteristics of County Officials - The Experience in Mississippi

The sharing of executive power, the relationships between important actors of county government, and the blocks to change considered above are not unique to Michigan: this general form of county government is shared with other states. A study of county government in Mississippi (which has a similar fragmented form with semi-independent elected officials and other bodies) gives some insight into the nature of the elected officials who manage county governments and additional sources of resistance to administrative change. This study is:

William A. Giles, Gerald T. Gabris, and Dale A. Krane,
"Dynamics in Rural Policy Development: The Uniqueness of
County Government," Public Administration Review 40
(January/February 1980): 24-28.

¹VerBerg, p. X-5.

The authors begin by asking what types of counties are likely to use contemporary administrative techniques.

Social scientists often depict "development" as a movement away from traditional structures based upon customs and movement toward relationships based upon rules which achieve higher levels of rationality. . . . Numerous studies of local government document that cities which rank high on socioeconomic indicators are more likely to hire professional managers and pursue public-regarding policies which advance the entire community.¹

The authors hypothesized that this relationship would not be found in county governments: counties of all sizes were seen as managed by rural-oriented elected officials with essentially no administrative experience. The nature of county government organization is seen as deterring effective administration.

Their survey of county government officials revealed that these officials in general disliked any changes that would mean centralizing authority.

The survey responses portray these officials as resistant to administrative amelioration which incorporates centralized authority, hierarchies, established rules, and careerism. Instead, county officials prefer to retain maximum policy discretion, even though this may retard administrative reform of their counties.²

For example, sixty-eight percent of the surveyed officials found fault with the state's central purchase requirement.³

The section of the survey work on county government administrative conditions revealed:

. . . that increases in the socioeconomic affluence of counties do not stimulate greater countenance among county officials for administrative reorganization. . . . Richer counties do not erect

¹Giles, Gabris, and Krane, p. 24.

²Ibid., pp. 25-26.

³See the earlier discussion of Gordon's thesis concerning this law, pp. 17-18.

more sophisticated administrative structures than poorer ones. . . . What is known about municipal government cannot be directly applied to county government and administration. While socioeconomic development in municipalities often creates pressure for administrative professionalism, there is very little attitudinal support for such reforms in counties, regardless of their affluence.¹

Summing up their work, the authors find:

The rural nature of counties highlights the importance of "traditional authority patterns" which resist efforts to depoliticize county government and install modern administrative procedures.²

It may be that there are significant differences in the past experience or knowledge of administrative forms between those who choose to run for county offices and those who run for similar municipal positions which would account for that "failure to accept and adopt modern practices." Administrative changes, however, do not benefit everyone. Within the authors' implicit assumption that "modern administrative practices" are the best way to go is the assertion that "modern" means that the way executive power is shared within county government must also be changed. The most significant result of their research was to reveal the ability of important actors within the traditional form of county government to block changes that are seen as threatening to their power positions.

The Major Participants within Michigan County Government

In addition to the board of commissioners and its committees, the major categories of actors in county government are:

¹Giles, Gabris, and Krane, pp. 26-27.

²Ibid., p. 28.

1. Elected county officers
 - a. Constitutionally-mandated elected officials - the clerk, treasurer, sheriff, prosecuting attorney, and register of deeds
 - b. The drain commissioner
2. Elected positions that are associated with the county, but are not technically county officers - circuit court, district court, and probate court judges
3. County-appointed department heads - examples are equalization director, building inspector, animal control officer
4. State-appointed positions - adult probation officers, friend of the court, Cooperative Extension director
5. Other county boards, commissions, and institutions - examples are the health board, mental health board, social services board, board of public works

Although there are important variations within each category, each represents a different degree of independence from control by the board of commissioners, with a different mix of command versus bargaining relationships within the board and a different set of trading materials to use in gaining agreements.

Although the powers of the board of commissioners with regard to each of these categories will be covered below, two general points covering all categories need to be made. First, the full board of commissioners (in the absence of a statutory finance committee or board of auditors) must approve all claims against the county (e.g., invoices for purchases) before any warrants can be issued. This represents a final chance for a veto over any expenditures. Second, actions to give goods or impose bads by the board of commissioners always involves reaching a majority agreement among a group of people. Factors such as party affiliation and local political power of various actors may be important and will affect which options for actions are

perceived as available.

Elected County Officers

Constitutionally-Mandated Elected Officials

The 1963 Michigan Constitution, Article 7, Sec. 4., provides:

There shall be elected for four-year terms, in each organized county a sheriff, a county clerk, a county treasurer, a register of deeds, and a prosecuting attorney, whose duties shall be provided by law. The board of supervisors in any county may combine the offices of county clerk and register of deeds in one office or separate the same at pleasure.

Legislation has provided various statutory powers and duties to these officers and also specifies parts of their relationships to the board of commissioners.

Appropriations

The board of commissioners sets the salaries of these officers and provides appropriations for operating their departments. It also has the nominal power to determine the number of employees in each office through the appropriations process. These are the primary areas of board control. This is not complete control, however, for the law requires the board of commissioners to provide sufficient appropriations for these officers to fully carry out their statutory duties. Because these duties are nowhere specified in terms of quantifiable outputs or impacts, the necessary level of appropriations in any particular instance is never clear. This leaves the elected officers with the weapon of threatened or actual litigation in the face of departmental budget cuts. Elected county officers have not been timid about bringing their conflicts with the board of commissioners into the courtroom. Cases arise such as Wayne County Prosecutor vs.

Wayne County Board of Commissioners or Gogebic County Clerk vs.
Gogebic County Board of Commissioners and Gogebic County Controller.

(The latter case, for example, demonstrates the jealousy with which elected officials will guard their turf. The clerk challenged the defendants' actions in removing and keeping books and records formerly kept by the clerk's office and in signing and issuing paychecks without the clerk's signature. The circuit court held for the clerk.)

Personnel Policies

The board of commissioners does have the power to adopt a personnel policy for county employees. County elected officials, however, are not county employees, but are county officers; personnel policies adopted by the board do not apply to elected officials. Each elected officer can select his own employees who will serve at his pleasure. When these persons are appointed as deputies, who by statute can act as agents for the elected official, that deputy is no longer a county employee, but is also a county officer.

A review of the various statutes, judicial decisions, and opinions of this office concerning employees of elected county officials reveals that the County Board of Commissioners has no supervisory control over employees of elected officials. The Board of County Commissioners is empowered only to appropriate funds to elected officials for the hiring of employees by such officials and to establish the salaries of such employees. Each elected county official has been given the power by statute to select and appoint employees who serve at the pleasure of the elected official. . . . The only power which the county commissioners have with respect to personnel of elected officials is budgetary power.¹

At the extreme, the board of commissioners does have some nominal

¹Michigan Attorney General's Opinion, #484, 1976.

powers in removing elected officials from office, but only in very restricted circumstances. The board of commissioners can require "any county officer whose salary is paid by the county, to make a report under oath to them on any subject or matters connected with the duties of his office." (M.S.A. 5.331[14]) If the officer fails to comply, he can be removed from office by a 2/3 vote of the board. Doing so, however, will in most cases result in high costs to the board of commissioners: these officers (with the usual exception of the register of deeds) typically have considerable local political power.¹

Information Flows

Within the boundaries around the elected officials considered above, trading and bargaining will most often revolve around the control of information. A major example of the control of information and of the powers of the elected officials lies in the financial management arrangements within county government

The designers of the county system, acting on the belief that the person who controlled the funds also controlled the government, made certain that no single office would have full control of the funds. . . . as a result, responsibility for finances was divided among the county treasurer, the county clerk, and the county board.²

¹Some of the elected officials have a corresponding power of removal over commissioners, again under certain restricted circumstances. After each official federal census, the county must organize an apportionment commission, consisting of the clerk, treasurer, prosecuting attorney, and the county chairmen of the two major political parties. The districts from which county commissioners are elected are determined by this commission. Although this occurs only at long intervals, and detailed requirements have been established by the legislature, this still represents considerable power, particularly during periods of change and uncertainty.

²VerBerg, p. III-2.

The office of county clerk is independent of the county board except insofar as the board sets salaries, provides funds for office operation, and can also assign particular duties to the clerk. VerBerg describes the office as follows:

It is an influential office particularly because of the many legitimate opportunities to do favors or to offer or withhold assistance. In addition, the county clerk, to carry out his duties, needs a large staff, and, in those counties in which civil service or other personnel system is non-existent or perfunctory, the county clerk has substantial opportunity to dispense patronage which some other offices may not have.¹

The average tenure of county clerks tends to be long, which supports their political influence. The county clerk has traditionally been responsible for the accounting system of the county, and this responsibility is retained except where a controller or a board of auditors is used. In the majority of counties, the clerk's office maintains the accounting records, notifies the board of claims filed against the county, and prepares payment warrants as ordered by the county board. The county clerk, for example, would typically oppose a move to a statutory finance committee, controller, or board of auditors because each of these alternatives represents a reduction in the powers and responsibilities of this office.

At first glance, the county treasurer would not seem to be in a position of power vital to the smooth operation of a county government. Statute law envisions him as a custodian of county funds, but with no power to judge the desirability of expenditures; that is, he is supposedly limited to following the orders of the county board (or the board of auditors if it exists). In practice, however, the

¹Ibid., p. II-28.

recommendations of the treasurer are often routinely accepted by the board. As an independently elected officer, he can develop great local political power. Because of the historical concern for the handling of monies in counties, however, the treasurer does not have responsibility for an overall accounting system: duties are shared with the county clerk. (The county clerk keeps the records on the general fund, while the treasurer handles all county fund balances. Both must usually sign warrants or check.) A portion of these officers' power comes from the information they hold on the financial condition of the county. For the board of commissioners to receive an accurate picture of the financial condition of the county, information from both of these offices is necessary. Where a spirit of cooperation does not exist, the picture is often clouded. While neither may lie, they may not be telling everything; they may provide information, but not necessarily in a form that is usable or understandable by the board of commissioners. (The control of financial information by the clerk and the treasurer also presents the opportunity to embarrass the board.)¹ In this and in other areas, it is a matter of the nominal versus the actual rules governing the control and flow of information.

Other important information may be controlled by other elected

¹A computerized management information system might take away one of the trading tools elected officials have; i.e., their ability to control information and the form of the information going to the board of commissioners. Given the basic data in a computer, the board should be able to extract what it desires. Obtaining the necessary cooperation from the elected officials for successfully getting a management information system to work, however, will often require leaving the ability to access certain data in the hands of various elected officers. Where this is not necessary, an MIS may greatly change the relationships involved.

officers. For example, information from the sheriff's department is important because of the large percentage of the total county budget this department and related programs typically represent. Similarly, the prosecuting attorney (as well as the judges) possess legal information (as well as the formal trappings of authority accompanying the legal profession) regarding both outside conflicts and internal operation. There are important differences in the level of knowledge of the statutory boundaries surrounding these elected officers that insulate them from the commands of the board of commissioners: while the elected officials are generally very aware of these, members of the board of commissioners typically are not. Commissioners tend to have less tenure than the other elected officials and usually only devote part-time to county activities. An election such as in November, 1980 can result in extreme turnover in county board membership. It is to the advantage of the elected officials to keep those boundaries somewhat unclear. This leaves room for bargaining and for certain duties, activities, and powers to accrue and remain with these officers through tradition and habit. These officers are also often able to exert leadership over the appointed department and other agency heads in conflicts with the board. They are thus often in a position to collectively act as problem definers, in some respects acting as agenda setters for the board of commissioners.¹

The Drain Commissioner

The office of drain commissioner is an elected position, but it is not mandated in the state constitution. Not every county has a

¹This can be particularly important, for example, where the duties

drain commissioner, and in some it is only a part-time job. (In counties under 12,000 people, the office may be abolished and the duties assigned to the county road commission.) The board of commissioners is again limited in its control over the drain commissioner: he is independently elected from a county-wide base and is often able to develop considerable local political power. He is required to make an annual report to the board of commissioners regarding all programs and projects and their financial status. The board of commissioners sets his salary, determines the number of deputies and their salaries (and again these positions are exempt from county personnel policies), must approve the budget for the office, and may provide a revolving fund from general county monies for meeting initial expenses in establishing drainage districts. His local political power stems largely from his decision-making authority concerning drains, such as determination of practicality, choice of route, condemnation powers, and assessment powers. His independence from board control is enhanced because county appropriations finance only a small portion of drainage projects and programs; i.e., appropriations approval may not be adequate as a coordinating tool. The drain commissioner may join the other elected officials in taking a leadership role, depending upon his importance in particular counties.

of a purchasing agent are assigned to a hired county administrator or similar position. The "problem" may come to be defined in terms of personnel administration and policy matters, leading the administrator to devote few resources to the purchasing area.

The Judges

Although they are locally elected and their jurisdictions often coincide with county boundaries, the judges are not technically officers of the county government: they are part of the "one court of justice" in Michigan, headed by the state supreme court. (1963 Constitution, Article VI, Sections 1, 4, and 5) There remain, however, some important legal relationships between the courts and the county government, covered by numerous statutes.

The board of commissioners can (1) supplement the state-paid salary of each judge (where the combined salary is subject to a maximum and cannot be decreased during a term of office), (2) set salaries for certain positions connected with the courts and provide for an increase in the number of probate judges under certain circumstances, and (3) can create certain programs and positions, such as the creation of a traffic-bureau in district court. The county government also receives certain court-related fees and fines.

The board of commissioners must provide certain court services and pay some court-related expenses. This area is very complex and sets the stage for trading and bargaining between the board of commissioners and the judges. (The relationships may include some command by the judges over the board of commissioners.) The following description, taken from House, VerBerg, and Wanger, Michigan County Commissioners and Human Services and Public Safety, reveals much about the relationships:

. . . this county-court relationship is based upon two different areas of law: A large number of rather specific statutory provisions; and three recent controversial Michigan supreme court cases. . . . The statutory provisions, too numerous to be set out here, are basically of two kinds. One kind specifies certain

expenses, facilities, or supplies which the county must pay or provide; the other kind authorizes the courts to fix and order certain expenses paid within the total amount appropriated by the board of commissioners to the courts. Altogether, these provisions are like a patchwork quilt full of holes, because they fail to mention a number of court-related expenses which counties have generally paid without argument for many years. . . . In any event, the situation was a silent tribute to the harmony between the courts and counties which generally existed until very recent years.¹

The supreme court cases are District Judges v. Bay County, Wayne Circuit Judges v. Wayne County, and Livingston County v. Circuit Judge.² In each case, the county government lost.

In Bay, the court struck down a labor contract executed by the board of commissioners with district court employees, holding that the district court, not the county, was the employer under the statute saying that court could appoint employees and fix their pay "within appropriations provided by" the board of commissioners (M.S.A. 27A.8271[1]). With certain exceptions, the supreme court indicated that the board of commissioners could not make binding line-item appropriations for district courts and that only the total appropriation was binding.

In Wayne, the court forced the county to pay for additional personnel the circuit court wanted, on the basis of the court's "inherent power" to provide for "critical judicial needs" which the court "emergency requires." The court, however, required that in the future no judge could force a county to spend money for court purposes without the approval of the state supreme court administrator.

In Livingston, the circuit court negotiated a labor contract with its circuit court employees and sent it to the state court administrator. The county sued to have it set aside. The supreme court refused, holding pursuant to Bay that the proper parties had negotiated and that if the county thought the contract's provisions unreasonable, unnecessary, or too expensive, it could complain to the state court administrator, and if he disagreed with the county, then sue. . . .

¹ Alvin E. House, Kenneth VerBerg, and Eugene G. Wanger, Michigan County Commissioners and Human Services and Public Safety (Lansing: Michigan Association of Counties, 1976), p. 88.

² 385 Mich. 710 (1971), 386 Mich. 1 (1971), and 393 Mich. 265 (1975).

The upshot of the situation would appear to be that where boards of commissioners and their courts get along cooperatively, together these cases will make little difference; where they do not, more litigation will be needed to clarify the situation.¹

Various judges are involved in filling vacancies in county elected and appointed positions. The probate judges appoint the members of the tax allocation board, the circuit judges fill vacancies for county clerk and prosecuting attorney, and other vacancies are filled by a committee of the clerk, prosecuting attorney, and the probate judges.

In addition, because of the importance of their relationships with the county government to their operations, the judges will often exert a leadership role among or along with the other elected officials when there are general conflicts with the board of commissioners.

County-Appointed Department Heads

It is in this area that the board of commissioners comes closest to the pure power of command, both over the appointed department heads and their employees. The Attorney General has ruled:

However, the Board of County Commissioners does have the power and authority to adopt a personnel policy which applies to employees of the county who are subject to the supervision of the board. If the board selects the employees or the individuals who select the employees, the personnel policy of the board applies.²

The board of commissioners (as a body) can directly require certain tasks of particular employees of these appointed officials, while they cannot direct in any way the work of any employees of an elected officer.

¹House, VerBerg, and Wanger, p. 89.

²²Michigan Attorney General's Opinions, No. 5046.

The board's ability to fire (subject to personnel policy or civil service provisions) always conditions the relationships of these department heads to the board. Any individual department head, in a conflict with the board of commissioners, has little or nothing to trade or bargain with. In areas of change that affect many or all departments within a county, particularly when the elected officials are also involved (as in changes in the purchasing function), the department heads as a group will be in a better position to influence decisions.

State-Appointed Positions

Most of these positions are associated with the courts. For example, the friend of the court and the members of the jury board are appointed by the governor on the recommendation of the circuit court judges, and adult probation officers are appointed by the Michigan Department of Corrections. In all cases, the county board of commissioners has the responsibility to provide adequate facilities and staff for the offices. The salaries of the friend of the court and the adult probation officers are set by the court, and these positions are answerable only to the court. These positions share in the independence of the judges, and in any conflicts with the board, the judges will be involved.

The county cooperative extension director is in an intermediate position: he is not an appointed department head nor is he an independent county officer. He is appointed and paid by Michigan State University, subject to the approval of the board of commissioners. Local support staff is appointed by the director, but are subject to

county personnel policies. The ability of the CES director to bargain with the board in conflicts depends on his relationships with the board members and other department heads, the importance of the CES programs in that county, and the political power of his clientel.

Other County Boards and Commissions

The county government is technically an arm of the state government required to carry out particular programs for the state. There is not, however, a single link to the state through the board of commissioners: a share of the executive power in county government is spread among many possible boards or commissions covering specific functions or facilities, with these agencies having their own independent links to various parts of the state government. The board of commissioners exerts influence through its power to appoint the members of many of these boards and commissions, and through that appointment power, the ability to control selection of personnel and to require use of county personnel policies.

Some examples will illustrate the types of relationships that can exist. Sources of funding out of the control of the board of commissioners are an important source of independence. The county road commissions are the prime example; with most of their funding coming directly from the state level, they are in essence a separate unrelated unit of government.

After 1965, it has been mandatory for counties to create their own local board of health or to join a district health department. Members of the health board are appointed by the board of commissioners. The county board provides appropriations, but this does not mean sole

control; local boards are subject to reviews by the state health department. Minimum standards for local health programs are established at the state level. The state also has power in appointing some local health officers and exerts further control through the administration of state and federal health grant programs.

The trustees of a county hospital are appointed by, and have their compensation set by, the county board of commissioners. Once appointed, however, the county board has little voice in the decisions of the trustees. The hospital board is required to make a detailed annual report tied into the county budget cycle. The county board is able to exert influence insofar as the hospital relies on its appropriations. In operating the hospital as a trust for the county, the hospital board has independent control over how their funds are expended, which could put them outside of any county purchasing system. The hospital board is also subject to rules established by the state commissioner of health (who may withhold payments of state aid).

Other boards and commissions come under varying degrees of control by the board of commissioners or parts of the state government, but all will also exercise some degree of executive power in their particular functional domain.

The Need for a Service Approach

The powers of the board of commissioners to command various parts of the county government structure are thus limited in many important ways. The board's powers revolve primarily around only a few areas: the power to make certain appointments, the power to formulate, adopt, and amend the budget, and some power to determine the number of employees

in particular departments. Its trading resources come primarily from these areas, plus such items as control of office space and quality (which are symbols of status and of importance in contacts with the public). In imposing "bads" on parties within the government, action within these powers may be seen as being extreme measures, involving certain potential costs to the board.

In a survey of county board chairmen, the feelings of frustration over lack of control and the inability to command is reflected in their suggestions for needed changes in county government.¹ Changes suggested by a number of the chairmen included: (1) bring all county officials under the board's authority, (2) vest complete budgetary control for all spending in the county in the board, (3) clarify to whom the courts are responsible, and (4) clarify the areas of responsibility and authority for the board and elected department heads. In identifying sources of administrative frustration, such items were listed as increasing schism between elected officials and the board, difficulty in getting commissioners' agreement, the board's lack of administrative control over all segments of county government, clear lines of administration missing, the board's responsibility for the court system's budget without any control, and trying to determine where the authority and responsibility of the elected department heads end and that of the board begins. These answers indicate that the commissioners think that county government should operate as a command structure while at the same time their responses indicate it does not.

¹Garland Wood, "The County Board of Commissioners: Its Administrative Role," Center for Rural Manpower and Public Affairs, Michigan State University, August 1977. (Typewritten)

To further illustrate the nature of the relationships involved, this section discusses the possible consequences where a basic change in a county procurement system is attempted.

In the traditional form of purchasing in Michigan county governments, each department does most of its own procurement, with the county board having varying low degrees of involvement in infrequent large purchases. Why haven't county governments moved toward the centralization of the purchasing function? Recall the prescriptions of the literature:

Purchasing also should have a management responsibility, shared with the central budget unit, to review the validity and appropriateness of purchases and to obtain adequate program information and justification from using agencies.¹

Purchasing should participate in both the management and operational functions of planning and scheduling. . . . Purchasing should also participate in budget reviews, facilities planning, and economic analyses. . . [Statutes should] provide purchasing with the authority to review the validity and program appropriateness of purchases.²

If this is what centralization is to mean, it is no wonder that Michigan counties have not moved in that direction. A change to this type of centralized purchasing under a management approach would in essence mean asking the independent power centers in county government to set up a new power center with considerable power over certain of their decisions and actions. Given the political power of the important county actors, the statutory boundaries surrounding many of them, and their potential abilities to block changes, it may simply not be possible to transfer all authority or responsibility for procurement

¹National Association of State Purchasing Officials, State and Local Government Purchasing, p. 4.2.

²Ibid., pp. 2.4-2.5.

to some central position.

Because of the structure of power in many Michigan counties, two key dimensions considered earlier are also involved in the purchasing area: authority versus cooperation and persuasion. For example, to have effective planning by a purchasing official or department, there is a dependence on accurate inputs of information from the using departments. Basic information is contained in budget documents, but much more is needed to make and time specific purchases. Cooperation and persuasion are essential: it may not be possible to force good flows of information.

Although most purchasing statutes contemplate that purchasing should obtain such information, the power to do so is largely persuasive, causing purchasing to rely on the voluntary cooperation of using agencies.¹

Within a county government, it is critical to include consideration of these power relationships in decision making on procurement. In making decisions about these areas, the term "in the public interest" and similar phrases found commonly in the literature must be rejected as loaded terms that confuse decision making and hide the choices that are actually being made. The following quote is typical of those found in the literature:

The centralization of purchasing authority is also the centralization of responsibility and accountability, and the central purchasing office has the perspective of commonweal, not the special interests of individual departments.²

The question is one of defining "commonweal." Changing the location

¹Ibid., p. 4.3. In contrast, the exercise of authority may be more important in forcing such flows in private enterprise (at least up to certain sizes).

²Council of State Governments, State and Local Government Purchasing: A Digest, p. x.

and authority of the purchasing function in government is in effect to change the rights of all participants. The location of an agency within a government and its power relationships and trading materials can result in different weights being given to conflicting interests in decision making. For example, a change in the way purchasing is done may mean a shift in the way weights are given to the interests of vendors versus taxpayers versus a particular department head or elected official. In defining the "optimal" purchasing organization, the political element enters; there are competing interests at work. This extends past basic organization down into the specific procedural rules governing purchasing. For example, if all potential vendors are given the right to bid on a government contract, this may represent an exposure of the taxpayers to higher costs in government if the costs of dealing with a larger number of bidders more than offsets the savings generated through the increased competition of more bids; whenever there is a cost, there is a gain to someone else. The major area of controversy in this respect is whether a purchasing official or department should have the authority to question the requisitions or specifications of the using departments. (That is, should a purchasing department exert major management control over the user departments or should it function primarily as a service agency to them, obtaining whatever they say they need without question.)

The county board of commissioners may be in a position where it can initially impose a system of centralized purchasing under a management and control orientation. From the board's point of view, will it succeed, and will it continue to operate? The willingness of the board to exert what control it does have through its powers of appropriations

and approval of claims before payment is necessary, but it is no guarantee of successful operation: the board would likely find itself in a position of constant conflict. If the elected officials, the agency and institution heads, and the independent commissions and boards were against the imposition of the system, it is unlikely they will cheerfully cooperate. The very nature of the relationship between a new central purchasing unit and the using departments is unstable. For example, a National Association of State Purchasing Officials' study indicates:

Cooperation is made difficult by an attitude concerning budgets which generally exists among using agencies. The agency point of view, oversimplified and perhaps overstated, is that it is authorized to spend to the limits of its budget. If funds permit, it feels it should be able to buy the most expensive product. Purchasing's point of view, on the other hand, is to refrain from buying better quality or greater amounts than are actually needed. Though the central purchasing authority has this responsibility for specifications, it is still up to the using agency to determine the items they need. Since central purchasing is a service to the using agencies, it, too, is concerned that they obtain the correct items to satisfy their needs. Central purchasing is also charged with the duty of seeing that specifications encourage competition when practicable. This presents varying degrees of misunderstanding between the using agencies and the central purchasing agency, which often must modify suggested specifications to make them less restrictive.¹

This type of change in purchasing will often require more of a change in attitudes and habits than most organizations are willing to make: changes in behavior of using departments may not be in the direction desired by the board. What Corey finds for the private business organization is also true for the public units:

¹National Association of State Purchasing Officials, State and Local Government Purchasing, p. 11.9.

Taking away control over purchasing at these levels is often perceived as reducing the accountable manager's control over a key factor that affects his performance.¹

It may also be perceived as indicating that the board thinks the department heads are doing an inadequate job. As considered in the description of the relationships between the board and other county government actors, departments have many options open to them that could directly or indirectly sabotage efforts to implement an effective central purchasing operation. Information flows, as considered earlier, will be critical: the effects of conflict over the purchasing system can carry over into many other important areas of county government operations. Departments who oppose the move to centralized purchasing might also claim items were critical when they were not or build slack time into their need dates so that materials will spend much time in storage, thereby undercutting many of the advantages of centralization.² During its learning period, it is virtually certain that central purchasing will not get something important to where it is needed on time: this can provide valuable ammunition for its opponents, who can claim that they could have procured it on time.³ In most cases, a purchasing operation in a county government is not

¹Corey, p. 66.

²Robert M. Monczka, Philip L. Carter, and John H. Hoagland, Purchasing Performance: Measurement and Control (East Lansing: Division of Research, Graduate School of Business Administration, Michigan State University, 1979), p. 199.

³It has been well documented, for example, that abuse of emergency purchasing procedures can easily undermine the operation of a centralized purchasing department. See the National Association of State Purchasing Officials' study, State and Local Government Purchasing, p. 4.

likely to have the personnel or resources necessary to fight the other departments in a battle of wills, nor can the county government operation afford such conflict. Given the centers of power in county government and their discretionary choices, combined with the necessity of cooperation between the centers for smooth, coordinated government operation and the possible severity of the political and potential legal battles, if the board of commissioners attempts to exert total control, such a centralized purchasing unit will likely fail.

Thus where a hypothetical county board of commissioners wishes to move away from individual departmental purchasing to try to capture the possible benefits of some type or degree of centralized purchasing, it may be necessary to ignore the prescriptions of the literature and approach it from a service orientation: that is, purchasing agents, divisions, or departments justify themselves by the service they can provide to the using departments in such a way as to be non-threatening to the using departments.¹ The move to any particular form of purchasing system does not represent an endpoint. The political battles over changes in the purchasing system will be starting from a different base, with a different set of historical experiences. The need for a service orientation, however, will remain a constant.

¹For example, information may provide the key to successful operation. A major way a purchasing department operating under a service approach can attract using departments is in providing them with information that individual departments cannot generate for themselves, such as historical purchasing information, price estimations, current status of various contracts, potentials for cooperative purchasing, existence of new or lower cost items that could fill needs, etc. A purchasing official must try to fill gaps in order to attract use such as being an expert in particular areas where no other department has the time or interest in becoming expert. This, in effect, becomes one of his primary trading materials.

For county government, there still would be many difficulties in applying theory to practice. Even under a service approach, the board of commissioners has a number of options in assigning authority (and trading materials) to a person designated as purchasing agent. These choices could affect overall purchasing performance. The following chapter gives a description of the basic alternatives for procurement function organization available within county government and of the state purchasing programs in which counties may participate.

CHAPTER V

PURCHASING FUNCTION ALTERNATIVES IN MICHIGAN COUNTY GOVERNMENT

Participation in Decision Making

The procurement system within a county government may be viewed as a decision-making system. The question of organization is one of how people will be related in making procurement decisions: what are the rules about how purchasing decisions are made, who participates, who makes the final decisions, or is it possible to make certain kinds of decisions (such as of joining in cooperative purchasing arrangements)? Webster and Wind define organizational buying behavior as:

. . . the decision-making process by which formal organizations establish the need for purchasing products and services, and identify, evaluate, and choose among alternative brands and suppliers. "Decision-making" is used here to include information acquisition and processing activities, as well as choice processes and the development of goals and other criteria to be used in choosing among alternatives.¹

These authors list five parts in the procurement decision-making process: (1) identification of need, (2) establishing objectives and specifications, (3) identifying buying alternatives, (4) evaluating alternative buying actions, and (5) selecting the supplier. The question in organizational alternatives is one of who is going to be involved in each of these parts of decision making. Participation will vary within the alternatives based on the type of purchase involved, the

¹Webster and Wind, p. 7.

perceived threats and possible benefits of participation, and the bargaining resources available. The traditional form of county government procurement has been individual departmental purchasing, modified in minor degrees by county board involvement in infrequent, very large purchases. Each of the alternatives to this form represent at least some nominal change in the participation in procurement decision making.

The basic alternatives to the traditional purchasing function format include: (1) the appointment of a county purchasing agent under one of two available statutes, (2) the county clerk as a purchasing agent, (3) a hired county administrator assigned purchasing agent responsibilities, (4) the county controller as the purchasing agent, (5) purchasing by a committee of the board of commissioners, (6) purchasing by a board of auditors, and (7) purchasing under a manager or executive under the optional unified form of county government. Not all of these alternatives are currently being used or available in smaller county governments, but all will be discussed to illustrate some basic points.

As considered earlier, the purchasing literature, with a primarily management/control orientation, presents purchasing function alternatives in a command framework: e.g., a "strong" purchasing agent who can question the program-appropriateness of requisitioned commodities or services from a government department.¹ This same management/

¹For example, NASPO's State and Local Government Purchasing framed its recommendations in the form of recommended statutory coverage granting particular powers of command. This report in turn

control/command framework is seen in existing statutes and ordinances across the country as well as in model organizational charts and purchasing policies. Each of the above county government alternatives appears to involve the centralization of purchasing responsibility and authority with the ability to command to obtain results. Based on the literature, the move to such centralization and the assignment of command authority should result in improved purchasing performance along the prices-paid and other dimensions; i.e., each would represent a move towards the "optimal" form of purchasing function organization.

If a bargaining conceptualization of county government is valid, however, the differences that would be predicted in behavior and performance between the traditional form and a purchasing function alternative presented in a command framework may not be found in application to county government. The necessary bargaining framework of relationships among the important actors, and the trading materials involved, may erase many of the performance distinctions between the traditional format and these nominal command forms of alternatives.

The remainder of this chapter is devoted to the analysis of the procurement function alternatives currently available under statute to county governments. Under each of these alternatives, there may be a change in the kinds of bargaining and trading that occurs. Prior to the creation of a purchasing agent position, for example, the bargaining over what a department would buy might have been restricted to the budget preparation process (and perhaps only so far as the line-item

became the basis for the American Bar Association's Model Procurement Code for State and Local Government (Washington, D.C.: ABA, 1979).

totals) and perhaps on major purchases to a committee of the board of commissioners. The bargaining process might change to one between the department head and the purchasing agent (particularly if he is also assigned other duties) and also between the departments and the board of commissioners in departmental efforts to get around or limit the purchasing agent. Because the potential types of bargaining and trading may change under any of these alternatives does not mean, however, that the outcomes will be different: nominal changes in authority may not be accompanied by changes in trading materials. Each of these organizational alternatives has potential effects on the way people are related that are not reflected in the command formats in which they are presented in statute.

The Basic Alternatives in Statute

The Appointment of a County Purchasing Agent

There are two Michigan statutes under which the county board of commissioners may appoint a county purchasing agent:

1. Public Act 156 of 1851, as amended. This is the basic law defining the duties, powers, and responsibilities of county boards. This option may be used in counties of any size.
2. Public Act 307 of 1917. "An Act to provide for the purchase of all supplies, merchandise and articles of every description and character needed for the maintenance and operation of all county offices, departments, and institutions in counties adopting the provisions of this act." This option is available to counties having a population of greater than 75,000.

The position of purchasing agent does not need to be a full-time position under either act.

Public Act 156 of 1851

Public Act 156 of 1851, as amended by Act 58 of 1921, Sec. 13a, reads as follows:

The board of supervisors in each of the several counties may appoint a county purchasing agent and such other representatives, agents, and employees for its county as may be deemed necessary by it, to carry out any of the powers granted by this act, or by any other law of the State: Provided, that the provisions of this section shall not apply in any county in which county purchasing agents and other county representatives, agents, and employees are now appointed or elected under the provisions of any general or local act.¹

The Michigan Attorney General has interpreted this act to mean that the person employed under this section may not lawfully supervise or usurp functions of other county officers and may not assist them in performance of their duties without their consent.² "In other words, when the board designates an administrator, coordinator, board assistant, committee secretary, or whatever, the duties of the employees must be worked out between the board and department heads, where those duties are not already assigned by law. The board is on insecure footing when it hires such a person without first working out the duties with department heads in advance of hiring the employee."³ The general purchase of supplies and services, the operation of a county supplies storeroom or other warehousing activities, and the keeping of an inventory of county property, however, do not in most cases conflict with other statutory administrative assignments.

¹The board of supervisors is now the board of commissioners. 1966 PA 26, Sec. 16 (3), added by 1969 PA 137.

²Attorney General Opinions 1947-1948, No. 31, p. 172.

³Alvin E. House, "The County Administrator," Cooperative Extension Service, Michigan State University, Jan. 10, 1977. (Emphasis added.)

The Attorney General has interpreted this act to mean that appointed purchasing agents have "exclusive power to purchase supplies for county offices, unless their authority is limited or abridged by the appointive power."¹ The county board of commissioners, as the appointive power, can limit the powers of the purchasing agent to something less than the full potential under this statute. The purchasing agent cannot, however, be given any greater authority in relation to county elected officials, other department heads, or other commissions, institutions, or boards, than the board of commissioners has.²

Although the purchasing agent appears to have full authority, as granted by, and within the limits of the authority of, the board of commissioners, over the purchase of supplies and services, conflicts with county officials' statutory assignments and authorities may arise through how the purchasing function is carried out by the purchasing agent in a particular county. Conflict will be the rule if the purchasing agent tries to carry out all the activities typically under the control of the purchasing agent in a private business setting or in other forms of government where he would be taking an active management/control role.

An important example of the limitations of the county purchasing agent's authority lie in his abilities to disapprove purchases and

¹Attorney General Opinions, 1923-1924, p. 264.

²Note that Section 13a was added by 1921 legislation, after Act 307 of 1917. It appears to have been intended to give purchasing agents in counties smaller than 75,000 population similar powers and authorities as those granted in the 1917 act, but allowing boards of commissioners to limit those powers in order to fit the needs of smaller counties.

make changes in purchase specifications. In private sector business settings, the purchasing agent often plays a part in the top management team, taking on an important control role, with the authority to question the program appropriateness of purchase requisitions from departments. He often can not only change the department's specifications in major ways, but can in many cases refuse to make a purchase on the grounds that the requested items are not really needed. His ability to do this is a reflection of the authority of the board of directors over departments and the delegation of that power to the purchasing agent. The board of commissioners does not have the same type of authority over departments, agencies, and institutions of the county government, particularly with regard to elected officials, and thus the board cannot delegate that kind of authority to their appointed purchasing agent. An Attorney General Opinion found nothing in the law to

. . . authorize the county board of commissioners, in adopting a general (or non-mandated line-item) appropriations act, to require elected county officials or other administrative officers of budgetary centers, to seek permission of the chief administrative officer or fiscal officer of the county in expending designated "line-items" within an approved budget.¹

The purchasing agent is thus not in a position where he can refuse to make a purchase requested by an elected official and it would appear he is also not in a position to unilaterally make changes in a requisitioning department's specifications for a particular purchase without

¹Attorney General Opinion No. 5816, November 17, 1980. This opinion referred to the case where a board-appointed administrative assistant was appointed to be the county purchasing agent and was also designated as chief administrative officer of the county. If such a position does not have such authority, a person designated simply as the purchasing agent certainly will not.

specific directions from the board of commissioners.¹ The purchasing agent appointed under this statute by the board of commissioners is thus a service rather than a control agent; he is to carry out purchasing actions as requested by the using departments.

There is nothing in the law or in Attorney General Opinions to suggest that the use of this service provided by the board of commissioners is only voluntary, either for elected or non-elected officials and department heads.

The county board of commissioners, acting as the legislative body, is obligated to maintain by appropriation the county offices and agencies created by Const 1963 and statutes. In making such appropriations, the county board of commissioners may attach appropriate conditions governing the use of county funds, so long as sufficient funds are budgeted to enable county officers and agencies to perform their constitutional and statutory duties and obligations.²

This opinion stated that all departments may be required by the board of commissioners to notify the purchasing agent to ensure that the expenditures are within the authorized budgetary limits and to operate in such a way as to "effectuate centralized county purchasing functions." The requirement that all department heads, elected and non-elected, operate through the purchasing process designated by the county board of commissioners can thus be imposed by proper appropriations language.

¹Ibid. Note that this interpretation includes not only elected officials, but also all "administrative officers of budgetary centers" as defined by the Uniform Budgeting and Accounting Act (P.A. 2 of 1968, as amended). "Sec. 2b. (1) "Budgetary Center" means a general operating department of a local unit or any other department, institution, board, commission, agency, office, program, activity, or function to which money is appropriated by the local unit." It would appear that the purchasing agent would also not have such power over many of the non-elected department heads, depending upon the way money is appropriated in the county budget.

²Attorney General Opinion No. 5816, November 17, 1980.

While department heads do not have to have the purchasing agent's approval to make expenditures of approved line-items in their budgets, they must make those expenditures within the purchasing process specified by the board of commissioners. Within that process, the purchasing agent must act as a service agent.

Public Act 307 of 1917

This act cannot be used by counties with populations of less than 75,000. This act provides for a nominally stronger purchasing agent than the 1851 act, but it also imposes some constraints on his activities in that it specifies the buying processes to be used in some detail. Under the act, the purchasing agent is appointed for a two year term of office. His salary is set by the board of commissioners, and it cannot be increased or decreased during his term of office. The purchasing agent's position would appear to be more secure than simply serving at the pleasure of the board of commissioners under the 1851 act, but the fixed salary may be a sore point during periods of high inflation.

The purchasing agent appointed under this act is assigned the duty of purchasing virtually everything needed for county operation.

Sec. 5. It shall be the duty of the purchasing agent aforesaid to contract for all supplies, merchandise, printing, and articles of every description needed for the maintenance and operation of each county office, department and institution, except those supplies that are of a strictly perishable character. . .

Sec. 12. The purchasing agent shall frame and transmit to each county institution a system of rules and regulations for the purchase of such supplies as are strictly perishable in their character, and to which conformity by all county institutions is hereby required.

While the 1851 act leaves the choice of procurement processes to be used

to the board of commissioners and the purchasing agent, under the 1917 act all purchasing must be done within the procedural framework given in the act, which is primarily a formal competitive sealed bidding process. This may unnecessarily limit the purchasing agent from using what are now recognized as sound purchasing practices.¹

The act specifies two important powers the appointed purchasing agent has in relation to both elected and non-elected officials and department heads:

1. It requires a flow of information: "All county officers and heads of county departments or institutions shall keep the purchasing agent constantly advised as to the amount and character of supplies on hand, and the amount and character required in order to keep the offices, departments, or institutions constantly provided for." (Sec. 4) They are required to furnish him with estimates of needs for the entire coming fiscal year by July 1, and "they shall also furnish any other information respecting such matters as may be desired or requested by said purchasing agent." (Sec. 4)
2. The purchasing agent can make such changes in department's specifications as are necessary for standardization of specifications. "When the same article is estimated for by two or more offices, departments, or institutions, but of different brands or grades, the purchasing agent may determine which of the brands or grades shall be purchased so as to produce uniformity in use by all the offices, departments, and institutions. . ." (Sec. 5) Note that the act does not, however, say anything about the authority of the purchasing agent to make changes in the purchase specifications prepared by the using department where there is no such common usage.

Although this might appear to make him stronger than a purchasing agent appointed under the 1851 act, the purchasing agent still has no

¹This process was patterned on what was accepted good practice at the federal level at that time. Because of the changes in the nature of many of the things purchased by the federal government, perceptions of what constitutes good practices have and are continuing to change. The state statutes have not kept pace and thus make no allowance for such practices as competitive negotiation.

authority with respect to county officers and department heads greater than that which the county board of commissioners has. Attorney General Opinion No. 5816, November 17, 1980, applies to this appointed purchasing agent as well as to one appointed under the 1851 act. The ability of the purchasing agent to force flows of information out of reluctant department heads or to standardize specifications depends upon the willingness of the board of commissioners to support him and to deal directly with those department heads in conflict situations. The limitations of the board of commissioners in such situations has been considered earlier.

The law does not provide a complete guide to the relationships, and it often contains contradictory passages. An important example of where the law is contradictory and where conflicts may arise lies in the preparation of invoices and presentation to the county board of commissioners for approval. Where there is no county controller or board of auditors, the county clerk has the statutory responsibility for preparing a book of claims from invoices sent to the county and for notifying the board of commissioners of the claims filed against the county. The 1917 act contains contradictory language (along with a general section repealing contravening sections of other acts, which would be examined by a court but which would not be considered deciding): ". . . if the purchasing agent shall, upon further examination find such invoice to be correct, he shall transmit it with his approval to the board of supervisors or board of auditors. . ." (Sec. 8) To avoid possible conflicts and legal battles in this area, it would be necessary for the board of commissioners to work out with the county clerk a process for handling invoices and the preparation of the list of claims

before the appointment of such a purchasing agent.

The earlier section on the need for a service approach indicated the difficulties a purchasing agent would face in trying to exercise his nominal powers in the face of the semi-autonomous power centers in county government. Although a purchasing agent appointed under the 1917 act appears nominally stronger than one under the 1851 act, the 1917 act does not provide any additional trading materials to the purchasing agent position: resolution of conflicts would require direct board participation.

The 1917 act has rarely been used; where it has worked well in practice (Genessee County), additional powers and flexibility have come to the purchasing agent through habit and tradition rather than through explicit grants of authority by statute.

The County Clerk as Purchasing Agent

The county clerk is not only an elected officer of the county, but is also an officer of the county board. Public Act 156 of 1851 requires the county clerk to act as the clerk of the board of commissioners. In addition to the duties made explicit in statutes, the clerk must also "perform such other and further duties" as the board by resolution may require. (M.S.A. 5.324) The duties and responsibilities that might be assigned to the purchasing agent appointed under the 1851 act could instead be assigned to the county clerk.

From the viewpoint of the board of commissioners, however, such an assignment may not be desirable. Although a clerk to the board, the county clerk is a constitutional officer elected on a partisan basis and is independent from the control of the board of commissioners

in important ways. The clerk typically has considerable local political power and often takes a leadership role among elected and non-elected department heads, particularly in conflicts with the county board. The relationships with the other department heads and the independence of this position places the board of commissioners in a poor position to exert command over purchasing policies, procedures, and practices. In the operation of a busy clerk's office, priority is likely to be put on the activities of the clerk's office over any purchasing concerns. (In contrast, where an administrator or a controller must set priorities, purchasing activities would be considered against other county government-wide concerns rather than the activities of a single office.) The clerk has the ability to sit still on purchasing after the assignment of such duties, claiming that in a busy office, other statutory duties must take precedence.

At present, no county has assigned the duties of purchasing agent to the clerk, although in some cases the clerk has responsibility to order all county requirements of certain commodities, such as copy machine paper.

A County Administrator Assigned Purchasing Responsibilities

The county board of commissioners may hire a county administrator (or board secretary, financial manager, coordinator, or a number of other titles) under the same section of the 1851 act that allows the appointment of a purchasing agent. The Attorney General has ruled that the board may provide that its administrative assistant shall serve as the county purchasing agent.¹ All of the previous comments

¹Michigan Attorney General Opinion, No. 5816, November 17, 1980.

on the 1851 and 1917 acts also apply to this combined position, particularly that the board cannot delegate to the county administrator any authority or powers that the board does not possess. The nominal powers of such a position to control purchasing procedures and processes are not different than under the above alternatives. The actual ability to affect procurement operations, however, may be much different, for the position of county administrator may offer much more in the way of trading materials. His power in relation to county department heads stems from his control of agenda and the flow of information to the board of commissioners: a major reason for hiring such an administrator is for the board to obtain concise reports from the mass of information that may be coming from departments. County commissioners typically do not devote full-time to county activities; boards often come to rely heavily upon the administrator who is in constant contact with county operations, and in some areas he may come to take policy leadership. When the administrator is assigned duties in the preparation of the budget or acts as the county personnel officer, he thus has much potential trading material for obtaining desired behaviors from department heads in the procurement area. The full time person, given other bargaining resources and authority by the board, is simply in a better position to exercise the "authority" of the board than is the board itself, because he is in constant day-to-day contact with the operations of the county government.

The County Controller as Purchasing Agent

The county controller is appointed by the board of commissioners (Public Acts 257 of 1927; 132 of 1929, as amended by Public Act 49 of

1969) and like the purchasing agent appointed under either the 1851 or 1917 acts and the administrator appointed under the 1851 act, cannot be given any powers that the board of commissioners does not possess. The controller serves at the pleasure of the board of commissioners, just as the other positions, but it takes a two-thirds vote to remove him.

The controller functions essentially as an administrative assistant to the board of commissioners, but differs from one appointed under Section 13a of the 1851 act in that certain statutory duties and powers are provided for. The act makes the county controller the head of what is basically an accounting office, covering every function supported in whole or in part with county funds. The ability of the county controller to act as the chief accounting officer of the county is being called into question in current litigation regarding his powers in relation to the county clerk. (Gogebic County Clerk vs. Gogebic County Board of Commissioners and Gogebic County Controller, Circuit Court for the County of Gogebic) The questions raised in this litigation, although affecting his trading materials, do not directly affect his statutory assignment as purchasing agent for the county. The statute states:

The controller shall make all purchases of books, stationery, materials, and supplies which may be required by the county or its officers and agents, the purchase of which is not otherwise provided for by law, and no contract or order for the purchase of any such materials or supplies shall be valid or binding upon the county, nor shall the county be liable for the purchase price thereof, except upon the written order of the controller.¹

¹"This provision shall not apply to any contract or purchase which may be ordered by the board of supervisors at any regular, adjourned, or special session thereof, wherein payment is provided by the resolution authorizing such contract or purchase."

This implies some veto power for the controller, but given the nature of his position as a hired official, the actual ability to exercise that power in a command format may be limited, especially when dealing with elected officials. Although the controller's position was not directly addressed, his authority must be interpreted in light of the Attorney General Opinion No. 5816 as considered above. The controller's position is similar to the purchasing agent appointed under the 1917 act in that a flow of information is nominally required: "All county officers or employees shall furnish such information respecting all county matters in their charge as the controller shall require." Again, given his nature as a hired official, his ability to force flows of information may be limited.

The law states that "The Controller shall perform such other duties as the board of supervisors may impose." These other duties can greatly affect the ability of the controller to act as a strong purchasing agent, changing the controller's trading materials. Given the possible limitations on his ability to act as chief accounting officer of the county because of the current litigation, the controller's position is essentially the same as the hired county administrator: important assignments would be in budget preparation and management, personnel administration, and in collective bargaining.

Purchasing by a Committee of the Board of Commissioners

Instead of delegating its authority and powers to a hired employee as a purchasing agent, the board of commissioners can assign a committee to act as the county's purchasing agent. The actual operation of such a committee can vary greatly, depending upon the type

of purchasing policy and regulations adopted by the board of commissioners and the relationship of this committee to other board committees having approval powers for various types of purchases for particular departments. In general, however, all contacts by salesmen with the county would be through this committee, and this committee would open bids and make other award decisions at the committee meetings open to the public, with a committee member issuing the purchase orders. This committee, as with other board committees, is acting only in an advisory capacity in that it cannot actually approve payment for the purchase orders it issues unless an explicit assignment of this power is made by the full board.

Purchasing by a Board of Auditors

The board of auditors is established by a county referendum, with its members appointed by the county board of commissioners. It does not just do audits, but also performs specific executive functions. It is assigned the duty of auditing invoices and claims and preparing checks, and usually prepares a budget proposal. Of the general administrative options for county government, the board of auditors has the greatest range of powers and is most independent of the county board of commissioners.

Under Public Act 275 of 1913, the following explicit assignments in procurement are made to the board of auditors:

. . . to purchase such books, stationery, blanks, printed matter, furniture and general supplies, as shall be necessary for the use of the county and its officers, and the circuit court;

. . . to contract for the printing of all proceedings of the board of supervisors and for the printing of all official ballots as prepared by the board of county election commissioners, and such other printing as may be required for the various county

officials, all of which shall be contracted for with the lowest responsible bidder. (Sec. 8)

The statute does not make the board of auditors the exclusive purchasing authority within the county government nor is the board given complete authority to prescribe purchasing policies and procedures.

Although the above responsibilities are assigned to the board of auditors, the board of commissioners may appoint a purchasing agent under the 1917 act where there already is a board of auditors, and

It shall be the duty of the board of supervisors or board of auditors to provide the said agent with the necessary stationery and office equipment in the manner now in force in the various county departments. (P.A. 307 of 1917, Sec. 15)

The exact nature of the relationships between a board of auditors and an appointed purchasing agent is not made clear in statute. Only two counties now have a board of auditors under Act 275 of 1913: Saint Clair (where the board of auditors favored a purchasing agent position but the board of commissioners did not give support), and Monroe. Because this is a relatively rare administrative organization and because the decision to adopt this option would be very unlikely to be influenced by factors pertaining to procurement, this alternative will not be considered further.

Purchasing by a Manager or Executive under the Optional Unified Form of County Government

The optional unified form of county government allows the use of either an appointed county manager or an elected county executive. Adoption of this form of government requires the approval of the electorate. If a manager form is chosen, he is appointed by the board of commissioners and serves at their pleasure. The executive is elected on a partisan basis for a four year term. This law has been used only by

Oakland and Bay Counties, where an elected executive was chosen. It is discussed here to indicate that although the apparent form of county government is changed, the ability to control procurement processes may not change.

Earlier discussion indicated the roles that county officials' associations had in changing the legislation as originally introduced, leaving most important positions untouched. House describes the relationships involved for the county manager:

The relationship of the county manager to the board is similar to that of a controller. The manager serves at the pleasure of the board and would therefore tend to act as an agent of the board. The law does give the manager specific authority over some offices. Offices of elected officials are not under the authority of the manager.¹

In the procurement area, the county manager would be in the same position as either the county administrator or controller. The county executive, however, is provided with a few additional tools that could provide important trading material:

The county executive is elected on the basis of his (her) own political base and is therefore much more independent from the board. The county executive may veto any ordinance or resolution adopted by the board, including all or any items of an ordinance appropriating funds. This provision gives the county executive line item veto power of any part of the budget, and thereby gives the executive bargaining power even affecting departments headed by elected officials.²

Within this model of county government, the county executive would appear to have the greatest ability to affect the performance of a county procurement system.

¹Kenneth VerBerg and Alvin E. House, County Government at Work (Lansing: Michigan Association of Counties, 1978), p. 8.

²Ibid.

State Procurement Programs

In addition to the alternatives within county government organization, counties have had the option of participating in three state government purchasing programs. Participation is voluntary and can involve both purchases from state warehouses and direct purchases from vendors under state government-established contracts. The concepts underlying the operation of these programs are the price benefits of volume purchasing and the supply of professional expertise in procurement to small units of government.¹

The State's Extended Purchasing Program is operated by the Purchasing Division of the Department of Management and Budget. It is presented as a cooperative purchasing effort, extending many of the department's central purchasing contracts for direct use by political subdivisions and schools. Local units of government sign an agreement for cooperative purchasing which, if they choose to make use of a state contract, commits them to purchase all of their requirements for a commodity under that particular contract until that contract expires. (Contracts usually are for a one year period, but they do not all start and stop at the same time, allowing the spread of the workload throughout the year.) Although formally signing an agreement to enter

¹While cooperative purchasing may represent the sharing of professional personnel that could not otherwise be afforded, the question is whether for smaller counties this translates into savings. Savings on prices-paid does not represent all potential benefits. Other areas for possible savings lie in administrative costs of preparing, soliciting, and evaluating bids, making awards, and writing and updating specifications, as well as vendor compliance problems. Actual purchasing procedures and practices in most counties, however, are not very sophisticated. Because of informal purchasing practices, many of the above costs are minimal or virtually nonexistent: in those cases, the monetary benefits of cooperative purchasing must come from the prices being paid. The rest represent the elusive "costs avoided."

the program, a county is not obligated to actually purchase under any of the contracts: each unit of government can determine its own level of participation. There are two types of contracts:

1. Estimated quantities: The Purchasing Division arranges contracts with its vendors that allow direct use of the contracts by political subdivisions. The award is made by the state government without prior commitment to purchase by local units of government. Contracts are for an estimated quantity while still allowing purchase in small quantities, although some contracts establish a minimum order per purchase. The local unit uses its own purchase procedures: it issues its own purchase order directly to the vendor, receives delivery directly from the vendor, and makes the payment to the vendor. In addition, the unit must pay a service fee to the Purchasing Division, which for FY 1979-1980 was two percent of total purchases. Where county purchasing is decentralized, individual departments can buy under this program.
2. Definite quantities: This requires a higher level of commitment by the local unit. If a government wants to be included in an upcoming bid action, it must specify its exact requirements in writing to be included in the state bid. Once the state makes an award, the local unit must order that quantity regardless of the location of the vendor or of a lower price that becomes available. The local government still deals directly with the vendor, with an administrative fee going to the state.

Two additional programs are available where the unit of government is purchasing directly from the state rather than from a vendor. The General Services Section of the Department of Management and Budget offers office supplies and paper products (generally known as "the state paper store"), and the Michigan State Industries program in the Department of Corrections will provide office furniture.

County governments are technically direct arms of the state government, assigned the duty of carrying out state policies and activities within their boundaries, and the state legislature may impose procedural requirements on them. The legislature could require that county governments procure their needs through state government-established

contracts with vendors, either for particular commodities, or for all needs where contracts are available.

In addition to the consideration of this possibility, the state programs taken together represent a benchmark: these large-scale purchasing arrangements represent what theory would suggest gives the best prices-paid performance that can be achieved.¹ These programs encompass volume purchasing, the application of specialized purchasing knowledge and the use of bargaining and negotiational skills. The sets of prices through the state programs do not represent an unobtainable ideal; the prices were actually available to all counties, regardless of volumes to be purchased.

Summary

Although the formal organizational alternatives for the procurement function have been framed in a command format within statute, each also can be examined from a bargaining and trading viewpoint. In this way, they represent alternative ways the board of commissioners may affect a part of the set of relationships among the actors within county government. Before turning to a methodology for examining the links between structure and performance in purchasing, the general concept of purchasing performance must be examined. The next chapter turns to the measurement of purchasing performance.

¹The underlying economic concept is pecuniary economies of scale: i.e., larger entities paying less for inputs than smaller entities because of such factors as superior bargaining power or credit worthiness. The achievement of pecuniary economies of scale implies a redistribution from sellers to buyers, which would be viewed as beneficial from the standpoint of the county board of commissioners.

CHAPTER VI

THE MEASUREMENT OF PURCHASING PERFORMANCE

Introduction

The concern in this research is in comparing the performance of a number of alternative organizations of the procurement function within county government. In empirically examining the purchasing performance of county governments, the ideal research would provide a set of measures (quantitative and qualitative) of total procurement system performance (encompassing purchase, inventory, and disposal and other activities) in a form that would allow comparisons between alternative systems. Such a tool has not yet been developed: the literature on purchasing performance contains a large number of quantitative measures and suggestions for qualitative measures and techniques of evaluation, but they are almost exclusively intended for internal use rather than for making comparisons with other alternative organizations. The measures that are deemed appropriate for the latter type of comparisons will be seen to place severe limitations on the purchasing system goals that can be empirically examined. The difficulty in interorganizational comparison lies primarily in the multiple goals that can be and are pursued through purchasing systems (and thus the attendant multitude of outputs, impacts, and performance dimensions), coupled with the possible trade-offs in their achievement. The conceptual difficulties in this situation, with the addition of some important data availability problems, resulted in the abandonment

in this research of an initial intention to provide a direct empirical performance comparison among county government procurement alternatives.

This chapter will cover the literature on purchasing performance measurement and the difficulties in the interpretation and use of particular performance measures. This material is included as background for the research approach adopted and to provide some insights into the complex nature of the purchasing process.

The Literature on Purchasing Performance Measurement

Purchasing Efficiency and Productivity

The procurement literature makes common use of such terms as "purchasing productivity," "efficient purchasing," or "an efficient procurement system." These terms are not technically correct descriptions of what is to be measured.

The purchasing literature generally prescribes a particular form of centralized purchasing as "the efficient purchasing solution." Efficient solutions, however, can only be said to occur within a given structure of rights. When alternative purchasing systems are being considered, each may differ in the rules and procedures which govern the relationships between participants. For example, the literature stresses the importance of the relationship between the buying entity and its vendors. The rules governing public purchasing operations will affect the purchasing techniques and strategies the government buyer can use: it is well recognized that this may affect the prices paid for various commodities. If it can be said that the result is higher prices being paid, those rules and procedures represent rights for the

vendors and exposures for the taxpayers. Another example lies in the basic right to bid on government business: different rights structures can be said to exist with different rules covering the removal of vendors from government solicitation mailing lists or of debarring vendors from bidding on government business. In comparing the purchasing systems of different governments, it is not correct to talk of some overall "efficient" purchasing solution.

Measures of the technological efficiency of a purchasing department are suggested in the literature, but the input and output categories used are limited. The typical inputs used are administrative dollars, number of personnel, or worker hours, with various assumed degrees of homogeneity for the latter two. Outputs typically include purchase orders or contracts written, line items placed, dollar commitments, and other fairly easily counted physical outputs. These do represent a quantitative area where performance might be compared between some governments; it might be useful for certain purposes to examine performance in terms of administrative dollars per one hundred dollars purchased.¹ This type of measure, however, is a workload

¹It is well recognized in the literature that none of these measures are meaningful alone; to draw conclusions requires using several measures and looking for trends over time. One study cites some examples of possible misinterpretation resulting from these measures also being an incomplete measure of purchasing performance. For example, a commonly suggested measure is Operating Cost per Dollar Spent. "This should be a low ratio. This could be accomplished by paying unreasonably high prices for goods rather than operating more efficiently. Additionally, the dollars will be spent no matter how small the operation or operating costs. It might be better to hire the best people and spend more money on market or product research and get the best buy. Thus operating cost goes up and dollars spent down, but everyone received the best available product." (Mayor's Office, City of Detroit Productivity Management Improvement Division, and Wayne State University College of Engineering, A Productivity

measure rather than an efficiency measure. Purchase orders written is a much less useful measure of the output of a procurement system than is the flow of commodities to the using departments within a government. For the latter, however, there is not an easily countable physical output. The efficiency measures in the literature are not likely to present the key decision variables to county decision-makers.

Where purchasing productivity is meant to encompass more than technological efficiency (i.e., it is extended to include effectiveness), the concern of a decision-maker with a government-wide perspective extends to the final outputs to citizens. Purchasing is important because of the procurement system's effects on the activities of the using departments. From such a perspective, the purchasing system provides an intermediate output, which technically should not be a part of a productivity measurement. Rather than treating the procurement system as a separate entity and discussing its "productivity," and instead of talking of purchasing "efficiency," the broader term "purchasing performance" will be used here.

The Scope of the Literature

Two recent studies of the measurement of purchasing performance involved extensive and comprehensive reviews of the literature. After an examination of the literature, I am in agreement with their assessments, and instead of reporting on the individual works in this area,

Measurement System for State and Local Government Purchasing and Materials Management Services, 2 vols., prepared for the National Science Foundation, Research Applied to the National Needs, Grant Number APR75-20542, p. 3-54.) As more complex formulas are used to try to get around some of these difficulties, the understandability goes down, with underlying assumptions and weights more difficult to identify.

these two studies are relied upon as reporting the state-of-the-art in this area. These two works are:

1. Robert M. Monczka, Philip L. Carter, and John H. Hoagland, Purchasing Performance: Measurement and Control (East Lansing: Division of Research, Graduate School of Business Administration, Michigan State University, 1979). This was a comprehensive study of performance measures being used in industry and in government at the federal level. Hereafter this will be referred to as the MSU study.
2. Mayor's Office, City of Detroit Productivity Management Improvement Division, and Wayne State University College of Engineering, A Productivity Measurement System for State and Local Government Purchasing and Materials Management Services, 2 vols., prepared for the National Science Foundation, Research Applied to the National Needs, Grant Number APR75-20542. This study identified the state-of-the-art in purchasing performance measurement through a literature search, case studies of selected local governments, and a nationwide survey of government purchasing departments.¹ Hereafter this will be referred to as the Detroit study.

The MSU study summed up the literature as follows:

. . . there have been various publications on the topic, but these have been limited somewhat in scope and in depth of analysis.

These publications can be classified into four major types:

1. conceptualizations about why purchasing performance should be measured and general suggestions for doing so,
2. descriptions of how one company measures purchasing performance along a selected dimension,
3. research directly or indirectly related to purchasing performance but having limited usefulness for developing performance measurement systems, and
4. research directly related to purchasing performance, but having limited generality due to research sample and/or analysis.

Overall, a comprehensive review of the purchasing productivity and performance literature turned up little substantive work. Even less literature is available which provides detailed information about the existence and use of specific purchasing performance measures in differing purchasing environments. This lack of prior work was one of the reasons a state-of-the-art survey of leading firms was used in this project reported here.¹

¹This is an example of the orientation of the majority of the literature; it is written on the basis of conditions in large units of government. For example, the nationwide survey in this study covered counties only of at least 50,000 population.

In summing up the literature, the Detroit study found:

The observable output (e.g., volume of paper processed), which is often used to evaluate performance, usually does not reflect the efficiency of the work or the quality of the final output. Most authors tended to accept this point of view for purchasing and materials management. In fact, some felt that the outputs of purchasing and materials management were too nebulous that measurement was impractical, if not impossible. Others felt that it was measurable, but in a limited fashion and they presented a wide range of philosophies on how to resolve this measurement problem. They ranged from the purely subjective to the purely objective and encompass a wide range of mixtures.¹

The Detroit study found the following range of suggested approaches to performance measurement in the literature:²

1. An audit-type approach, checking for the availability of and use of identified procedures, policies, and practices deemed necessary for effective performance
2. Goals and objectives are established and progress towards achieving them are measured within an organization
3. An examination of final outputs of the organization to see if the purchasing system is having the "correct" effect on operations
4. A breakdown of the purchasing system into activities, with assigned standard times or dollar values so that actual performance can be compared against chosen standards
5. Examining the purchasing system for bottlenecks in work flows (i.e., the purchasing system viewed as simply as processor)
6. A comparison is made of the purchasing system to itself over time, such as in prices paid, or in standard work or efficiency measures

Difficulties arise in the application of these approaches because performance standards for purchasing do not exist in a generally accepted form. Most authors recognize that these approaches do not represent the total performance of a purchasing and materials

¹Detroit study, p. 3-50.

²Ibid., p. 3-51.

management operation, and that there are no absolute standards against which to measure. In the literature, there is also recognition that not all performance dimensions can be quantified. Qualitative techniques suggested include performance audits (such as of "good practices"), the survey of perceptions of the using departments, and vendor ratings of purchasing system performance.¹

Despite the large number of suggested performance measures, the literature is limited in that the vast majority of the measures presented are designed for internal use: the entity compares its present performance with its past performance on a measure or against some arbitrarily chosen standard. There is a particular target audience: the individual organization that wishes to measure its own performance without specific outside reference. In general, the performance measures and techniques developed in the literature are also for use where purchasing is already centralized to a high degree. (For example, the Detroit study system of purchasing productivity measurement was designed from the start to be used in centralized purchasing operations, because of the emphasis on centralization found in the literature.) This is not the case for most county governments. The Detroit study notes:

The fact that purchasing and materials management is not centralized presents a problem in that the data necessary to evaluate the various activities is scattered throughout the organization and is difficult to collect. Because there is no

¹The Detroit study, for example, developed a purchasing productivity measurement system that contained 100 quantitative measures, perception questions for using departments and vendors, and a set of performance audit questions.

common organizational structure for government purchasing and materials management, developing a general measurement system will be difficult.¹

These kinds of data difficulties limit the types of measures that can be practically used in comparing government purchasing systems. The literature itself does not contain comparisons between purchasing systems or between alternative organizations of the purchasing function within units of government.

In both of the above recent studies, the emphasis was on measures for internal use. In the case of the MSU study, the approach was intended, for it was a survey of measurement techniques currently being used. The goal of the Detroit study was to develop a system of measurement for various performance dimensions that could be used within a unit of government; it contains few measures that are appropriate for making comparisons between governments and alternative purchasing systems. The general position of the literature is summed up by the Detroit study:

According to several authors the best way to utilize available quantitative indicators/measures is by comparing one section or organizational unit with itself over a period of time. All the measures should be plotted over a time period. Trends in particular performance areas can then be observed. Monthly figures and weekly averages can be used to avoid problems over a longer term. . . . Comparisons between two or more Purchasing and Materials Management Systems should not be made because of the many differences within the organizational structures.²

Referring to comparison to other governments of similar size, the study states:

Caution must be used when using this method. Differences in the environment and organization of purchasing and materials

¹Detroit study, p. 3-14.

²Ibid., p. 3-64.

management beyond management's control may affect performance. Differences should be used as thought provokers or indicators of areas for further examination.¹

The Detroit study takes the position that there are few, if any, measures that are legitimate for making comparisons between units of government.

While some measures might appear to be potentially useful in making intergovernmental comparisons (recognizing that none would present a complete picture of procurement system performance), in actual application, each has important limitations. The following section considers some specific measurement types and the difficulties in their use.

Measures of Performance

Data Limitations

The record keeping systems of county governments are an important limiting factor in measuring procurement performance. In larger units of government, the purchasing operation can generate large amounts of data, but not necessarily of the type required or in a form usable for judging system effectiveness. In smaller units of government, the data may not even be available in any form.

The Detroit study, covering larger units of government than considered in this research, found that the data base in most units was inadequate for a full-scale performance measurement system. While all of the Detroit study case study sites had some type of records and data program, most of them were manually processed and incomplete. In the Detroit study survey of 693 counties (population of 50,000 or

¹Ibid., p. 5-15.

over), most of the counties could not respond to the quantitative questions about their operations, indicating a lack of sophistication both in purchasing processes and in record keeping, even for some very large units of government. The extent and quality of records in smaller counties is generally poor, placing severe limits on the measurement of performance. Examples of data availability difficulties for specific measurement types are included in the following discussions.

Difficulties in the Use and Interpretation of Performance Measures

The Detroit study grouped purchasing performance measures into seven categories: (1) quality of output, (2) savings or cost reductions, (3) audit of good practices, (4) feedback questionnaires from users and vendors, (5) timeliness of purchasing, (6) efficiency of activities, and (7) comparison of prices regionally together with specifications and quality. Each of these categories contain conceptual, comparability, or data difficulties that prevent their application in the county governments considered in this research.

Quality of Output

Ideally, this is the ultimate concern. For example, in trying to obtain optimum value per dollar expended, it would be desirable to examine the effects of the purchasing system operation not just on the using departments, but all the way to the final outputs to the public. This area, however, represents extreme conceptual and measurement difficulties, especially with the possible multitude of government outputs and impacts. Without extensive study, it would be difficult just to identify operational impacts on the using departments

themselves: in the Detroit study case, it was found that the using departments were simply unable to attach any figure to the effects of the purchasing system and its failure to perform on either department operations (such as might be indicated by department labor downtime due to lack of materials) or on final outputs. (The effects of failures to perform are more likely hidden within the prices-paid dimension insofar as the actions taken by departments to avoid using central purchasing result in higher prices being paid for commodities.)

Savings or Cost Reductions

The MSU study lists two basic kinds of cost savings measures: (1) cost reduction - when the purchase price paid was less than the last purchase price paid, and (2) cost avoidance - the difference between the price paid and a higher price that might have been paid. The basic problem is one of deciding what to measure prices-paid against: i.e., when is a savings or a cost avoidance legitimate? The MSU study found this a common problem where these types of measures have been used: in almost all of the organizations visited, the validity of claimed cost reductions was an important issue. Past the conceptual problems, data availability would limit the use of such measures. For example, the Detroit study did not consider this type of measure because Detroit had not been collecting the necessary data over time.

Audit of Good Practices

Under this approach to performance measurement, the researcher uses a checklist to examine an operation for the existence of particular policies, procedures, and practices that have been deemed necessary for effective and efficient operations. It is usually assumed that if

particular tools are available, they are used and used well, and therefore the procurement system must also be performing well. Sometimes a deeper examination is suggested to see how the tools are actually being used. One limitation of this approach is in the checklists being used: "good practices" audit formats are organized around the centralized purchasing system prescribed in the literature as the "optimal solution." In general, many if not most of these activities suggested as necessary for "optimal" purchasing are either minimally implemented or not used at all. This makes the available conceptual models of purchasing systems, and the performance audits based on them, inappropriate for smaller county governments. County government procurement policies and procedures, even where centralized departments exist, are not sophisticated except in some of the very largest counties. In designing performance audits for application to local governments, the tendency is to assume too much organizational complexity and operational sophistication on the part of purchasers. In replying to a survey of purchasing practices, the manager of a small city stated:

Local purchasing has a long way to go. . . from the nature of the survey questions, you have assumed that the purchasing process is a lot more sophisticated than it is. We do not have the time nor the money to do the things you question us about.¹

In such performance audit questionnaires, almost all of the questions starting "Do you. . ." will have negative answers. Available audit checklists might be considered a source of hypotheses regarding differences in performance, but this research starts with looking at the relationships between the important actors within county government as

¹Kevin Brunner and Eric DeLong, "1978 Michigan State Small City Purchasing Practices Survey," November 1978, p. 19. (Typewritten)

the underlying source of performance differences. The ability of any actor to carry out an activity listed on an audit checklist, or the "quality" of that activity performed, will in large part be conditioned by those relationships. Audits of this type are of little usefulness in making comparisons between units of government, particularly where there is no objective way of differentiating between levels of quality in performing particular activities.

Feedback Questionnaires from Users and Vendors

It is well recognized that such perception surveys are of questionable reliability. For example, when user departments are surveyed, it is never certain whether the responses reflect actual performance, image, or a particular recent disagreement over policies and procedures.¹ Comparisons between governments cannot be made on this basis. Surveys of vendors offer a different type of opportunity in that they often have experience with many different types of purchasing systems and are viewing them from the "outside." Reliability will still be low. The surveyed vendors will have been exposed to different people and systems performing particular purchasing activities. Vendors' relationships to particular units may prevent candid

¹The area of timeliness is the source of most using department complaints about centralized purchasing units. Difficulties in the interpretation of perceptions arise, for example, where timeliness performance stems from the department's improper use of purchasing procedures. The Detroit study found 100% of the departments in the City of Detroit had complaints about timeliness. "As long as they got what they wanted when they wanted it, they were happy. If they did not get what they wanted when they wanted it, they blamed central purchasing, even if purchasing was not responsible and labeled them ineffective." (p. 3-67) While the results of surveys of using departments cannot be validly used for making comparisons between governments, they may give important insights into the trading and decision-making processes occurring within a government.

responses. It would involve comparisons of perceptions ratings against one another: there are no absolute scores.

Timeliness of Purchasing

Timeliness of purchasing refers to the timeliness of the procurement operation in providing the needed materials to the using departments and thus to the service goal of a procurement system. The difficulties in the use of perception surveys to examine the service goal of a government procurement system were examined above. The timeliness measures suggested in the literature are primarily meant to be applied to an established centralized purchasing unit and are not intended to be used in making comparisons between government units. For example, the Detroit study suggests measuring the average time to process an initial requisition received by the purchasing department to the issuance of a purchase order, broken down by various dollar classes of purchases. The MSU study labels this Purchasing Administrative Lead Time (PALT) and lists it as an efficiency measure. Such a measure is meaningless in making comparisons with a system of departmental purchasing. Even where only centralized purchasing systems are involved, results of research on the timeliness dimension would have to be interpreted with care: the MSU study notes that in very small purchasing operations, such as found in most county governments, PALT would be more a direct function of the get-up-and-go of the purchasing agent than an indication of organizational superiority.

The literature suggests that the primary tradeoff involved is between timeliness and prices-paid performance. With a centralization of purchasing responsibility and authority, over a group of commodities it would be expected that the interval between when a department

initiates the procurement process to when the items are received would increase, with that increase resulting from execution of activities that lead to improved price performance. There would supposedly be a decrease in purchases made locally on the basis of convenience. To offset this to a degree there may be increased costs in working through a purchasing agent as a middleman rather than working directly with a vendor. Trying to determine the tradeoffs being made between timeliness and price is complicated by additional factors. First, inventories of commonly used items would mean a decrease in the time necessary for a department to receive a needed item, although the costs of an inventory must be considered against price advantages gained elsewhere. (In a period of high inflation, the increase in the nominal value of inventory stock must be included. In some organizations, leakage from inventory may be an important factor.) In addition, there are typically many hidden inventories within departments that would be difficult to include. As mentioned earlier, counties generally have no data concerning the operation of their inventories over time. Second, achieving better prices does not necessarily mean not purchasing locally. Local vendors typically offer a token ten percent discount from retail to county governments; given a purchasing agent seeking lower prices from vendors out of the area, local vendors have room to become more competitive, retaining previous timeliness performance of convenience buying by departments.

Timeliness also depends upon the actions of the individual departments. The time interval required from the initiation of the purchasing process to receipt of a commodity lacks meaning without knowing the need dates. Where timeliness means obtaining a product by a designated need

date, a change in procurement organizational form may require a change in the planning practices of the departments so that they will initiate the purchasing process with sufficient lead time. Performance will also be affected by factors outside of county government control; e.g., the time performance of vendors and carriers. Thus in addition to the general data difficulties, the timeliness of procurement is affected by too many factors to be useful in making direct comparisons between purchasing organizational alternatives.

Efficiency of Activities

The majority of the efficiency measures found in the literature are of little use in making meaningful comparisons between units of government. As considered earlier, the available measures under this heading generally contain a limited selection of input and output categories, intended for internal monitoring over time. These input/output categories generally do not reflect purchasing performance in a manner that represents key variables to decision-makers. The MSU study notes that efficiency measures do not relate to cost, quality, or delivery lead time dimensions of performance. The basic problem is seen as the development of standards, especially where the mix of work complexity is changing.

Because of changing internal and external purchasing environments, performance standards should not be absolute for good and/or poor performance, but should be somewhat flexible. Emphasis should be placed on the trends of performance, rather than on comparisons between individuals and groups.¹

¹MSU study, p. 168. In general, standards of performance are lacking. The Detroit study notes: "One exception to this lack of an objective standard is the City of Philadelphia, where work standards have been established for central purchasing and its various organizational units, as well as other departments. The standards were

A particular type of efficiency measure relating to the total cost of the procurement function at first presented some possibility as the basis for making meaningful comparisons between governments. Ideally, the total cost of the purchasing system would be measured. Total system costs would have to encompass "the total system for supplying materials which would include central purchasing and warehousing, user procurement and warehousing, user operations, vendors, and all activities that are related to the materials management cycle."¹ Total costs of providing materials would include acquisition costs, material prices, delivery costs, warehousing and distribution costs, maintenance and operating costs, and disposal costs.² Even for large units of government, the data base is not available for making such calculations. Other less comprehensive measures have been suggested. For example, as an indication of the use of resources devoted to the procurement function, a measure "Total Cost to Purchase a Dollar of Goods" could be used. This would be calculated as:

$$\frac{\text{Operating Cost of Central and User Purchasing Activities}}{\text{Value of All Purchases}}$$

established by an outside consulting group, but to date they have not been used. The Commissioner of Purchasing felt that the political benefits of work measurement reporting did not warrant the effort required to collect the data. Furthermore, there was concern that the measures could be misinterpreted." (p. 3-69)

¹Detroit study, p. 3-28.

²Total system measurement is full of conceptual difficulties such as are found in life-cycle costing. Beyond this, local government record keeping rarely allows even for gross estimations. For example, in the counties I have visited, few know even the approximate value of the inventory of supplies on hand, much less the turnover rate, the value of the space used for storage, number of trips made to or from outlying offices for deliveries or pickups, or the costs of those trips.

The resources devoted to purchasing are primarily manpower, so labor cost could be assumed to be a sufficient estimate of operating costs.¹ Field testing of this measure, however, revealed serious data difficulties. The decentralized nature of many activities, even where county purchasing is nominally "centralized," means that many people are involved, but only for a minimal portion of their work time.² Patterns of involvement in purchasing for any individual also tend to be irregular, with certain periods of the year having much heavier loads than others. Most individuals simply could not or would not indicate time spent in procurement activities, whether on a daily, weekly, monthly, or yearly basis. Obtaining good data for this measure would require intensive time-use studies. The irregular nature of time spent in procurement activities (and differing patterns for different departments) could require a study covering the entire budget cycle.

In addition to the data availability problems, there is also a conceptual difficulty in the interpretation of this type of measure. Used by itself, it has no value in making comparisons between units of government; e.g., used as an efficiency measure, paying "excessive" prices would make an operation appear to be very "efficient."

¹Insofar as data for overhead would likely be lacking in forms that could be made comparable, leaving out figures for overhead (supplies, equipment, and space) would mean total cost would be underestimated. Studies trying to include all these components, such as the Detroit study, found it extremely time-consuming, with the final figures containing many guesses.

²While the departments may be purchasing "poorly" (such as in the prices-paid dimension), at least they may be spending very little time in achieving that level of performance. For example, a county clerk in one of the study counties spends almost no time at purchasing, either in planning or execution; when an item is needed, a quick phone call to a local vendor constitutes all the purchasing work up to the receipt of an invoice.

Interpreting this measure would require some measure of prices-paid performance, the topic of the next section. In turn, prices-paid performance has little value in making comparisons without some indication of how much it cost to achieve a given level of performance. If either of these two types of measures is absent, the other loses much of its meaning. The next section will consider the difficulties in the use and interpretation of measures of price performance.

Prices-Paid Comparisons

With the many potential blocks to change within county governments, it is not enough to talk about the theoretical advantages of some type of change in the procurement system.

As a political consideration, it seems to be exceedingly difficult to support moves to take away buying responsibility from decentralized purchasing operations unless it can be demonstrated that there can be significant cost savings.¹

There is a threshold involved: there may be savings possible, but they may have to be quite substantial to overcome the many political barriers to change in county government. If the purchasing system can be set up in such a way as to eliminate some of the political opposition, the threshold where change can take place may be lowered.

Ideally, the measurement of performance in relation to the goal of obtaining the optimum value per dollar expended would involve a total-cost-of-procurement measure which would encompass not only prices paid, but also the costs involved in purchasing processes, ownership, operation, inventory, distribution, and disposal.² Given the

¹Corey, p. 97.

²This would call for a complex aggregation of life-cycle costs for all commodities purchased. The greatest pressure for the use of

conceptual difficulties in life-cycle costing, the multitude of commodities purchased, and the general lack of relevant record keeping and data availability in smaller units of government, the related data most likely to be found in a form that can be made comparable to other county governments will be of prices-paid and quantities obtained. Where most smaller government purchasing systems are now essentially decentralized into the departments, this type of information may be the most important to decision making by a board of county commissioners about changes in a procurement system. There are, however, several important limitations on the interpretation of prices-paid results; the prices-paid dimension cannot be interpreted as a total measure of procurement system performance. It is strictly buying-oriented; there is no link to the final outputs provided to citizens by governments. The assumption is that the actual output to, or impacts on, the public remain unchanged in quantity and quality. The concern is with buying the same materials for fewer dollars. How the savings are to be distributed is not considered. There is also no consideration of the "quality" of the goods or services purchased. (In the purchasing

life-cycle costing has been at the federal level. Despite its conceptual basis, the experience at the federal level suggests it is inappropriate for most practical use at the local level. Life cycle cost is extremely difficult and costly to measure (with special problems in determining optimal maintenance and capital replacement, which limits the use of the concept to particular types of commodities), especially with constantly changing models and product characteristics. It is unlikely that local units of government will spend the resources necessary to do this kind of research, and secondary sources of data are limited. Michael Timbers (Washington Management Group, Inc.) suggests a better alternative is to spend that research money on research into vendors (e.g., their capabilities, reliability, cost structures) so that decisions about vendors will improve, resulting in longer run savings greater than would result from the calculation of life-cycle costs. Although life-cycle costing will come to be used in larger units of government, most purchasing in smaller units are and will continue to be made primarily on the basis of simple purchase price.

sense, quality does not mean "good" or "bad," but instead refers to the suitability of the commodity purchased for its intended use.) An examination of prices-paid cannot consider how items are actually used; it can only compare the prices paid for "similar" items. In addition to these limitations, there are major conceptual and data problems in making prices-paid comparisons between units of government.

Where purchasing authority and responsibility is fragmented within a government, price and quantity data collection is complicated by having the necessary data spread throughout the government. Because there is no common organizational structure for county government purchasing, exact data collection methods would have to vary for each county. In no case will all the necessary data be available in a central location. In most cases there is a central file, usually in the clerk's office, containing invoices attached to copies of the warrants, but in many cases this is insufficient alone for calculating annual volumes and average unit prices. The invoices are often not specific enough: entries might simply be for "paper," or a term like "office supplies" or "janitorial items," with no breakdown of specific items purchased. If specific items are listed, only the total purchase amount may be shown rather than individual prices. Even when purchasing from the same vendor, different salesmen may write a different description of the same item on different transactions. Sometimes an item number or other catalog designation is used, sometimes not. It is impossible from such records to accurately determine annual volume and average unit price data. In many cases it would be necessary to interview the persons actually doing the buying in each department to obtain even the basic data. Where accurate records do not exist even in the individual

departments, estimations by the purchasers would have to be relied upon. Field testing indicated few individuals in the departments could recall details of pricing of specific or groups of purchases. The general state of purchasing records (invoices and warrants) prevented general use as accuracy checks.

Data difficulties extend past the collection of simple price and quantity data. Comparability and interpretation are complicated by the following factors:

1. Some particularly low prices could have been accidents ("windfalls") rather than results of the purchasing system operations
2. The tendency of individual county departments to develop "hidden" inventories can lead to either no purchase of what would be considered a routine supply item during any study period or to quantities purchased too divergent to be comparable¹
3. Prices lack meaning without an associated time period over which a price applies

Basic data availability makes it extremely difficult in most cases to accurately identify annual purchase quantity and average unit price. Using a single date and the prices paid closest to that date is another approach, but this presents other comparability difficulties. If the

¹Even where there is central inventory in a government, service difficulties, real or imagined, often lead departments to create their own "hidden" inventories on location to prevent any potential shortage problems. They are "hidden" in that they are out of the control of central inventory authority, and only a few people may know of their existence. They are also in most cases unplanned, with size generally much larger than real need would indicate, even in the face of service failures from central inventory. Total value across all departments

purchase closest to that date was an emergency purchase or a fill-in order for a minor unanticipated need, the price paid may be far from the average unit price covering the annual purchase volume of that item. Similarly, the volume purchased at a particular date at a particular price may not be representative in that the price may be a reflection of overall annual purchase volume from a vendor, even if there is no contract. Where the pricing practices of vendors include such practices as temporary discounts or loss-leaders to attract new business, the meaning of a price at a certain date can also change. The time period covered by contracts is another factor. Bloor, commenting on a prices-paid survey of hospitals conducted by the U.S. General Accounting Office, states,

Obviously, at the current pace of inflation, a hospital purchasing under a contract signed one year ago will usually be paying less than a hospital which is buying under a new contract signed last month. Conversely, a hospital which enters today into a one-year price-guaranteed contract may pay more on individual transactions next week than one which places a single order, yet be making a prudent decision for the longer run.¹

In addition to these basic data problems, there are also major conceptual difficulties surrounding the comparability of commodities for use in price surveys. When the purchasing process is viewed in terms of buying centers, with participation in procurement decision making varying according to the type of purchase, the traditional format of making price comparisons between units based on comparable

May be quite substantial. This also greatly complicates any efforts to estimate the value and total costs of inventory within a government.

¹U.S. General Accounting Office, Hospitals in the Same Area Often Pay Widely Different Prices for Comparable Supply Items, Report HRD-80-35, January 21, 1980.

commodities loses much of its meaning. This stems from difficulties in determining "comparability." The price of a commodity or service has no meaning without an associated level of quality. At the ideal level, for prices to be directly comparable, the quality must be identical. Once the move is made away from comparing the prices paid for the same brand or item, any price study will be open to criticism in that there will very rarely be complete agreement on the existence of equal quality. For example, Robert J. Flanagan, Vice-President of the American Hospital Association, offered the following criticism of the hospital purchasing study by the U.S. General Accounting Office:

With regard to the audit of prices paid for the items on GAO's listing, we note that GAO obtained prices for "the same or similar" or "the same or comparable" items. "Comparable" or "similar" supply items may have subtle functional differences which may impact on the efficient delivery and quality of patient care. These subtle functional differences often result in significantly different prices that can be compared only after the value of the functional differences has been analyzed. Since, to our knowledge, GAO did not conduct a value analysis on each "comparable" or "similar" product, we challenge the data for any price comparison made on other than the same or identical product.¹

¹Ibid., pp. 46-7. The members of the purchasing profession generally dislike price surveys. For example, national purchasing associations try to avoid any studies involving prices-paid comparisons: the tendency in the interpretation of the results is to incorrectly conclude that higher prices were the result of a lack of skills on the part of the purchasing agent, no matter what other important variables were identified. The national organizations, composed of these individual purchasing agents, want to avoid any study which could be misinterpreted to make any of their members look bad. The tendency of individual purchasing agents to being less than willing to share information on the prices they pay is also understandable. To some extent, the fear that prices-paid performance results might be misinterpreted as being a total system performance measure is justified: in general, government administrators, such as the members of a board of commissioners, do not understand the complexities involved in purchasing. "At the case study sites several purchasing managers reported how upper level managers and legislators took price comparisons at face value and demanded to know why their governments were not low. When valid explanations were given, they were not accepted, but rather

When price comparisons must be limited to identical items (i.e., by brand, model number, etc.), the number of comparisons that can be made across a number of governments would likely be small. Expanding comparisons to "similar" or "comparable" items would increase the number of price comparisons in the analysis, but the judgements used in the choice of items for inclusion will open the results to the above criticisms.¹ In addition, the placement of limits on comparability has effects on the ability to generalize results: i.e., do

received as defensive rationalizations." (Detroit study, p. 4-93)

The Detroit study included a number of case study sites for examination for the performance of particular types of activities and the use of particular measurement procedures. These were all very large units of government: the states of Michigan, Maryland, Texas, and Louisiana; the county of Fairfax, Virginia; and the cities of Detroit, Cincinnati, Philadelphia, and San Jose. Only a few had any programs for conducting studies or evaluating price performance. (For example, Louisiana did it on a one-time only project basis.) No site had an objective procedure for using the results of a price survey. Price survey results were considered a "soft" measure, with conclusions subjectively drawn. (Detroit study, p. 3-74)

¹The comparability of prices and commodities question extends beyond the physical commodity itself. To receive an item combined with the availability of special or emergency delivery services, equipment servicing, aid in inventory management, or other services, is not to receive the same thing as that item simply dropped on a loading dock. These services may be reflected in the unit price of a commodity, making prices not directly comparable. Such services may result in a net reduction in overall operating costs, such as where a vendor maintains on inventory rather than having a county facility. The services provided by vendors and reflected in unit prices do not always reflect wise decision making by the county in managing its purchasing and inventory. One example results from the payment practices of counties. Commenting on the GAO hospital study, Thomas Bloor, President of the American Surgical Trade Association, states: "At the current cost of money, a hospital which routinely makes its suppliers wait 90 to 120 days for payment will usually not obtain the same price as the hospital which customarily pays within 30 days." (U.S. General Accounting Office, Hospitals, p. 53.)

the price performance results based on "comparable" items reflect the price performance achieved on "non-comparable" items purchased by a county government?

The more complex the item purchased (typewriters, copiers, trucks), the more difficult it becomes to determine "equal quality." These more complex items have higher unit prices and in the aggregate in any given year may represent a large percentage of non-personnel expenditures: a given percentage decrease in unit price on these items may mean a larger dollar savings for the county than the same percentage decrease in prices on routine supply items. In criticizing price comparison research on routine supply items, purchasers would say that they spend most of their purchasing effort on cost-intensive, non-comparable items, generating a level of price performance that could not be captured by the type of price comparisons on identical items. There is a contradiction here: routine supply items are most directly comparable, but in total may not present a large enough dollar amount to be representative of total prices-paid performance. Complex items are more difficult to compare on price and may not be common to many counties, yet may be more representative in total of performance in relation to price.

In making comparisons between governments, to argue that price performance on the commonly purchased, low dollar value items is representative of the overall purchasing price performance of a county is to assume that the same activities and techniques are involved in all types of county buying; i.e., the decision processes will be the same, with the same balance struck between conflicting objectives. In examining the purchasing process in terms of buying centers, and particularly given the nature of county government as considered earlier, it is obvious

that this will not be the case: as the complexity and dollar value of a purchase grows, and as it comes closer to being a "new task" type of purchase (as opposed to a "straight rebuy" or a "modified rebuy"), the buying center can be expected to expand, with more and more conflicting interests being involved. The nature of the decision process will be changing, as will the weight given to price within that process. Prices-paid performance on the routinely purchased items cannot be considered totally representative of overall prices-paid performance.

Conclusions

The absence of a method of empirically examining overall procurement system performance and the lack of measures that are appropriate for making intergovernmental comparisons leads to the use of an indirect approach to comparing procurement system alternatives, structured around the concept of the buying center. This approach is described in detail in the following chapter on study methodology.

CHAPTER VII

STUDY METHODOLOGY

Introduction

This is an exploratory study examining the relationships between the structural variables of county government organization and the performance outcomes of group decisions of buying centers. Selected county governments are used in a comparative study. The comparative study approach is well accepted within the social sciences; where for a variety of reasons the use of controlled experimental settings is impossible, this approach has been relied upon to produce variations in the conditions under which human behavior takes place. Comparative studies can encompass a wide variety of methodological strategies, from simple description to rigorous tests of hypotheses. The state of knowledge about the variables and the relationships involved will not support an explanatory study. A descriptive methodology is used: no definitive work covers the area, and further description and understanding is needed. Description is the logical first step in any science and must come before prediction and explanation.

Despite their extensive use in the social sciences and all that has been written about the value of comparative studies, no rigorous comparative methodology has developed. This does not mean, however, that data cannot be systematically handled in a comparative study that is essentially descriptive. Standard approaches and models from the discipline of economics, however, are too narrow to effectively examine

the complexity of the purchasing process and to guide the collection, organization, and analysis of data. Such models generally emphasize least cost solutions, either through minimizing prices within a simple model, or making it more complex by bringing in additional costs associated with the purchase, use, and disposal of an item. Within economic models found in the procurement literature the purchasing process is seen as rational economic choice, with interactions within an organization being of little importance in the decision process. As earlier discussion indicated, however, it is necessary to bring in behavioral content to understand the purchasing process within county government. This is accomplished here through the use of the concept of the buying center, with data organized into representations of buying center participation.

The structural variables are represented by the alternative purchasing function forms that counties may adopt. The concern is with whether such variables as formalization and centralization can explain the degree to which decision-making processes are shaped by specified rules and procedures and what roles particular actors are able to play in decision making for different types of purchases. How do the structural variables affect the formation of buying centers and the interpersonal relationships within them? Do the formal organizational alternatives represent actual changes in the content of opportunity sets? In the absence of quantitative methods appropriate for comparing the purchasing performance of different governmental units, an indirect method is used in examining purchasing performance. Given the identified conflicting interests of the actors within county government, participation in or control of particular categories of purchasing

decisions is assumed to lead to particular performance outcomes.

The Study Counties

For an exploratory study, units are selected for observation on a purposive basis. The following discussion indicates the criteria and choice processes used in the selection of the study counties. Initial screening is by size of county and purchasing load, with further criteria based on variables thought to be linked to the "missing" variables of the conceptual framework.

Size of Counties

The largest (in terms of population and county government budget size) and generally most urbanized counties, it is asserted, have responded to the circumstances of large size through the use of more centralized management techniques and procedures. A different general attitude towards the use of sophisticated administrative forms and specialization may exist. It is assumed that although the same basic underlying relationships between the important actors exist, the circumstances of the situation may allow the successful use of purchasing systems that come much closer to the prescriptions of the literature. There will still be a buying center, in that there will still be more than one individual participating in many procurement decisions, but there are more externally given rules governing participation and trading (e.g., written procurement policies and extensive purchasing procedures manuals), and much (but not all) of the overall procurement system becomes removed from the realm of bargaining. For small and medium size county governments, the relationships between the actors are not likely to be overshadowed by such circumstances; the

interpersonal relationships covering the procurement area (i.e., the emphasis on persuasion, bargaining, and trading) will be similar for all these counties. The largest counties of the state are thus not seen as part of the target population and will not be considered in this study.¹

The smaller counties, although considered part of the target population because of the basic nature of the relationships between the important actors, are not suitable for observation and comparison due to a number of factors:

1. The smaller counties generally have poorer systems of record keeping, making it difficult to trace the steps and decision points in particular purchases.
2. General recall difficulties among the participants require restricting the study to recent purchasing actions, examining in most cases purchases made in the current and in the 1980 county fiscal years. This was a period of general fiscal

¹See earlier discussion in Chapter III. The testing of this assertion would be an area for separate study. That the underlying relationships still continue to affect procurement even in the largest county governments is shown by examples of "politically sensitive" purchases. Identification of this type of purchase is based on how important an output is and how closely it is associated with a particular elected official. The primary example of a politically sensitive purchase is elections materials. These generally represent large expenditures for supplies and printing even in small counties and may present opportunities for savings through careful procurement activities. Because the quality of elections materials are felt by the county clerk to be closely associated with that office by the public, the clerk is generally unwilling to give up any purchasing control over these materials and will fight strongly to prevent such loss. For example, in St. Clair County, where there is a purchasing agent under the board of auditors, although the board of auditors is given explicit responsibility for purchasing elections materials by statute, they make no effort to play any part in their purchase; it is left entirely in the hands of the clerk. Other examples of politically sensitive materials are any printed materials on which elected officials' names will go, such as letterheads, envelopes, and other stationery.

problems for county governments, particularly the smaller units. Examination of participation in procurement decision making requires a large variety of purchases, from small repetitive routine purchases to large dollar value non-repetitive buys. Many smaller governments have tried to postpone all purchases of new or replacement equipment until the next or following fiscal years. This means there could be few (or no) large dollar purchases for examination in these smaller counties.¹

3. Fewer alternatives for procurement function organization are found in actual use among the smaller counties, with most operating under the traditional format of departmentally decentralized purchasing. Where an administrator or controller position is used, in almost all cases only limited purchasing responsibility is assigned to that position, such as the purchase of a limited selection of office supplies.

Purchasing Load

To make meaningful comparisons requires restricting the study to counties facing a similar overall purchasing task. For the purposes

¹The decision to postpone purchases could also be said to come from a buying center, but for the purposes of this study it falls into the budgeting process rather than the procurement process. The latter could be said to start when a department initiates the buying process for an item already approved within a budget. There is still some overlap here, for on large purchases the department's first step may be through a committee of the board of commissioners to get final permission to purchase; i.e., the county budget documents represent tentative authority for the departments to spend. At that point the decision could be made to postpone or to never make a particular purchase. That, however, is a different type of decision than one about postponing all large purchases. (Budget cutback decisional processes may be quite different from those where there is an expanding budget. Interpretation of the results of this study should be made in light of the

here, budget size is assumed to be an adequate reflection of the purchasing load of each county; i.e., for counties of similar budget size, the "task" to be accomplished and the size of the purchasing activities are similar. County General Fund expenditure figures for the 1977 through 1979 fiscal years (the calendar year for counties) compiled by the Michigan Department of Treasury will be used here.¹ The three year period is used so that unusual and large expenditures in any one year (such as might be mandated by the courts or available through a special grant) would not mask the overall similarity of particular counties. The study counties will be selected from the set of counties having budgets during this period ranging from three million to six million dollars. (With Michigan's eighty-three counties ranked according to general fund expenditures, this covers the range in

possible effects that overall budget decision-making processes may have on procurement decision-making processes.

¹There is no regularly printed source giving general fund expenditures or similar types of financial data for all counties. Unlike cities, counties are not required to submit yearly audited reports to the state's Treasury Department. The data used here is based on questionnaires sent to the county governments by the Treasury Department. The latest data available covering counties is for 1979. (The reporting period for the questionnaires is based on the state fiscal year, with the form sent to local governments in August. Thus where other units were reporting for their FY 1979-1980, counties were reporting for their 1979 fiscal year. For the questionnaires sent out in August, 1981, the counties will be replying based on their 1980 fiscal year; the compiled data for 1980 will probably not be available for twelve months.) Additional breakdowns of expenditures were made in the Treasury Department data (for expenditures from other county funds) which could allow a better estimation of the actual purchasing loads of particular counties, but examination of the data showed incomplete reporting, inconsistencies, and double counting in some entries. I have chosen to rely on the general fund expenditures figures (and the available breakdowns) as one where counties are reporting comparable figures that will adequately represent purchasing loads. The earliest data available is for 1977. The general fund expenditures figures are broken down into thirty-eight possible categories, allowing some analysis of changes in total expenditure levels.

rank from fifteen to thirty.) This budget range is chosen based on the following:

1. The range of procurement function alternatives contained in this group of counties.
2. The counties contained in this set all fall below the standards suggested in the literature as to where purchasing becomes a "full-time professional job." (I.e., these standards are used as a very rough indicator of where counties become "large.")¹
3. John West, Purchasing Agent for Genessee County and President of the Michigan Public Purchasing Officers Association, indicates that the workload for a purchasing agent within this range would be approximately the same for all counties in that a similar set of and total number of commodities purchased would be involved, meaning no change in effort required for market and vendor research and other purchasing activities. Where counties are purchasing individually, the range of volumes of each commodity purchased would also be unlikely to push through any major volume purchasing savings threshold.

¹The literature contains some very broad guidelines as to where centralized professional purchasing departments should be utilized. Hardwick states: "One guideline which has been developed by general purchasing studies indicates that from 1/2 to 3 percent of the dollar volume of annual purchases should be allocated to specialized purchasing activities." (p. 8) The latter meant salaries and direct expenses. Another source sets a rough rule of thumb that annual purchases of a half-million dollars (1970) constitutes a full time purchasing job. (Heinritz and Farrell, p. 7.) Another source found that the average state purchasing department's operating costs were between 1/2 and 1 percent of purchases. (National Association of State Purchasing Officials, Principles and Best Practices, p. 2.)

Choice Criteria

In choosing among the observation candidates within an exploratory study population, a known variable which has contrasting values among the target population and is thought to be causally linked to the "missing" variables is used. In this case, the criterion is simply the organizational form of the procurement function. The incompletely specified variables in the conceptual framework, grouped under "trading processes" and "board strength," indicate differences in the distribution of power within a county. The alternatives for the procurement function organization nominally represent differences in the ability to command and in the distribution of trading resources. The study counties are chosen on the basis of the organizational form of their procurement function, combined with the subjective judgement of the researcher as to their representativeness and the expert judgement of Dr. Alvin House, who has an intimate knowledge of the target population.

The following county governments have been chosen for observation:

1. Lapeer County: This county handles purchasing in the traditional small county way. There are no written purchasing policies or specified procedures, and the procurement decisions are made almost entirely within the individual departments.
2. Van Buren County: This purchasing system is unique among Michigan counties in using a Purchasing Committee, composed of three members of the Board of Commissioners. This committee not only has nominal oversight authority for county purchasing under the general fund but also participates directly in the mechanics of making purchases.

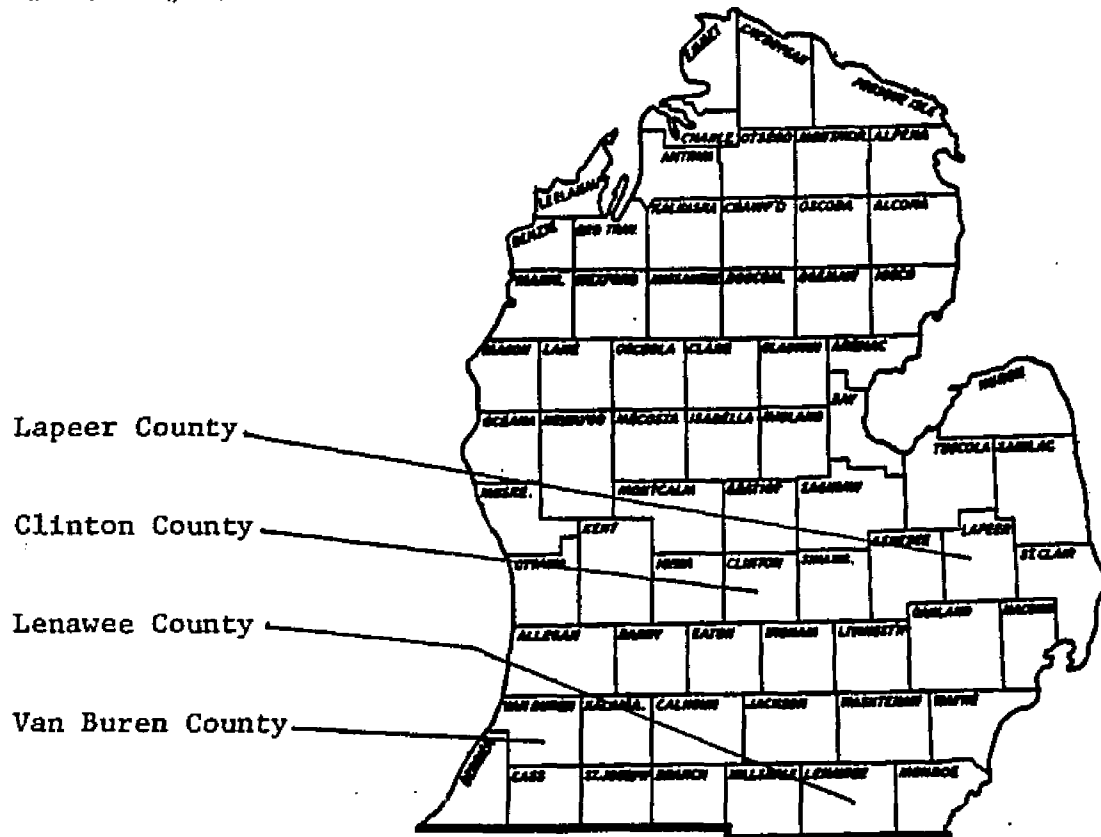
3. Lenawee County: Through an administrative reorganization of the government in 1980, this county offers two examples of the nominal centralization of purchasing responsibility. The execution of the same central purchasing policy was first assigned to the Printing Department Supervisor and then to a County Administrator employed by the Board of Commissioners.
4. Clinton County: This county offers two very different implementations of essentially the same county purchasing policy, with responsibility assigned to a hired County Administrator.

Investigation of the County Government
Buying Centers

General Methodological Approach

Webster and Wind originated the concept of the buying center, defining it as comprised of all those members of the organization who interact during the buying decision process. Specific roles were defined within the buying center. (See pp. 25-26.) The buying center model was formulated to gain increased predictive power of the purchasing patterns of an organization; it was developed from a marketing orientation, trying to understand how purchasing decisions are made in order to be better able to influence them from outside the organization. This concept was very different from the usual marketing analysis approach, which Bonoma, Bagozzi, and Zaltman describe as follows:

Those readers familiar with the general strategy of reductionism will recognize that the basic paradigm under consideration by current marketing analysts is one in which the analytical problems associated with marketing behavior are initially blasted into small parts (the consumer, the manager, the rack jobber, the distribution channel), following which a causal analysis of the behavior of each of the parts is attempted. Thus the behavior of



	<u>Lapeer</u>	<u>Clinton</u>	<u>Lenawee</u>	<u>Van Buren</u>
1980 Population	70,038	55,893	89,948	66,814
1970 Urban Population (%)	12.0%	21.3%	40.3%	21.6%
1970 Per Capita Income	\$2,705	\$3,019	\$2,947	\$2,680
1972 Land in Farms (%)	58.4%	78.4%	83.8%	58.4%

Sources: U.S. Department of Commerce, Bureau of the Census -

1980 Census of Population and Housing Advance Reports
1970 Census of Population
City and County Data Book 1972

Figure 2. The Study Counties

single buyers or organizations is considered a direct and usually linear function of the imposition of certain stimuli from the environment.¹

The buying center model represented a major conceptual advance over earlier approaches as it recognized that attention must be given to all persons involved in the purchasing decision process, with a major emphasis on their interactions. The concern is not just with predicting buyer behavior, but with the "behavior" of a complex purchasing process within an organization. The concept was developed around the base of a centralized purchasing department within a business enterprise. Webster and Wind's framework, however, is meant to cover all purchasing situations, not just industrial buying; the fundamental processes are seen as similar in all organizational settings, from the private producing enterprise to the government entity. Since its purpose was to draw attention to the influence on procurement decisions that actors outside the purchasing department have, it is equally applicable to predominantly decentralized purchasing systems where for many purchases there may be cross-departmental involvement. Although this framework is useful in analyzing a wide variety of organizations because of the similar decision-making processes that are involved, the discussion of the earlier chapters contends that these similarities do not necessarily mean that similar prescriptions can be made for purchasing in all organizations.

It has been acknowledged in the literature that the purchasing process is best viewed as a dynamic interaction between a number of

¹Thomas V. Bonoma, Richard Bagozzi, and Gerald Zaltman, "The Dyadic Paradigm with Specific Application Toward Industrial Marketing," in Bonoma and Zaltman, eds., pp. 50-51.

organizational members, but there has been very little research using the buying center as part of a conceptual framework. Difficulties in conducting even descriptive work has meant almost no empirical studies. The research status of the concept is seen within a summary of the transcripts of a workshop of organizational buying behavior sponsored by the American Marketing Association and the University of Pittsburgh Graduate School of Business:

In short, we do not know at this time how buying centers are composed, who tends to participate in them, nor how decisions are made by the participating individuals. Though the concept of the buying center is a necessary and extremely fruitful innovation, it is nonetheless one that needs to be moved from its purely theoretical status to one which can be actively utilized by the management scientist and the practicing manager alike. . . . The general feeling, endorsed by all workshop participants, was that the buying center was a "messy animal," one which may necessitate radically different methodologies for meaningful empirical study.¹

The major difficulty in the use of the concept of the buying center appears to be the lack of appropriate methodologies. Wind finds two reasons for the lack of use of this concept: "(1) definitional shortcomings due to the ambiguity of the original definition, and (2) methodological difficulties in identifying the members of a buying center and assessing their roles and influence."²

Robinson, Faris, and Wind developed a descriptive method of approaching the interactions of the buying center which has been used by a number of researchers.³ Case histories of purchases are developed

¹Bonoma and Zaltman, pp. 11-12.

²Yoram Wind, "Organizational Buying Center: A Research Agenda," in Bonoma and Zaltman, eds., p. 68.

³Patrick Robinson, Charles W. Faris, and Yoram Wind, Industrial Buying and Creative Marketing (Boston: Allyn and Bacon, 1967).

using flow charts showing the sequence of different activities and decision network diagrams showing how people involved in the purchase were connected over time. This descriptive approach is criticized by Calder, who indicates that this method must be modified in order to be able to determine underlying patterns.¹

Calder's approach to developing a description of the decisional processes of the buying center starts with viewing the interactions in structural terms.

There are three important elements in the structure. First, there is a set of people connected by informal personal relationships. Second, there is a set of positions which are connected by formal authority relationships. Third, there is a set of tasks which are connected to form a flow of work throughout the organization. In addition to the three relationships above, there are two others. One connects people with one or more positions, the other connects positions with one or more tasks.²

An example of the results of this descriptive approach is shown in Figure 3, which illustrates a company's office products purchasing. This diagram is explained by Calder as follows:

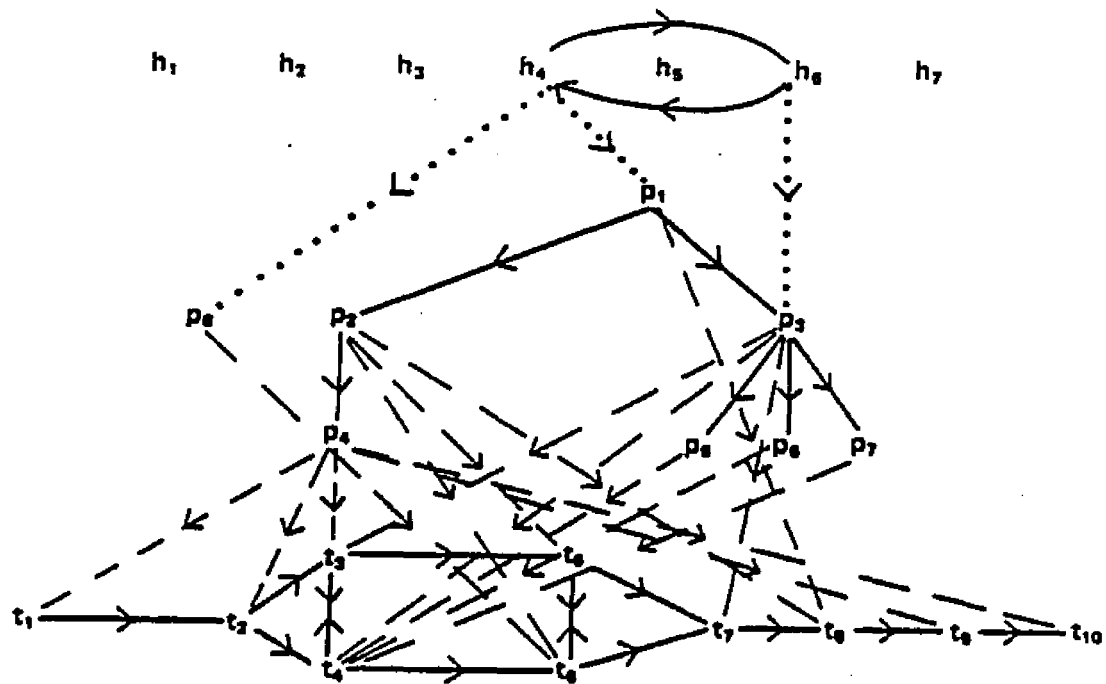
[The figure] shows one company's office products buying as a structure consisting of these three elements and five relationships. Note that the h's stand for people, p's for position, and t's for task elements. The curved lines indicate a personal friendship between h4 and h6. The dotted line indicates the assignment of people to positions. The solid lines indicate authority relationships from the p's and task precedence. The dashed lines indicate the relationships between positions and tasks. The figure was arrived at on the basis of unstructured interviews within the company. It represents a composite picture of the interaction entailed in purchasing office equipment.³

¹Bobby Calder, "A Methodology for Research on Organizational Buying Behavior," in Bonoma and Zaltman, eds., pp. 77-83.

²Ibid., pp. 78-79.

³Ibid., p. 79.

Structural Role Analysis for Office Product Decisions for One Firm



p_1 = Junior Officer
 p_2 = Purchasing Agent
 p_3 = Head of Printing Department
 p_4 = Senior Buyer
 p_5 = Technician
 p_6 = Technician
 p_7 = Technician
 p_8 = Coordinator of Building Move

t_1 = Operating cost study
 t_2 = Sales calls
 t_3 = Maintenance problems
 t_4 = Handling user complaints
 t_5 = Meet with supplier
 t_6 = Meet with competitive suppliers
 t_7 = Technical evaluation of competitive suppliers
 t_8 = Officer recommendation
 t_9 = Order new equipment
 t_{10} = Cancel present equipment

Figure 3. Structural Role Analysis for Office Product Decisions For One Firm (Source: Calder, p. 81.)

In this way, Calder is able to retain the information of the decisional network developed by Robinson, Faris, and Wind, yet escape the necessity of having to start by arbitrarily specifying particular roles, for the diagram captures the nature of each person's role. This type of diagram can be used as a method of discovering underlying patterns. Calder's basic descriptive approach must be modified to fit the questions of concern in this research. His approach was developed for examining big organizations where there are usually large purchasing department staffs, with different persons assigned particular purchasing tasks. Calder's approach starts from a marketing perspective, where the seller is interested in identifying all the persons within a number of departments that require direct contacts if he is to influence particular buying decisions. In this research, where the major concern is with the relationships between the board of commissioners and the departments and agencies within the county, the buying center participation within departments is of minor concern; diagrams of buying centers at that level will be much less complex than the Calder example. While Calder's diagram has three levels identified as persons, formal roles within the organization, and purchasing tasks, three levels for county diagrams will instead be the major participants (e.g., the board of commissioners, a committee of the board, the purchasing agent, or the department), the basic buying center roles as identified in the Webster and Wind model, and the purchasing tasks and activities.

Identification of the Buying Center

There are two related difficulties in the use of the concept of the buying center in research: (1) defining involvement in the buying center, and (2) changing patterns of participation in the buying center over a variety of purchases.

Defining Involvement in the Buying Center

Webster and Wind's original definition of the buying center specified that all those involved should be included. In later work, Wind points out that the larger the number of people involved, the harder the concept is to utilize in research; if the original definition is held to, the tendency may be to include too many people in the buying center, with many of them only barely participating in the most minor ways.¹ Wind indicates it is necessary to include only those with major direct involvement in purchasing decision making. The difficulty is in the definition of "involvement." In this research, Wind's suggestion to define involvement in terms of specific purchasing tasks and activities will be used; e.g., in the interviews, respondents will not just be asked to specify who else is involved in the purchasing process for a commodity in general, but to specify who is involved in particular parts of the process. Initially the procurement process is broken down into the parts suggested by Webster and Wind: (1) identification of need, (2) establishing objectives and specifications, (3) identifying buying alternatives, (4) evaluating alternative buying actions, and (5) selecting the supplier. By

¹Wind, p. 68.

breaking down the procurement process in this way, it is seen that there is not a procurement decision made by the buying center, but a multiple set of decisions may be involved, depending upon the nature of the purchase, with different parts of the buying center making different types of decisions.

Changing Patterns of Participation in the Buying Center

For any organization, there is not a single buying center that can be identified.

The basic concept of a buying center suggests that it is a temporary organizational unit which may change in composition and function from one purchase situation to another. In this sense, at any given point of time an organization has as many buying centers as it has purchasing decisions to be made.¹

Based on the uniqueness of each purchase decision, Spekman suggests a methodology for examining organizational buying behavior that separates the analysis for each commodity.² He defines the Buying Task Group as "the informal organizational subunit, composed of individuals from several functional departments, specifically charged with making purchasing related decisions relative to a particular commodity or class of commodities."

Consistent with the notions of Webster and Wind, the composition of the BTG is not constant over time. In fact, each purchasing context is thought to have unique characteristics which determine the nature of the BTG's composition. Some researchers have attempted to discriminate among purchasing contexts by degree of routineness of the purchase, or by the degree of scarcity associated with the particular goods purchased. The BTG's composition, however, is determined by factors basic to the workflow of the company. That is, business surveys suggest that the purchasing agent's degree of involvement, as well as the composition of the group involved in the purchase decision, varies with the type of commodity purchased. The

¹Wind, p. 71.

²Robert E. Spekman, "An Alternative Framework for Examining the Industrial Buying Process," in Bomona and Zaltman, eds., pp. 84-90.

composition of the BTG is commodity specific. . . . This empirical distinction (i.e., commodity specificity) stems from the task differentiation which determines the structure of most purchasing departments. That is, the purchasing responsibilities within most purchasing departments are broken down into commodity classes.¹

This type of approach stems from the marketing orientation of most organizational buying behavior researchers; i.e., in trying to sell a specific product, it is necessary to key in on identifiable individuals within an organization that will affect a specific procurement decision for that commodity.

Other writers suggest that it is not necessary to look over all separate commodities purchased by an organization to begin looking for patterns in participation in procurement decision making: logic suggests that different patterns will emerge according to some general categories of purchases. The most often suggested basis for categorizing purchases is the BUYGRID model of Robinson, Faris, and Wind. Three classes of buying situations are identified that revealed significant differences in the decision processes involved: straight rebuy, modified rebuy, and new task. Inclusion in a category is based on the newness of the buying problem and the relevant experiences of the decision makers, the amount and types of information needed for decision making, and the number of new alternatives that are considered.

New task buying situations are those which have not arisen before and in which the buyer has little or no relevant past buying experience to draw on. In such situations a great deal of information is required and new alternatives must be considered to solve the problem. Straight rebuy situations are recurring buying situations which do not require any new information and are handled on a routine basis. In such situations there is often no motivation to consider new sources of supply.²

¹Ibid., pp. 86-87.

²Webster and Wind, p. 115.

The modified rebuy situation falls between these, with changes in the buying alternatives, and some, but insufficient, buyer experience and information. If the prescriptions of the literature covering government are followed, there should be few, if any, straight rebuy situations: they would all be modified to some degree because of the requirements for competitive bidding. In practice, however, it is very common.

Differences in decisional processes within the categories would be reflected in general patterns of participation in buying centers as shown in the diagrams generated. Robinson, Faris, and Wind determined that the general category of purchase was much more important in determining the procurement decisional process than the type of commodity involved.

The straight rebuy situation can be relatively easily converted into a closed loop automatic purchasing process in which the buyer need only participate under the rule of management by exception and only take control of the decision-making system when an abnormality exists. . . . The new task situation presents the other end of the scale. There are many product-vendor attribute sets to be evaluated. Uncertainty is high as to the actual possession of the attributes by the individual product-vendor combination. As the complexity of the task increases, a larger buying center may be created to represent groups with conflicting goals and interests.¹

Thus, for example, the involvement of a purchasing agent in procurement decision making would be expected to decrease the more a particular buy represents a "new task." These categories of purchase types will be used in identifying basic participation patterns within procurement decision making and examining differences in participation across the

¹David T. Wilson, "Dyadic Interaction: Some Conceptualizations," in Bonoma and Zaltman, eds., p. 35.

organizational alternatives for the procurement function within county government.

Data Collection

The first methodological problem is in identifying the members of the buying center or centers. There is no generally accepted way of accomplishing this.

No general guidelines can, at this stage of our knowledge, contribute to a single "best" definition of a buying center, nor identify its members or measure its behavior. Each researcher, whether concerned with basic or applied research, should make his own choices among the various options.¹

Methodologies for studying the buying center in organizations have been structured around the purchasing agent. The buying center thus becomes empirically defined as those actors the purchasing agent states that he interacts with in making a particular purchasing decision on a commodity. After this identification, further study of the buying center involves examining the pattern of informal communication among those identified as members by the purchasing agent. Wind indicates that:

Initial experience with this approach suggests that purchasing agents can, in most cases, identify the other organizational members involved in a given purchase decision. There is a high degree of consensus among the responses of purchasing agents and those of other "involved" organizational members. Purchasing agents are considerably less accurate, however, in assessing the degree of involvement and the importance of the various persons involved.²

Thus even where an organization has a purchasing agent, this approach calls for further investigation within the county to obtain an

¹Wind, p. 71.

²Ibid., p. 69.

understanding of its buying centers.

Where there is no such centralization of purchasing responsibility and authority, this approach cannot be used for the identification of the members of the buying centers. Instead of starting with an identification of the members by a purchasing agent, the information necessary to construct the structural representations of the buying centers will be collected through interviews (structured by an interview guide specifying the topics and variables to be covered) with the major actors directly involved in the purchasing process. As suggested by Calder, these are identified in a snowballing procedure (based on contacts with the board of commissioners, elected officers, and other important department heads), where each respondent is asked to name others involved in a particular purchasing phase (based again on buys within each of the three purchasing categories considered above).

The interviewing process cannot be expected to result in a single aggregate picture for each of the purchase types; it can be expected that perceptions will differ.

Different people perceive the processes differently for any one of a number of reasons. . . and may even report the processes in ways which differ from their actual perceptions due to their role position or other factors. Poor recall may account for some differences in perception, but conscious intent can be involved as well.¹

Most inconsistencies can be resolved through the extensive interview of county officials and employees. Others may be handled through the presentation to participants of the resulting structural representations and asking them to comment on the accuracy of the diagrams.

¹Bonoma and Zaltman, p. 28.

The Analysis of the Buying Center Structural Representations

The purchasing literature offers two major categories of explanations for observed performance of purchasing systems: (1) the organizational form, and (2) the performance or non-performance of certain activities. These two categories are actually interrelated, however, in that the organizational form, usually described in terms of command elements, but more realistically including trading materials as well, will directly affect whether certain purchasing activities can occur, who does them, and how effectively they are carried out. Even if certain purchasing activities cannot be commanded, bargaining could still result in their accomplishment. This possibility may be very important in county government, given the limitations of the board of commissioners (and the positions to which they have assigned purchasing responsibility) to exercise command in obtaining the desired behaviors of elected officials and other department heads.

The analysis of the buying center structural representations requires the determination of the goals for the government procurement system and the identification of activities that will affect the achievement of those goals. The implications of the buying center representations for performance can be analyzed in terms of who is engaged in those activities and their degree of accomplishment.

The Goals of a Government Procurement System

Given the nature of county government, multiple goals are being pursued by the various actors: different participants will have different views about possible measures of purchasing performance. The board of commissioners, elected officials, and other important actors would

at first seem to agree on the goal of saving money. They may disagree, however, on how to do it: elected officials and other department heads will typically maintain that centralized purchasing, for example, is not a good way to save money. Each organizational alternative represents a different way that county resources might be combined to achieve the "outputs" of the purchasing function. The department heads would often favor a different combination of resources than the board of commissioners, and both might favor a different combination of resources than might be imposed by the state government. The preferences for particular combinations will reflect underlying priorities attached to other goals. While the board of commissioners may view the purchasing operation as a financial tool, where the elected officials and department heads are concerned, saving money is only one goal among many.¹ This work takes the county board of commissioners as the decision maker of concern; decisions on changes in the overall purchasing system for the county must come from that level. To single out particular performance dimensions for study from the possible multitude of goals requires determining what is expected of the purchasing system by these government officials: what they expect of the system will influence what information they require to make decisions about it.

There are five "rights" around which the goals and objectives of the procurement system can be grouped: (1) the right quantity,

¹The political necessities of re-election will always have high priority. There is also an underlying status conflict, with board suggestions for centralization being taken as implying department heads are not doing a good job of buying. There may be jealousy over administrative prerogatives, with status and privilege as goals of the participants.

(2) the right quality, (3) the right place, (4) the right time, and (5) the right source. These cannot be combined into a single measure: difficulties arise in assessing possible tradeoffs between goals; e.g., to increase performance on the price dimension may require decreased performance along measures of timeliness of service to using departments or relationships with vendors.

The Detroit study has taken the five "rights" and created the following list of general goals for a purchasing and materials management system:

1. To coordinate the purchasing and materials management activities in such a manner as to preserve the Integrity and Honesty of the operation
2. To supply needed materials, supplies, and equipment in a Timely manner
3. To insure maximum economic Utilization of items on hand prior to initiating purchases
4. To purchase in such a manner as to obtain the Optimum Value for purchasing dollar expended
5. To maintain Fair and Equitable Relationships with vendors
6. To Minimize the total Cost of purchasing operations¹

In a nationwide survey, the top management of local governments were asked to rate these goals. It was found that goals (4), (1), and (2), in that order, were given much higher ratings of importance than the other goals. After examination of the survey results, the Detroit study reduced the list of important goals, from management's standpoint, to:

1. Obtain optimum value per dollar expended
2. Make materials available to users when needed
3. Maintain public confidence

¹Detroit study, p. 3-44.

Based upon earlier discussion of the relationships between the important actors in county government, the second goal needs to be expanded to fit the concerns of a county board of commissioners; i.e., to include not just a timely flow of materials to the using departments, but all aspects of the relationships involved and all dimensions of necessary service. The list of goals would then read:

1. Obtain optimum value per dollar expended
2. Meet the service expectations of the using departments
3. Maintain the public confidence

The third goal underlies the design of all public purchasing systems and procedures. The activities the Detroit study sees as falling under this goal are the establishment of uniform policies and the consistent application of these policies. The links between public perceptions and what is actually "produced," however, is an area for separate study, and this goal is given no further explicit consideration in this study.¹ The first goal takes the most important role: the Detroit study survey found higher management's most often stated expectations for a purchasing operation were "to save money for the government" and "to run a clean and honest operation." "Apparently higher management views purchasing as primarily a financial operation and is concerned with how well purchasing handles

¹Maintaining the public confidence in the procurement process is recognized as a necessary goal, but in practice, through lack of dollars if nothing else, smaller governments cannot strive for it in an absolute sense. The environment here has also changed: in a period of apparently general distrust of persons with authority to spend public funds, what does it mean to talk of maintaining the public confidence?

While this goal will be not directly considered in this research, the factors that are examined obviously may affect the achievement of this goal; it is not entirely independent.

the expenditures they process."¹ From the point of view of a county board of commissioners, especially in a time of financial crunches, opportunities under the first goal would provide the motivation for making changes in a procurement system, with the types of changes that can be made subject to the political constraints implied by the second goal.

Performance Outcomes of Buying Center Participation Patterns

The conflicting interests of the actors within county government can to a large extent be predicted from their position within the government structure, as can their probable interests in any particular purchasing situation and the decision criteria they would favor. Given the above goals, these conflicting interests of the actors can be coupled with their participation and decision-making powers within buying centers to consider the likely purchasing performance outcomes. This can be done at two levels: (1) participation of actors in particular phases of the total buying process, and (2) the degrees to which particular purchasing activities related to these goals are accomplished.

The buyphases used within the Webster and Wind model are listed on p. 142. Which actors within the county government participate in or have decision-making power over these phases are assumed important determining factors in overall procurement system performance. The Detroit study also lists eleven primary activities in purchasing that will influence price performance and the other performance dimensions

¹Detroit study, p. 3-36.

related to obtaining optimum value per dollar expended: (1) specification development and review, (2) standardization, (3) value analysis, (4) requirements planning, (5) history records, (6) commodity coding, (7) salvage sales, (8) vendor qualification, (9) bid preparation, vendor selection, and award, (10) market analysis, and (11) management. The execution of most of these activities at a level that would favorably affect purchasing performance would require a spirit of cooperation that rarely exists within county governments, and earlier discussion indicated that they also might rarely occur through the exercise of authority. Again, participation patterns by the various actors within county government will affect the degree to which these activities can be accomplished.

Insofar as saving money is an important goal in county government and that purchasing is recognized as an area where savings might be had, a bargaining model of county government suggests the working hypothesis that the greater the set of trading materials available to a position assigned central purchasing responsibility, the more "successful" that position would be (in relation to the board's goals) in participating in buying centers and obtaining the desired behaviors of other important actors. (Working hypotheses, frequently used in exploratory research, are intended to structure the research and to be modified as research progresses.) This suggests a search for those sets of trading materials that may result in such "success." For example, it might be expected that performance would improve as a position assigned purchasing responsibility by the board of commissioners is assigned additional nonprocurement duties and authorities. Examination of the buying center participation and who is involved to what

degree in the above purchasing activities may offer evidence supporting such a general hypothesis or identify other factors that are more important in determining procurement decision-making outcomes.

Study Limitations

Because this is an exploratory study where the counties are few and purposively chosen, the results cannot be considered to be strictly representative of the target population. The data are analyzed qualitatively, with the intention of making inferences about the existence of certain characteristic properties. In this case, the general goal is to determine if there are identifiable categories of procurement decision making; i.e., can county governments be classified on the basis of the kind of buying centers they have? The results, as will be discussed below, indicate that despite differences in formal organizational structure for procurement within county governments, patterns of buying center participation for similar kinds of purchase situations may not be very different.

Because of the exploratory nature of this work, the results are limited in many respects. The results do, however, provide some insight into the general nature of the relationships within small and medium size county governments. Insofar as the relationships among the actors are seen as common among county governments (i.e., the situations in the counties are seen as composed of similar variables), there may be some general applicability of these findings.

The exchange framework approach taken also has its limitations. Organizational buying behavior is very complex, and there are a large

number of behavioral science and management science theories that could be used in its examination. It cannot be expected that a conceptual framework based on the importance of intraorganizational exchange relationships can provide a complete picture of the buying process in county government.

Since the introduction of the exchange approach to analysis of interorganizational relations, there has been continuous debate over its utility. Much of this debate arises due to a failure to understand the scope conditions of this theory. No single theoretical perspective will enable us to explain everything about organizational interaction.¹

The examination of county government purchasing processes could, for example, have utilized models such as consensus theory, game theory, the behavioral model of communication, or a homeostasis model (i.e., looking at the maintenance of congruency of relations under changing conditions). An exchange approach is taken because it focuses explicitly upon power processes, which are fundamental for an understanding of county government operations.

¹Cook, p. 61.

CHAPTER VIII

THE BUYING CENTERS IN THE STUDY COUNTIES

Introduction

This chapter examines participation patterns and the roles played by various actors within the buying centers found in the study counties. Before turning to the examination of the buying centers, three areas must be reviewed to increase understanding of the following discussions: the claims approval procedure in county government, the nature of the decisional processes within the county board of commissioners, and the roles within the buying center identified by Webster and Wind. In addition, a procurement decision participation base common to all boards of commissioners through the county budgeting processes is examined.

By law, no warrant may be issued in payment for a purchase without the formal approval of the board of commissioners. The signatures of both the county clerk and the county treasurer appear on the warrant, but these signatures are essentially as witnesses to the order of the board to prepare the warrant.¹ The formal approval

¹Although there are legal differences between the two, for the purposes here a warrant can be considered a check written in payment for a purchase.

The process described here will not apply to some of the more independent county subunits. It does not cover, for example, the non-general fund agencies like the county road commission. Also excluded are some agencies like county hospitals that receive lump-sum appropriations from the county board and are able to issue their own

process begins with the clerk; all invoices for purchases are sent to this office, either by the departments, by a central purchasing position, or by the vendors, depending upon (or in spite of) a specified paperwork flow procedure. The clerk has the responsibility of assembling this material into the format required by the board of commissioners for its examination: this is called "preparing the list of claims." In some cases, this list is first examined in detail by a committee of the board, but the recommendations of the committee are often routinely accepted when the list is sent on to the board for formal approval. This formal approval step is the last point at which the board is assured of being involved in purchasing decisions. (The first is in budget formulation and adoption; the second may be in a required committee approval process before large expenditures.)

checks. Procedures may also differ where there is a statutory finance committee or the board of auditors option is used.

What the law says and what is done in county government are often very different. Although the signature of both the clerk and the treasurer may appear on the warrant, a signature machine is often used because of the volume of warrants. The usual situation is for each official to retain his own signature block for use in the machine; i.e., this is a "checks and balances" fixture, preventing one officer from issuing valid warrants without the knowledge of the other. In a county of similar size to the study counties, however, the signatures of both officers were combined into a single signature block, kept along with the signature machine in the clerk's office. In this case the treasurer was often not finding out about warrants issued (containing his signature) until they had been paid out and returned to the county. This situation made it very difficult for him to plan and execute a tight financial investment plan for county monies; where investments of large sums of money can be made on a day to day basis, it is necessary to know in advance about warrants issued in order to have sufficient funds to cover them in the proper bank accounts at the right time. How such situations can occur and remain will become clear in the following discussions; this situation illustrates, however, that what the statutes say cannot be relied upon as a description of what actually happens in county government. In practice, the law often becomes very "stretched."

This nominal power represents a command element, a final veto power; it will be seen that in practice it is also a power that is difficult to exercise.

One of the difficulties in exercising the command powers at this and other points stems from the group nature of the decision making by a board of commissioners. While for the sake of easy exposition the term "board of commissioners" is used below as though it were a single decision maker, it must always be remembered that decisions on taking actions are often not unanimous. The board may not always be presenting a solid front to the departments. Thus given the same potential trading materials, the awareness of them and the willingness to make use of them may vary considerably from county to county. This also means that where there is functional overlap between board committees, contradictory decisions affecting procurement can be made within a county. Election turnover in membership can mean drastic changes in the decision-making character of a board.

Because of their importance in the following discussions, roles within buying centers are reviewed. Within any buying center, more than one actor may play any particular role, and any actor may play more than one role. All members of the buying center may be seen as influencers.

1. Users: The final users of the purchased products or services. They usually initiate the buying process and may have influence in setting specifications and other purchase requirements. The users for a single purchase may be spread across many departments, such as in computer hardware and software buys.
2. Influencers: These are the individuals identified as directly or indirectly influencing the buying decisions. "Typically, they exert their influence either by defining criteria which

constrain the choices that can be considered in the purchase decision or by providing information with which to evaluate alternative buying actions." In a producing enterprise, persons with specific technical knowledge are particularly important in influencing the decisions of buyers who lack detailed expertise in the area. For counties, this may be particularly true for computer, law enforcement, and medical equipment.

3. Buyers: The buyer has been assigned the formal authority for selecting the supplier and arranging the terms of purchase. Typically this position would be called the purchasing agent. "Although the buyer may have formal authority for negotiating with suppliers and for committing the organization to supply contracts, the choices available to him may be significantly limited by the formal and informal influences of others. For example, technical personnel may have authority for establishing specifications and may do so in a manner which forces the buyer to deal with a particular supplier."
4. Deciders: "Deciders are those members of the organization who have either formal or informal power to determine the final selection of suppliers. The buyer may be the decider, but it is also possible that the buying decision actually will be made by somebody else and left to the buyer for implementation."
5. Gatekeepers: These actors control the flow of information into the buying center. In this model, they are seen as having most influence in defining the feasible set of buying alternatives. An example would be the purchasing agent who can control access to departments by vendors. Gatekeepers can, in effect, become the decision makers by allowing more of the favorable information from a bidder flow to formal decision makers; gatekeepers may not always be aware they are performing this function.¹

All boards of commissioners share a common base of participation in procurement decision making: decision making on purchasing starts with the county budgeting process. This is because purchasing is a part of the operationalization of the policy decisions made in that resource allocation process. The total budget size, restricted by available and anticipated revenues, places the initial limits on the abilities of the actors to obtain what they want for their departments

¹Webster and Wind.

and programs. The allocation decisions of the board, within that total budget size, are based in part upon the departments' proposed expenditure plans. At this point, the board of commissioners plays an initial decider role: when a dollar amount is allocated to a particular line-item, limits are implicitly placed on the specifications for items to be purchased under that account. (A budget allocation may allow only the purchase of an item of medium quality or may not allow the purchase of certain optional equipment.) In purchasing terminology, these allocation decisions may be seen as the results of a value analysis. (Value analysis refers to the critical examination of actual requirements for a commodity versus what has been requested or used in the past. It is a matter of the suitability of a commodity for its intended use.) This is, however, a political value analysis. It is well recognized in the literature on government budgeting that in departmental requests it is not only a matter of what has been requested, but also of who has requested it; e.g., is the department head viewed by the commissioners as a "budget padder?" The actual limits implicitly or explicitly imposed on further procurement decisions varies, depending upon how much detail about proposed expenditures or specific purchases are considered in the development of the budget. This level of board participation would encompass the activity of the identification of need, in effect jointly determined by the departments and the board. The decisions made in the preparation and adoption of the budget, however, are not necessarily final. Committee or board approval procedures required before the actual purchase of large value budgeted items can change the results, as can the board's ability to approve unbudgeted purchases and to make

changes in budget allocation between departments or among line-items within departments during budget execution. Thus the identification of need may be divided into two parts for any particular purchase: one part that could be said to be prior to the actual purchasing process, and one that is part of the buying center participation occurring after the initiation of the purchasing process by a department.

(This level of board participation in the identification of need is shown in some of the diagrams of buying center participation in the following sections of this chapter; it is assumed in all of them. In addition, the role of influencer will not always be shown explicitly in the diagrams; all participants within the buying center can be considered to be influencers. Omission of these commonalities allows using simpler representations.)

Diagrams of buying center participation for the counties will appear extremely simple compared to the example given by Calder in Chapter VII. His diagram was for an organization having a multi-person purchasing department where the seller may be interested in the necessity of contacting directly more than one member of that staff. (Again, the buying center concept was developed as a tool to aid in marketing decisions, not in the design of purchasing function organization.) Note, for example, that in Calder's example the head of the printing department is the only person outside of the purchasing department involved in the buying center for office products. For the questions in this research, the buying centers within each department are usually of little concern; if the persons involved were reduced to the purchasing agent and the head of the printing department, the diagram

would appear much less complex.¹ The diagrams used here contain three levels: the top level identifies the major buying center participants, e.g., the board of commissioners, the purchasing agent, the department; the middle level contains the buying center roles identified by Webster and Wind; and the lower level contains purchasing tasks and activities. The latter are listed as stages of the purchasing process: identification of needs, establishing specifications, scheduling purchases, identifying purchasing alternatives, evaluating alternative buying actions, and selecting the supplier.

Lapeer County

Description of Current Purchasing Operations

Lapeer County handles purchasing in the traditional small county way: the procurement decisions are made almost entirely within the individual departments. This is the base that most smaller counties would start from in making changes in their procurement systems.

As is the case for almost all small county governments, there are no written purchasing policies and procedures for the county as a whole. The only formal written purchasing policy of the board of commissioners calls for departments to obtain the Finance Committee's approval prior to any purchase over \$500 in value, even if it is a budgeted purchase. (This level has changed over the years; it was as low as \$100.) The

¹There is no doubt that in large county governments with large purchasing departments (where, for example, different persons could be assigned particular purchasing tasks), buying center participation within the purchasing and other departments would need to be examined. For smaller counties, however, such large purchasing departments are an unlikely alternative, and purchasing center participation within large departments (such as the Sheriff's Department) are unlikely to have any effects on the ability of the board to participate in decisions.

Finance Committee (non-statutory) may opt to take the decision for approval of such purchases before the whole board, but five of the seven commissioners are on this committee. After such approval, there are no special provisions as to how the departments will make the purchase; the departments are trusted to obtain the best product at the best price. Although a number of department heads indicated they believed there was a local preference policy for purchasing, no written record of such a policy could be located.¹

Except for this one stipulation, the county departments are free in determining their own purchasing policies and procedures. In almost all cases, there is no oversight from the Board of Commissioners. The extent and sophistication of departmental purchasing policies and practices is highly varied. The following examples demonstrate this range. The County Health Care Facility and the County Hospital have in-house purchasing expertise; both have their own purchasing agent.² There are explicit internal purchasing procedures with the use of

¹In discussing this with county commissioners individually, some said there was such a policy, others said there was not. Local preference policies generally stipulate that wherever possible, purchases are to be made from vendors within the county. When made explicit, local vendors will usually have a percentage deducted from their actual bids when comparisons are made to the quotes of outside sources. Local preference policies are very common among smaller units of government. For obvious reasons, such practices are generally condemned in the prescriptions of the purchasing literature; local preferences are thus usually an unwritten policy, enforced through the "strong suggestions" of the board of commissioners. Similar unwritten policies often exist for brand preferences; for example, the board may strongly suggest that all typewriters purchased be IBMs. The Lapeer County Sheriff's Department has switched to buying primarily outside of the county; the Under-Sheriff indicated he has received some indications that they will be challenged on this.

²These units are relatively independent of board control. Each keeps its own bills and writes its own checks. No records of purchases come to the Clerk's Office.

standardized purchase order and other forms. There is limited use of local vendors, with the majority of purchases made under contracts established by a hospital cooperative purchasing association. Inventories are explicitly planned, with manual systems for keeping track of stores, including the specification of automatic reordering points. The Parks, Recreation, and Conservation Director has had extensive experience in purchasing within a large organization and has developed his own requisition forms, purchase orders, and vouchers, allowing strict control of purchasing within his department.¹ The Health Department is tied into central purchasing at the State Health Department level. The Sheriff's Department is making extensive use of state purchasing programs and is in the process of developing its own internal paperwork flow and procedures for purchasing. The Cooperative Extension Service does make one large annual purchase of paper products, covering their major paper needs for the year; the purchase involves a search for prices rather than a bidding process. The head of the Buildings and Grounds Department does not have a formal purchasing system, but over the years has developed a very extensive network of informants that keep him abreast of the markets for particular materials and of special opportunities; many purchases are made from vendors outside the local area. Most of the remaining county departments, however, buy only on

¹When his forms were first submitted to the Audit Committee for payment of claims, the Board of Commissioners reacted negatively and called in a state audit of his department. When the audit conclusions stated that he was years ahead of the rest of the county, the Board paid him a few public compliments and then generally ignored him; he says "They now let me do what I want to do." They have refused to consider his paperwork flow system for use in the rest of the county, although he obviously has the necessary purchasing expertise.

the basis of immediate need, from local vendors, under unwritten rules, and with little or no forward planning; there are no contracts based on annual volumes and almost all purchases are spot buys.¹ The County Clerk's Office is typical. There are no departmental policies covering procurement. Most office supplies are purchased from one company, and there is no bidding or estimation of yearly quantities; prices are determined on the basis of each individual buy. When equipment purchases are made, such as adding machines, informal bids are taken, but they are not open; the Clerk contacts the vendors she wants to bid. Receiving and inspection are informal, done by whoever is at the desk at the time the goods arrive.

There have been virtually no attempts at group purchasing among the departments; i.e., there has been little effort at getting together to consolidate their common needs into larger orders. Some attempts have been initiated by the Commission on Aging, the Veterans Affairs Department, and the Parks, Recreation, and Conservation Department. There has been no cooperative purchasing with the City of Lapeer. Of the general fund departments, only the Sheriff's

¹A local office supply firm has in effect acted as a central storehouse for office supplies for the county, although it has been dealing individually with the departments. All departments now have charge accounts with the company and are given a ten percent discount from retail prices. This small discount from already high prices (through a lack of local competition) is the price paid for the convenience of making quick local purchases. Department heads acknowledge that it is expensive. With recent discussions of the centralized purchase of office supplies within the county, this firm has apparently recognized that, given its prices, its volume of business with the county is in jeopardy. The owner of the firm has thus offered to set up an organized program of central supply for the county as a whole. The county would give an order at the beginning of the year; the company would store the materials, guarantee the prices, and would do much of the bookkeeping.

Department has made much use of any of the state purchasing programs open to county participation. The Board of Commissioners is making direct purchases of paper for the copying machines and charging it back against the departments. There is no other central inventory of supplies. The departments also control almost all decision making on contractual services. The only evidence of Board control has been their decision that there would be no service contracts on typewriters. On other pieces of equipment, the departments make their own decisions on contracts.

Central records are minimal: a copy of the invoice is supposed to be attached to the Clerk's Office copy of the warrant issued to the vendor and then filed by warrant number. There are no other records of the commodities actually purchased, and these often contain incomplete descriptions or lack other information. There is no way of obtaining information for the consolidation of common needs in order to plan county-wide purchases, and there is no formal way of assuring that bills have not been paid twice.¹ No records are kept on vendor performance.

There are no standardized purchasing forms for use across the county, and there is no way of encumbering accounts once a commitment to buy has been made. A three member Audit Committee meets every two weeks to informally approve expenditures. The full board is rarely involved in the detailed examination of purchases; it relies upon the

¹All invoices from departments go to the County Clerk's Office, which prepares the list of claims. The Deputy Clerk stated that after a person has worked with these bills for a while, some of them "just don't look right." This is the only way that double payments on invoices are sometimes caught.

committee recommendations and makes a show of formal approval of expenditures once a month. The departments send a face sheet (showing accounts to be charged, vendors, and amounts) attached to their invoices to the County Clerk every two weeks; the Clerk prepares a list of claims for submittal to the Audit Committee. The Audit Committee does not check on the availability of funds under particular line items at the time of the approval of expenditures; the departments are trusted not to overspend on their line items. The committee instead checks for an "acceptable invoice."¹ (The only other control involves inventory tags. Each item with a value over twenty-five dollars is to be tagged and listed by the department through the Board of Commissioners' Secretary. If the invoice goes to the Audit Committee and there is no inventory tag number attached, the bill will not be paid.)

The idea of centralized purchasing has been discussed on and off again within the county for almost ten years. Formal recommendations for centralized purchasing go back to 1972 in the conclusions of an audit of the county. In mid-1980, the board took some initial action to actually implement centralized purchasing of office supplies and equipment, assigning responsibility for maintaining an inventory at the courthouse to the Buildings and Grounds Department. Each department

¹The behavior of the Board committee in not checking on the availability of funds for purchases appears to be irrational to the department heads in light of the Board's position in checking on claimed sick days on payroll. Department heads turn in signed employee time sheets, yet the Board has pressured the County Clerk to call each department head to confirm the sick days report. The County Clerk indicated that there were department heads the Board could not trust, but she asks why the Board should choose to check on them in employee matters but not in purchasing?

has been requested to send to the Board Secretary a list of materials needed for the coming year's operation. At this point, however, nothing has been done with the received requests; although the assignment of responsibility has been made, no money has yet been allocated to the project. A special committee of the board has been formed to investigate centralized purchasing, and discussions are continuing.¹ In discussions with department heads, none voiced any opposition to the general concept of centralized purchasing. For example, a circuit court judge said he had advocated it for years. The County Clerk supported it and talked of the need for more sophisticated administrative techniques because the county was getting "big." The Treasurer indicated general support for the idea. According to the Board of Commissioners' Secretary, all of the elected officials had voiced some approval of the idea of the centralized purchasing and inventory of office supplies.² As could be expected, however, when the details of various purchasing alternatives were presented to department heads, every one voiced major objections and indicated areas where their departments would need special services or would need to be exempted.

¹The general reaction of department heads has been a lack of enthusiasm, not because of a general opposition to the concept of centralized purchasing of office supplies, but because of a feeling of "here we go again." (The Parks, Recreation, and Conservation Director thinks the Board uses this topic as an election tool; it only seems to come up in election years, with nothing done about it in between. The County Clerk sees it as a Board plot to appoint a purchasing agent with the intention of seeing how they like him; if they did, they would keep increasing his duties and responsibilities to turn him into a county administrator "through the back door.")

²The only exception I found in talking with department heads was the Register of Deeds. She was against central purchasing in any form, although she felt that "It may be OK for some other departments."

Buying Center Participation

This background sets the stage for current participation in buying centers. Almost all procurement decision making is restricted to inside the individual departments. (As indicated above, the purchasing procedures within the individual departments are highly varied, and although for the smaller departments all purchasing decision making may be done by the department head, in the larger departments buying centers could be identified. The concern here, however, is with the ability of the Board of Commissioners, or a position assigned purchasing authority and responsibility by the Board, to play important procurement decision making roles. Therefore, procurement decision making within the departments is not directly considered.) The Board could be said to participate in the buying centers in an after-the-fact fashion through the formal process of approving the list of claims. The control of purchasing is primarily budgetary: once a line-item is approved in the budgeting process, the departments can buy without any further approval or interference, as long as the purchase is under five hundred dollars. According to the Board of Commissioners' Secretary, the Board has found it hard to turn down any request for a purchase once an item or a line-item is in the budget. (This was described in terms of a "mind set" of the Board.) In practice, then, very few claims from departments have been rejected, with most being very minor.¹

¹For example, the Parks, Recreation, and Conservation Director often gets questions from the Audit Committee, apparently due to a personality conflict with one of the commissioners, although none of his claims has actually been rejected. The Mental Health Department indicated that the Audit Committee was sometimes "very sticky" in approving their

Because of the high five hundred dollar value specified as requiring Board committee approval before purchase of a budgeted item, many new task type purchases also fall entirely under departmental decision-making control. (This would include such items as adding machines, radio equipment, tires, a washing machine, and some courtroom fixtures.) The five hundred dollar limit specifies when the Board is able to participate in a buying center prior to an actual purchase. Actual participation, and the roles played, however, are more limited than this rule might imply. The breaking down of large purchases into a number of smaller ones in order to avoid higher level involvement in purchasing decisions is a well recognized phenomenon in the purchasing literature. Employees in the Clerk's Office, who prepare the list of claims for submittal to the Audit Committee, indicate that this has often been the practice of particular departments. The Board of Commissioners' Secretary also confirms this, so the Board is not unaware of this practice. For example, when the Parks, Recreation, and Conservation Director contacted a commissioner indicating an urgent need for some items that totaled over the five

purchases. A claim for coffee filters for the Veterans Affairs Department was refused. (The refusal was made on the grounds that the county should not be subsidizing the coffee breaks of employees. Other departments, however, have made such purchases. Board members indicated their displeasure with the Veterans Affairs Director, saying that he has not been doing what policy calls for him to do. The Director has told the Board that he wants to be the county's personnel director. The County Clerk indicated that this is why the Board has been reacting negatively to any suggestions of creating a position with that name.) The Board also rejected a very large purchase of ball-point pens by the Equalization Director; the buy was described as large enough to supply the county with pens for fifteen years. The Equalization Director was accused of making that size of a purchase in order to get a personal premium offered by the vendor; the Director lost his job over this buy. Such refusals by the Board to approve claims are so rare that they make for major gossip within the county; everybody I talked with knew all the details.

hundred dollar level, the commissioner encouraged him to split up the purchase to avoid the time constraint of obtaining Board approval.

The Board's record of participation in large value procurement decisions reveals that in practice they generally have played a very limited role. The present Board as a group appears to recognize some of the political limitations it faces even where its authority at first appears to be very clear, having learned through experience. For example, the County Clerk indicated that the Board of Commissioners had fought with the County Road Commission, the Mental Health Department, and the County Health Department over the control of finances, including purchasing. There was an initial lack of recognition of boundaries and the ties to the state level that these organizations have; the Board achieved none of its goals with respect to these units and have left an organizational climate of conflict and distrust. The courts have also reacted negatively in response to the Board's efforts at purchasing control. Even during the time period when a commissioner was married to one of the judges, relationships between the courts and the Board have generally been described as poor. For example, the District Court Judge was told by the Board that he could not have more staff people and some particular pieces of equipment. (The Board also sent back materials the District Court had already purchased and received.) As a response, the judge then severely reduced the assessment of court costs associated with cases, the money that would go directly to the county government. The Board ended up giving him what he wanted.

The purchase of vehicles is one area where the Board insists on

being involved; they require formal bids submitted to the appropriate Board committee, which will open them and make the final award decision. While making the decision in name, however, the Board does not actually have the final decision-making authority with respect to elected officials. For example, for the Prosecuting Attorney's latest purchase of an automobile, there were five bids; normally, the award would be made to the lowest bidder unless a good reason could be demonstrated for not doing so. In this case, the award was not made to the lowest bidder: the Board of Commissioners' Secretary indicated that "The Prosecutor got what he wanted." The Sheriff's Department, the largest purchaser of vehicles, also appears to have final decision-making power despite the nominal involvement of the Board. The Sheriff sets the specifications, and they are not changed by the Board. At the opening of the bids, there was only one commissioner present; the decision had been predetermined. The Board has apparently become aware of the political power of this office and has made little effort to enter into the department's procurement decisions, despite their general perception of the Sheriff's Department as a "dollar waster."¹

¹A new Sheriff took office after the 1980 election. Although he has one strong supporter on the Board, the County Clerk said that the Board has "picked on him" from the start of his term, but they have made no move to challenge his purchasing decisions. The Sheriff and Undersheriff are making substantial changes in the way procurement is handled in this department. In the past, anyone within the organization could make a direct purchase when they recognized a need. Now there is an internal purchase order system, a complete inventory of property, extensive use of state programs available to counties, attempts at consolidating needs in order to obtain yearly needs in one buy, attempts to develop good written purchase specifications, investigation of the possibilities for food purchase with other county units, and even some formal performance analyses. There has been a problem in the lack of storage space, but their major handicap is perceived as a lack of a data base of past purchases so that they can determine what volumes should be purchased. The Sheriff and Undersheriff perceive themselves as

In general, even where the purchase value is over five hundred dollars, the elected officials essentially retain all control of procurement decision making. The Board of Commissioners is nominally involved, in appearance taking the role of buyer within the Webster and Wind model, but the departments retain the actual roles of buyer and decider. (The Board does play the role of decider in most of the large purchases of departments where the Board appointed the department head. An exception, however, is noted below.) The power of the elected officials is revealed by the Deputy Clerk, who indicated that they do not always go to the Board prior to making purchases above that five hundred dollar level.

Only one exception to this freedom of control in procurement decision making by elected officials was found, and this appears to involve special circumstances. The item of controversy is a word processor for the Drain Commissioner's Office, but this department's running conflict with the Board of Commissioners started much earlier, and it is reflected in the non-payment of travel expenses for attendance of a convention. (It is common practice in county government to allow a line-item for dues and conventions for elected officials.) In the blank on the travel expense voucher submitted to the Board for payment approval where the official is to explain what the Board of Commissioners could expect to gain from his attendance at the meetings, the Drain Commissioner wrote an honest but not very politically astute

"dollar savers" through their approach to purchasing. This difference in perception from the Board of Commissioners has lead to an underlying animosity; the Sheriff and Undersheriff are quick to cite laws which limit the ability of the Board to interfere with the internal operations of the department.

"Not a damn thing." The Board refused to authorize payment. The current controversy arises from the Board's refusal to increase the staff of the department, which the Drain Commissioner insisted was necessary to complete all the paperwork required by a large federal grant. The Drain Commissioner decided to purchase a word processor in order to increase the productivity of his present staff. Although the Board refused to authorize the purchase, the Drain Commissioner ordered the word processor. One of the commissioners personally contacted the company involved, indicating that the order would not be paid because the Drain Commissioner did not have the authority to make a buy in the name of the county government. The Drain Commissioner replied to this with a letter to the Chairman of the Finance Committee explaining his actions and containing the following statements revealing the state of the relationships between the parties:

First, I would like to address a few comments about "attitude" to you so you can relay such information to your fellow commissioners. I have addressed many written communications to you and Mrs. Gail Potter relating to the needs of this department in the last eight month period. I have been totally ignored. When one branch of government fails to act and live up to their responsibilities a power vacuum is created. My attitude is simply this; "If the Lapeer County Board of Commissioners does not wish to communicate or act in a responsible manner in its relationship with the Lapeer County Drain Commissioner, then the drain commissioner will act unilaterally. When conflict arrives there is always the third branch of government ready to step in and resolve the problem."¹

¹Undated letter from David Birkle, Drain Commissioner, to Paul Hoisington, Chairman of the Finance Committee. The Drain Commissioner contends he does not actually have to have Board approval to make such a purchase but instead could use monies from the county's revolving drain fund or funds from particular sewer projects. Both of these actions are questionable: the revolving drain fund is actually a part of the county's general fund, is reported as such, and comes under the Board's control in the approval of expenditures; the monies probably

In other counties, the Drain Commissioner would likely receive the support of the other elected officials and would eventually get what he wanted, but in this case the Drain Commissioner had also acted to alienate them. For example, he initiated a lawsuit against the County Treasurer concerning the deposit of monies from the Drain Commissioner's Office and how the interest on those monies was credited. The Drain Commissioner did get delivery of the word processor and has submitted a voucher. At this writing, the voucher is sitting on the County Clerk's desk; she is not sure what she is going to do with it. The general consensus within the county is that the Drain Commissioner will lose in this conflict. The background of this purchase, however, indicates that this is a special circumstance and does not reflect the usual patterns of participation in, and roles played within, buying centers.¹

The purchase of computer hardware and software in Lapeer County reveals an instance where the Board may play a very minor role in procurement decision making even where they are dealing with a Board-appointed department head. In this case, the head of the Data Processing Department held the technical expertise to play the roles of user, influencer, gatekeeper, and the final role of decider, while the Board

could not come from an established sewer project, for in order for such an expenditure to come out of maintenance for a project, it would have to have been included in the plan from the outset.

¹For example, note again the Deputy Clerk indicated that the elected officials do not always contact the Board for approval of purchases over the five hundred dollar level; there has rarely been any problems with post-approvals. This example of the Drain Commissioner does not actually reflect participation in buying centers in the usual sense: it was a conflict over whether to buy or not buy a particular item. It was not a matter of who participates in setting specifications, selects vendors, or other buying activities.

played the nominal role of buyer. Despite the influencer roles of other department heads disappointed with his past performance, the control of technical information (and through the critical role as gatekeeper) would likely have given the Data Processing Director the ability to direct a large expenditure on a new computer and related software, just as he had been able to control incremental additions to the present system in the past.¹

With a procurement operation of the traditional type, the Lapeer County Board of Commissioners plays very minor roles in the buying centers once the basic decisions have been made in the annual budget preparation process. For straight rebuys, modified rebuys, and new task purchases under the five hundred dollar level, which together will account for almost all of the purchasing actions, the Board plays no role, with the buying centers restricted to inside the individual departments. In the case of elected officials for purchases over the five hundred dollar level, the Board might be seen as playing a nominal decider role, but in actual practice the decider role is almost always played by the elected officials. For the departments where the director is appointed by the Board, the Board will still rarely play any of the roles described in the Webster and Wind model even for large value purchases; i.e., the Board gives formal approval for purchases, but normally will not place any restrictions on the purchase methods to be used by the department after such approval.

¹In this case of buying a new system, the Cooperative Extension Service interfered with his usual roles by providing the Board of Commissioners with information on other data processing alternatives. Present fiscal difficulties have prevented the Board from taking any actual action.

For most practical purchases, the participation of the Board of Commissioners is limited in procurement decisions to the budget formulation process. Figure 4 illustrates buying center participation in Lapeer County.

For straight rebuys, modified rebuys, and new task purchases under the five hundred dollar level, the Board of Commissioners plays almost no role in procurement decision making. In the diagram, it is shown connected to the purchasing process by dashed lines, with its role as influencer and its participation in the task of the identification of need generally restricted to the county budgeting process. The above discussion indicated that although the Audit Committee has the nominal authority to question purchases after they are made, in practice almost no purchases are refused payment, except under exceptional circumstances. It is again a matter of a buy/no buy choice, not participation in the process of procurement.

In practice, the same diagram will apply to purchases over the five hundred dollar level where elected officials are involved (with the exception of the current situation with the Drain Commissioner). Even where the board may nominally stipulate the purchasing procedures to be used (such as a minimum of three bids or quotes), the elected department heads function as the actual deciders, in practice choosing the product and the supplier despite the outcomes of any bidding process.

The diagram will also apply to large purchases by appointed department heads. They may appear to be under more direct control of their appropriate committees, but the usual stipulation on purchases over five hundred dollars has been to obtain some minimum number of

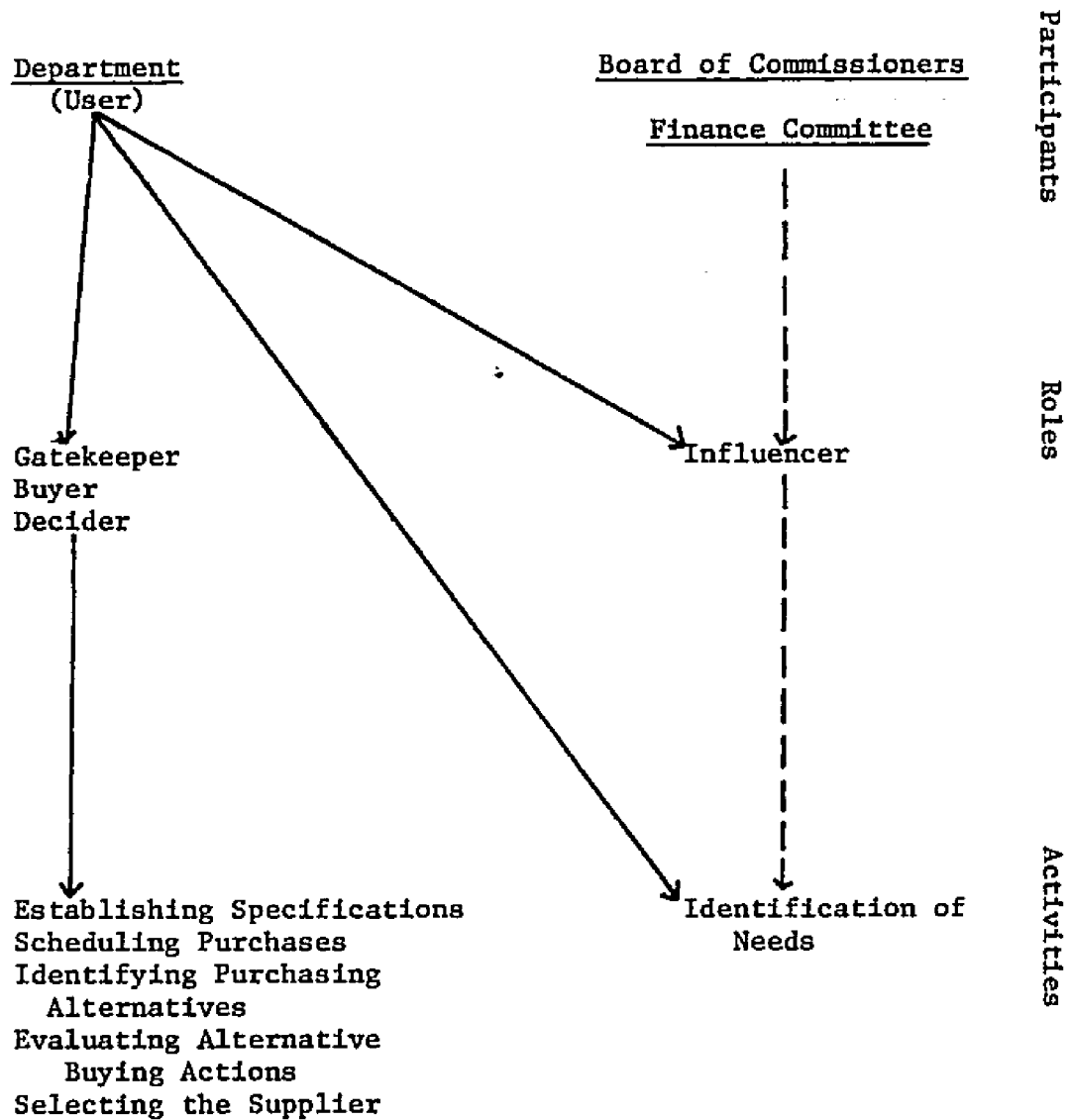


Figure 4. Buying Center Participation in Lapeer County

quotes.. (I.e., the committee is attempting to participate in the activities of evaluating alternative buying actions and selecting the supplier.) With some market knowledge, however, it is possible to obtain quotes from a chosen set of vendors that will result in the award being made to the desired product/vendor combination. Thus the department acts as the true decider.

Only two large, new task purchases were identified where the users were in more than one department and where the Board of Commissioners would have played different roles than reflected in the above diagram: the actual and proposed purchases of computer hardware and software covered above, and the purchase of copying machines. The two copying machines purchased represent the only cases where the Board of Commissioners actually played additional roles; in fact, the positions of the departments and the Board in the above diagram are reversed. Copiers are shared by two or more departments; the departments, of course, acted as influencers, but the Board dealt with the vendors, determined and evaluated the alternatives, and made the final choice of machine and vendor. The Board's authority to do so, however, was unambiguous: all the departments affected by these purchases had appointed department heads.

Van Buren County

Description of Current Purchasing Operations

Van Buren County's purchasing system is unique among Michigan counties in using a Purchasing Committee, composed of three members of the Board of Commissioners, that not only has nominal oversight authority for county purchasing under the general fund, but also participates directly in making purchases. Although the ability of

this committee to take important roles in buying centers at first might appear extensive, it will be seen that in practice its decision-making powers are limited in specific areas.

Written county purchasing policies and procedures are few and lack detail; they are printed in each year's budget book as a guide to departments. One formal Board resolution covering purchasing; it is as follows:

Be it resolved that the Purchasing Committee be empowered to purchase any item requisitioned by a department head up to \$300.00 without an approval of the board provided said item has been budgeted. Any other purchases budgeted or otherwise shall have the approval of the majority vote of the Board of Commissioners at a regular session of the board.

Further, the following purchasing procedures be followed:

1. All purchases will be covered by a purchase order and must have requisition approved.
2. Services and miscellaneous purchases will be covered by blanket purchase order numbers issued annually to regular suppliers by the Purchasing Committee.

In addition to this formal resolution, the budget book also contains the following "guidelines":

Perhaps the following guidelines should help:

1. As a general rule, try to anticipate your needs far enough in advance so your requests can be routed through the Purchasing Committee; Purchase Orders should accompany all purchase requests prior to being placed with a supplier.
2. If a purchase is included within you 1981 budget (as finalized) please so indicate on your request to the Purchasing Committee by writing "budgeted purchase" on it.
3. In an emergency, check first with the Chairman of the Purchasing Committee or the Chairman of the appropriate commissioner committee for authorization prior to placing an order.
4. Purchases made without the above authorization shall be the sole responsibility of the individual placing the unauthorized order.
5. The Purchasing Committee meets the Friday following a commissioner meeting on the second Tuesday of each month.

The vast majority of our department heads and county employees already observe these guidelines and have extended excellent cooperation in the past, but it is imperative that all would-be purchasers observe them scrupulously. We enjoy an excellent working relationship in our county; let's try to strengthen it in the future.

Although the policy resolution identifies the Board's nominal command power in the purchasing area, this guideline material, particularly the concluding paragraph, suggests that it has not been able to exercise it in practice. Following discussions will confirm this.

There is no formal local preference policy in purchasing, but the members of the Purchasing Committee said that purchases are made within the state if at all possible. A few of the department heads, both elected and appointed, shared the perception, however, that the Purchasing Committee was politically motivated in making award decisions and indeed did favor local businessmen.¹

The purchasing operation nominally is to work in the following ways. All purchases, with the exception of open purchase orders with

¹In small counties, local businessmen often have considerable political clout; there are also often close friendships between local businessmen and members of the board. In addition to their general interests in obtaining county government business, local vendors also have an interest in interacting directly with department heads and persons within the departments who will actually use their products: the buying center concept tells them to actively try to change buying center participation within the county. ("It is often possible for the marketer to influence the composition of the buying center, and it may be to his advantage to do so. For example, the true benefits of a product may be discernible only to those who actually use a product. An automatic typewriter may offer benefits that only a secretary can truly understand although the buyer may be frightened by the high costs involved and unable to understand the value offered by the product in use. The seller is always well advised to make sure via his promotional strategy that those who stand to benefit most from using the product are actively involved in the buying center." (Webster and Wind, p. 67.) Remember the buying center concept and the literature on organizational buying behavior were developed for use in marketing.) They would typically oppose a centralized purchasing operation where their contacts with the county might be primarily limited to the purchasing agent position. There is the potential for the elected officials and other department heads to utilize the political power of these local businessmen in opposition to board moves to centralize purchasing.

a few local businessmen, are to go through the Purchasing Committee for action. (The Purchasing Committee does not handle service contracts; negotiation and contract writing are done by the Board committee directly involved with a particular department or function.) There is no specified dollar amount below which the departments may purchase without first going through the formal committee process.¹ To initiate a purchasing action, a department must submit a purchase requisition to the County Clerk's Office by a specified date before a Purchasing Committee award meeting. The requisitions are publicly posted, and copies may be mailed to salesmen who regularly bid on particular types of county business and to others who request them. In some cases, the departments may obtain quotes for an item, and these are attached to the requisition along with a suggested vendor; the Purchasing Committee, however, is not bound to make the award to the suggested vendor and may obtain its own bids.² In the area of office supplies and equipment, for example, the committee does much of the actual mechanics of purchasing. In response to the requisitions posted with the County Clerk, a number of office supply salesmen who

¹In the past, various dollar amounts have been set below which departments could simply select a vendor, make a purchase, and then submit an invoice. This had been set as high as \$550, the price of a good office typewriter at that time. This level was set at \$100 for many years. At this time, however, all purchases are to go through the committee. The basic system has been in use for as long as anyone now working in the county government can remember; a number of department heads commented that they had never seen the purchasing operation this "tight" before.

²Bids are taken by the Purchasing Committee to cover a requisition as a whole. The committee will not consider making awards for parts of a single requisition where a number of items may be listed. This ability to set the bidding agenda may give departments an implicit way of selecting a desired product/vendor combination.

regularly bid on county business will bring their written bids in person to the award meeting of the Purchasing Committee. At the meeting they are opened along with any mail-in bids, and the awards are made. (Typically, three to four salesmen will attend the meetings.) Where there is competition among the attending salesmen of office supplies and equipment, this purchasing procedure gives good price results. An attending salesman who deals with a number of other county governments said he thought this was the best way for a county of this size to buy this type of product. He indicated that the direct competition he faced in Van Buren County meant offers of much lower prices than made to some much larger counties, even though Van Buren County was purchasing in much smaller quantities. (For example, neighboring Berrien County, with a purchasing department consisting of a full-time purchasing agent and four clerks, and with a much larger county budget, was not being offered any better prices than Van Buren County.) He said, "If I don't have to compete, I just won't give the prices." Other attending salesmen also indicated they felt at a disadvantage and were forced to give better prices than elsewhere. This intensity of direct competition is not found, however, for other types of purchases. Other awards are made at the meetings without salesman attendance, based either on the quotes obtained by the departments or on bids solicited by the Purchasing Committee.¹

¹The membership of the Purchasing Committee has remained fairly stable over time, and through experience members have developed a great deal of common sense expertise in purchasing. Because of the direct salesman contacts, the members have also become very knowledgeable about the details of products they are buying in the area of office supplies and equipment. Dealing in other types of products, although very interested in getting real bids and generating competition, they do not have product knowledge and technical expertise to prevent others

For purchases over three hundred dollars, there is supposed to be approval by the full Board of Commissioners before the Purchasing Committee takes any action. On large purchases and contracts, the full Board may be involved in making the nominal award decisions. The members of the Purchasing Committee said that departments have broken up large orders into units under the three hundred dollar limit to avoid the necessity of full Board approval.¹

Invoices for purchases are sent to the County Clerk's Office where they are assembled for a claims meeting of the Purchasing Committee for initial approval for payment. The full Board is still presented the list of claims, and at times questions have been raised and certain purchases rejected at that level, but the Board generally accepts the recommendations of the Purchasing Committee.

There is also a central store of office supplies maintained by the Printing Department. At present, departments' budgets are not charged back for any issues from central stores, although records are kept on departmental usage.

Discussion in Chapter III indicated that a common assumption in purchasing studies has been that the purchase environment faced by similar organizations will essentially be the same. County governments spread over a geographic area as large as Michigan, however, may be

from playing important gatekeeper and decider roles. An election with a high turnover in the Board of Commissioners membership could result in a Purchasing Committee with essentially no purchasing expertise.

¹Department heads generally find it easier to "groom" a small committee membership to respond to their wishes than the entire board of commissioners. Insofar as a board routinely accepts committee recommendations, this may be an effective tactic.

entering very different markets; e.g., some county governments may be isolated from the main markets for particular goods. When differences in purchase environments are noted in the literature, they are usually stated in the form of negatives; i.e., market or other environmental factors which lead to payments of higher prices than similar organizations. (Such differences, for example, are held to make comparisons of prices paid for similar or comparable goods meaningless.) Van Buren County presents an example of important differences that may exist in the purchase environments faced by county governments within the state that will instead show as an apparently positive effect.

An important environmental factor is the market efforts of potential suppliers. In the past, the purchasing committee process in buying office supplies and equipment has apparently resulted in good prices-paid performance, in that a number of salesmen have felt direct pressure to compete, and each salesman's portion of county business was large enough to justify the expense. Recently a local office supply house has entered the bidding process, consistently offering extremely low prices on selected requisitions, prices that all the other salesmen indicate are below their costs for the items. While this firm has never attempted to obtain awards for all requisitions at any meeting, over a six month period they had reduced the county business of one salesman enough that he no longer bids on county business, while another will only mail occasional bids. Another salesman indicated that he now figured the expense of preparing bids and attending awarded meetings was no longer justified by the amount of county business he obtained. The Purchasing Committee, aware that this process was eroding the competition and that there was no guarantee such low

prices would be offered in the future after such competition was reduced or eliminated, continues to make awards to this local firm, saying "We have no choice." Habit prevents the consideration of other purchasing and supply alternatives for office supplies.

Where potential suppliers are using such pricing tactics to gain a foothold in a market or to eliminate competition, what would a prices-paid survey actually say about the relative performance of an organizational alternative? It is certainly not an indication of organizational superiority.

Buying Center Participation

Nominally, the Purchasing Committee has complete control of purchasing decision making. As the "guidelines" material in the county budget book suggests, however, the committee's actual participation in buying centers varies by department. A number of techniques have been effectively used by departments in attempts to get around the control of the Purchasing Committee; in addition, other actions appear to be meant to harass the Purchasing Committee. An example of the latter occurs in the check the Purchasing Committee makes on the availability of funds under the charged line item before approving a requisition for purchase. The members of the Purchasing Committee said they were having great difficulty in getting departments to fill out the requisition forms correctly; in particular, the space for the entry of the line item to be charged is often left blank. In the words of one elected official, "Why should we make it easy for them to interfere with what should be our own decisions?" Another example of a failure to cooperate comes from a refusal of the Register of Deeds Office to give a copy of a receipt form to a potential vendor for bidding

purposes. (The receipts had been purchased from a particular source for many years, and the office staff had an obvious brand loyalty.) One of the commissioners finally had to make a personal trip to the office to demand a copy of the form to give to the potential supplier.

The Purchasing Committee format is not always able to generate a high level of competition for all buys; many of the purchases made are sole source.¹ For example, only one and sometimes none of the attending salesmen would bid on a piece of office equipment. That is the extent of the bidding process; where none of the attending salesmen would bid, the order is given to the suggested vendor on the requisition by the submitting department, with no supporting price quotes. To take advantage of this situation, departments will often write their requisitions in terms of a particular supplier's catalog numbers or use other descriptions that would severely restrict the ability of a vendor other than the one favored by the department to make a bid.

An additional ploy of the departments is to submit requisitions as late as possible, sometimes after the formal cutoff date; in this way, the copies of the requisitions may not reach the usual bidding salesmen in time for them to prepare a bid before the Purchasing Committee award meeting. The committee responses to these does not appear to be consistent; in some cases the requisition is rejected and must wait until the next month's meeting, while in other cases, the

¹For example, a particular printed form may be available from only one supplier. This is a sore point with many of the officials, who see no reason to go through the time-consuming Purchasing Committee procedure when there is only one place to obtain an item.

orders are given to the vendors suggested on the requisitions.¹

A number of purchasing actions falling under the control of the Purchasing Committee within the formal policy occur without any committee involvement; most involve elected officials, such as the purchase of food by the Sheriff and elections materials by the County Clerk. In addition, the Purchasing Committee makes no efforts to control purchasing by the Buildings and Grounds Department except for a few large purchases at the beginning of the year meant to cover annual needs of some items. (This appears to be the result of tradition and habit rather than a reflection of the political power of this department head.)

All of the elected officials indicated that the Purchasing Committee process was extremely frustrating and all cited examples of

¹In the award meetings I attended, I could see no consistent pattern to allow elected officers' late requisitions to slip through, although other appointed department heads indicated that this was indeed the case. The number of such late requisitions indicated a general misuse of the "emergency" purchasing provisions. An example was a requisition for copy machine paper by one elected official. Two of the three attending salesmen did not see the requisition, which had been turned into the Clerk's Office after the official deadline; they were unable to make bids on the spot, although they strongly indicated they could have made a competitive bid. When the elected officers' office was contacted, the reply was that the copy machine paper had always been purchased from a particular source. Thus in spite of the non-competitive situation, the award was made to the third attending salesman, who had been the regular source. This type of an award decision would likely be challenged within the open competitive bidding requirements in many larger units of government. In this case, however, all of the salesmen appear to be friends, and the necessity of continuing relationships in this county and in other selling situations probably prevents any formal protests. This is, however, an area of potential trouble in the future. The last Sheriff was well known for using the above tactic; he would come to the committee meeting just as the members were getting ready to go to lunch and after the salesmen had left. Claiming a need that could not wait until the next month, the committee generally would act on it, ordering from the vendor suggested by the Sheriff.

failure of the system to work.¹ The most common complaint concerned estimating lead times for planning orders, where the department must not only consider the lead times of potential suppliers, but also the uncertain lead time required by the Purchasing Committee process. Past the intentional exemptions from the Purchasing Committee process, there is a marked difference between the committee participation in procurement decision making for departments headed by elected officials and by appointed department heads that is not reflected in official policy. While the departments with board-appointed heads have had to work within the system for the most part, using some of the above tactics sparingly, the elected officials have been more open in refusing to work within the system. The Board takes a very aggressive stance in questioning the requisitions of appointed department heads; the Cooperative Extension Service Director said that the Purchasing Committee doesn't always buy what the departments want. The general consensus was, in the words of an appointed department head, "Elected officials get what they want; appointed heads take what is left over."

¹For example, a common failure was waiting for months for a requisitioned item only to find out that it had never been ordered. All of the elected officials used essentially identical language in describing their feelings about the purchasing operation. This stems from frequent group meetings to discuss common problems; purchasing is apparently a frequent topic of conversation. Every official voiced the opinion that the present purchasing operation was an improper interference with what should be a part of the department heads' decision-making powers; most felt that they should have complete authority to spend within the limits of their total departmental budgets. They all indicated the same conflict of goals between themselves and the board: each said that quality of the purchased products was their main concern and that the committee's emphasis on obtaining the lowest price, along with their willingness to loosely interpret specifications set by the departments, meant that quality was often sacrificed.

The Board gives the appearance of the same aggressive stance towards elected officials, but it is only exercised in the check on the availability of funds under the charged line items; it rarely extends into the details of the actual purchase. For example, in one award meeting, the line item charged by one of the judges in a requisition did not have sufficient funds to cover the proposed purchase. The judge was contacted at that time, and he came to the meeting, where he was informed that a Purchase Order would not be issued until a transfer of funds to that line item was approved by the Finance Committee.

While prior to the judge's arrival members of the committee commented to each other "We cannot buy that!" the judge was never actually questioned about the item being purchased. In later discussions with the Purchasing Committee about court purchases, they claimed they tried to run "roughshod" over the courts in areas they felt were important, but that the courts were a "problem": they were used to ordering items from particular vendors and "would yell like crazy if the committee put them out for bids." The committee members admitted they let most of the court purchases pass as the judges desired. Other department heads commented that the present Board members seemed to be impressed by the legal trappings of the judges' positions, particularly the circuit court judge.¹

The Sheriff is in a similar position: although a paper track goes through the Purchasing Committee, much of what he buys is out of the direct control of the committee. Only a few large items actually come

¹A number of persons interviewed thought the verbal aggressiveness towards the judge's proposed purchase in the meeting was for my benefit.

before the Purchasing Committee, although the Sheriff still appears to be the decider, with the committee playing a mechanical buyer role. There is only one car in the county government besides those in the Sheriff's Department; purchases of cars do go through the full Board for open bids. The Sheriff sets the specifications, and the Board approves them; the actual roles are unclear in this purchase, although the Board appears to make only very minor changes in the specifications. The Sheriff remains the true decider, with the Board again playing the buyer. (Department heads generally prepare the initial specifications for their proposed purchases; when the committee wishes to make a change in a specification, they generally will call in the department head to a committee meeting. The committee members indicated that "Sometimes we give in to the department heads." All the elected officials said the Purchasing Committee had never made a change in specifications undesirable to them.¹

All of the elected officials complained bitterly about the purchasing system; they also all indicated that they just went ahead and ordered what they wanted without prior approval of the Purchasing Committee. Even if there is some initial stall in post-purchase approval by the committee, the bills all eventually get paid.²

¹Some of the appointed department heads indicated that undesirable changes had been made in their specifications, if not formally, then in the Purchasing Committee process itself, where the committee interpreted specifications very loosely to include lower levels of quality than desired by the departments.

²The longest example of such a stall concerned the purchase of an American flag and stand for the Drain Commissioner's Office. The Board had already purchased flags for the offices of all the other elected officials. The Drain Commissioner ordered one herself directly from the vendor without working through the Purchasing Committee. (The Drain Commissioner said "They made a federal case out of it." The

Typically, the elected officials can call a member of the Purchasing Committee and get oral approval before making a direct purchase, at least creating the appearance of committee control. Some, but not all, of the appointed department heads reported being able to do this for a few "emergency purchases."

Figure 5 shows buying center participation covering purchases for departments headed by elected officials. Although there is a formal system giving the appearance of Board participation and control in the buying centers, in actual practice the diagram becomes almost identical to Figure 4 for Lapeer County. The only practical differences are: (1) the monthly separations of the committee award meetings may have an effect on the scheduling of some, but certainly not all, purchases, and (2) the Purchasing Committee may do the mechanics of some purchases, although the decider role is retained by the department. Decision-making activities having the most potential impacts on the goal of obtaining optimum value per dollar expended are retained by the elected officials.

Figure 6 illustrates buying center participation for purchases of office supplies and equipment for departments with board-appointed heads. (Although the elected officials do purchase these products

members of the committee made a special trip to her office to make sure there actually was a flag.) The committee refused to approve payment for two months. But in her following year's budget there was a special line item added to her budget which was allocated the exact amount needed for payment for the flag and stand.

The Board has sent back or refused payment for purchases made by elected officials temporarily because proper procedures were not followed. These cases, however, fall into two categories: (1) not having sufficient funds under a line item to cover the purchase, and (2) where a personality conflict was involved, carrying over from other areas of government operation.

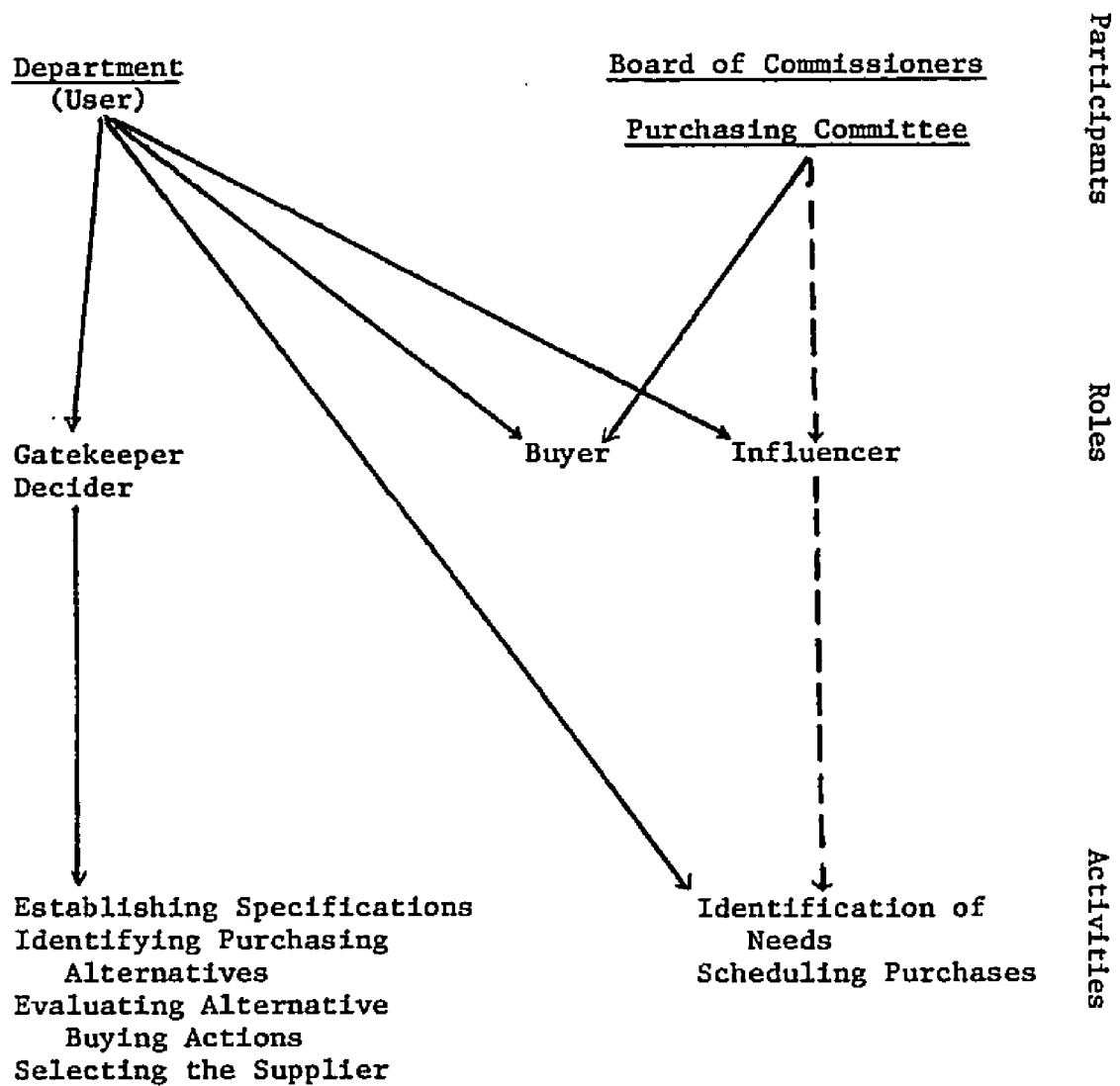


Figure 5. Buying Center Participation in Van Buren County: Purchases for the Departments of Elected Officials

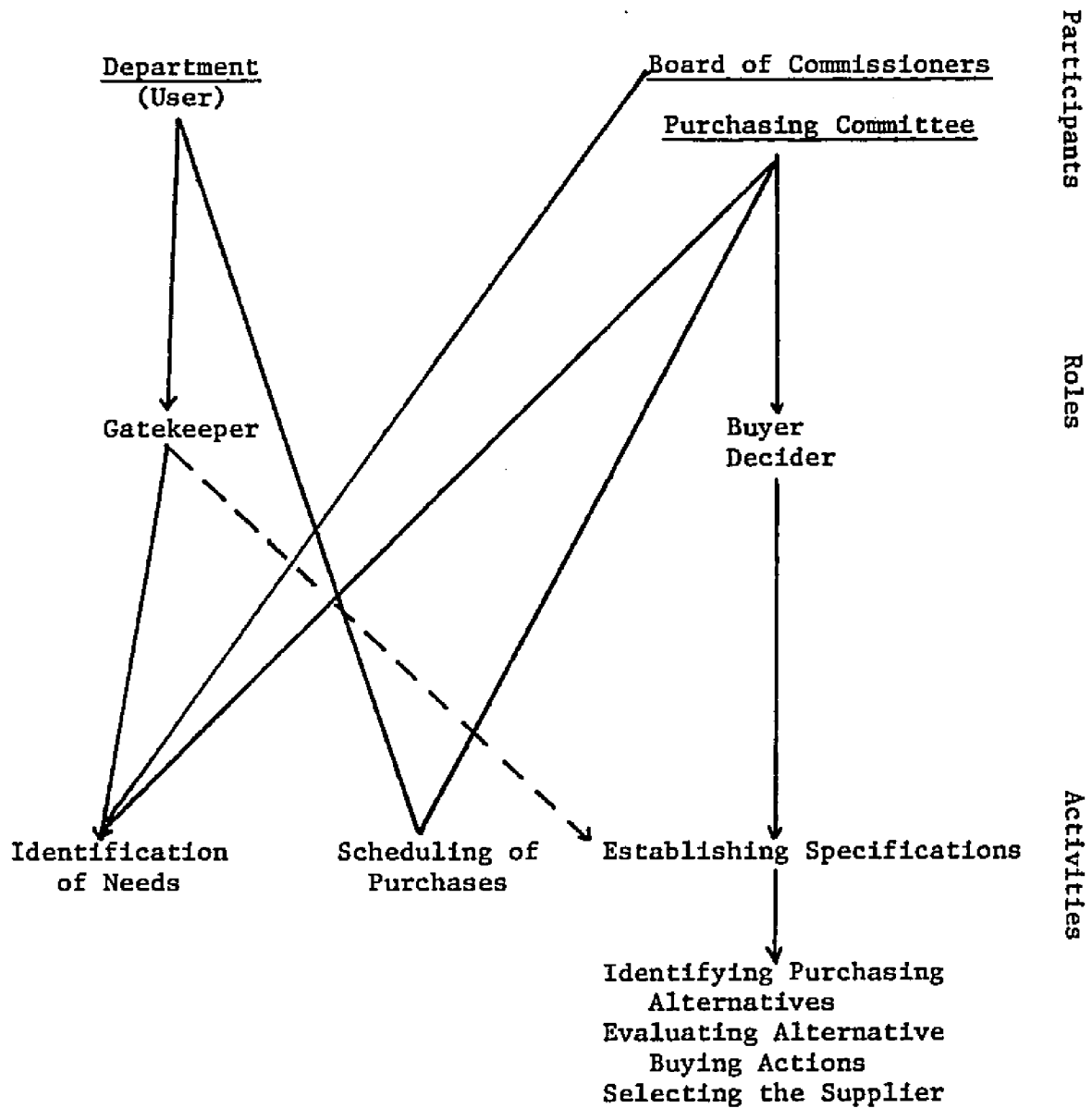


Figure 6. Buying Center Participation in Van Buren County: Purchases of Office Supplies and Equipment for Departments with Board-Appointed Heads

through the Purchasing Committee procedure and through central stores, the diagram of buying center participation cannot be said to apply to them, for they have the ability to opt out of this process. The influencer role is not shown on this diagram; all participants in a buying center can be identified as influencers.) Here the buying center roles played are changed from the Lapeer County case. A department's role is primarily limited to gatekeeper, while the Purchasing Committee becomes not only the buyer but in most cases also the true decider. The identification of needs activity becomes a two-part process. The initial identification of needs still occurs within the budget preparation process, where general requirements for purchases are established; i.e., the determination of the general quality and characteristics of the needed item. While the elected officials are able to control further identification steps (i.e., the development of the specific description of the needed item for use in the actual purchase), in the case of appointed department heads, this Board committee has the opportunity not only to review the appropriateness of a requisitioned item, but it may also modify the specifications. (Again, there may not be formal changes made in the specifications, but the looseness of the award decision making by the committee may implicitly change them.) This is, in effect, a value analysis process; i.e., there is an examination of actual requirements (what a commodity must do) versus what has been requested or has been purchased in the past. Although the committee has command authority at this point, a dashed connection is shown from the department to the specification activity, through the gatekeeper role. This signifies the departmental use of the tactics considered earlier, particularly

in cases where pieces of office equipment are involved. Through their inputs into specifications (particularly for items for which the committee members lack expertise), the departments have been able to place some limits on committee decisions in the identification and evaluation of alternatives and the selection of suppliers. Scheduling is shown as jointly determined, because of the one-month interval between award meetings of the committee: appointed department heads do not have the same abilities as the elected officials to opt out of the time sequence of activities. As considered earlier, there is much tighter control over "emergency purchases" made by appointed department heads; where allowed, there is usually a one day wait for written committee approval.

Figure 7 shows buying center participation for purchases other than office supplies and equipment for departments with board-appointed heads. This diagram represents roughly a middle position between Figure 5 and Figure 6: because the Purchasing Committee has less experience and expertise in many purchase types (refrigerators, animal control equipment, photographic supplies), department heads are able in some cases to retain complete control of specifications and may obtain quotes, with the Purchasing Committee only giving nominal formal approval to the decisions made within the departments.¹ In other cases, the committee may make specification changes and retain the final decider role. (Thus, for example, the identification of needs activity could involve one or two steps.) It would be difficult to

¹Recall the earlier comments on structuring quotations to control final product/vendor combinations.

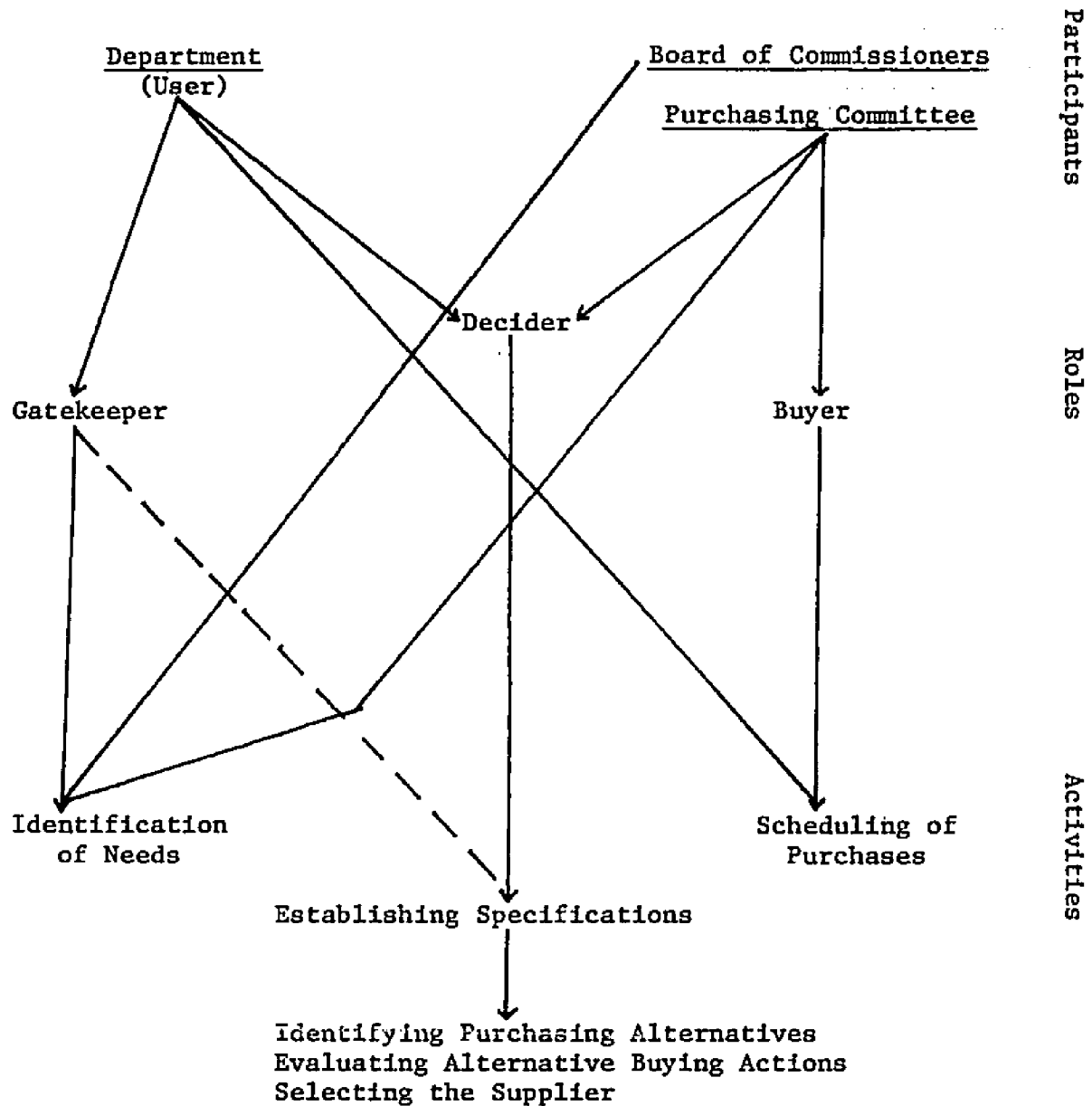


Figure 7. Buying Center Participation in Van Buren County: Purchases Other Than Office Supplies and Equipment for Departments with Board-Appointed Heads

predict what will happen for any particular purchase; personality conflicts with department heads could be an important factor in committee participation.

Thus despite a formal purchasing system involving Board members directly in many purchases, the roles played in the buying centers might be seen to have not changed significantly from the Lapeer County situation. For the elected officials, it is essentially the same. Although the system in the Van Buren County case gives the appearance of more Board control of procurement decision making in the case of appointed department heads, in practice these departments are often able to play the important roles in many purchasing situations. Only in the area of office supplies and equipment does the committee come to play the role of decider. In most situations, the actual role of the Board remains primarily in the basic yes/no decisions, both at the budget preparation level and in the few cases where final Board approval is necessary for large expenditures. The Board's participation in roles that could significantly affect price performance, for example, are limited.

Lenawee County

Description of Purchasing Operations

Through a change in the administrative organization of the government in 1980, Lenawee County offers two examples of the nominal centralization of purchasing responsibility. Prior to the Board's employment of a County Administrative Coordinator, the Printing Department was assigned responsibility for the purchase and central inventory of office supplies and equipment and for overseeing a purchase order system. (The Printing Department Supervisor was not

given county purchasing agent status under either the 1851 or 1917 acts as considered earlier.) In the execution of the central purchasing policy, the Printing Department Supervisor was responsible to the Ways and Means Committee. In the position's description, the County Administrative Coordinator was explicitly charged with "developing and maintaining a system of central purchasing with related record keeping and analysis to reduce costs and prevent duplication." In the change in administrative organization, the Printing Department was placed under the direct supervision of the Administrative Coordinator.

The same formal central purchasing policy was used both before and after the employment of the Administrative Coordinator. (See Figure 8.) Changes in the county budgeting procedure and the role in budget execution taken by the Administrative Coordinator, however, change the way the policy is implemented. (This will be considered below in discussions of buying center participation.) The central purchasing policy was formally adopted by the Board of Commissioners in 1976. In mid-1976, a clarifying letter was sent to all departments from the Ways and Means Committee; important changes and additions are shown in Figure 9. There are no formal local preference policies, and there is no informal Board pressure to make buys from local vendors; the Printing Department commonly purchased routine office supply items from out-of-state suppliers on the basis of price.¹

¹This does not mean, however, that the Printing Department Supervisor tried to obtain the lowest prices for what was purchased. In this case, once a relationship was established with an Ohio firm, purchases continued as long as the service and prices were satisfactory. Drastic price reductions by a local firm, achieved through participation in a six-state buying consortium, led to a switch of sources;

Lenawee County Central Purchasing Policy

It has come to the attention of the Lenawee County Board of Commissioners that there is a failure to utilize central purchasing of office supplies and equipment.

Each department is requested to supply a list of office supplies used in their department to Mrs. Kishpaugh of the Printing Department, a list of the types of machines used and regular types of ribbons, paper rolls, etc. needed for same. Any item she cannot supply will be so indicated. A list will be supplied to each department of other departments who order duplicate items. Departments are requested to cooperate with one another whenever possible in ordering supplies which do not go through printing.

When filling out your supply list, be specific as to the grade, color, size, etc. ONLY items which are not available from the printing department will be authorized for purchase by individual departments. WAYS & MEANS will reject unapproved items.

Office equipment should be requested in the fall as usual with specific requirements indicated. Bids will be accepted for the TOTAL number of similar items requested in the hope of achieving a much better price. In all fairness to the distributor, he must receive a list of total purchases to offer the best possible price to the county.

All items will be ordered by requisition or purchase order according to the supplying source. Individual departments with approved purchase order systems may continue to use them on items unique to their own departments.

REQUISITIONS

1. Requisitions will be required for all business transacted for any department.
2. Requisitions should be typed and provide the following information:
 - (a) Department
 - (b) Requisition Number
 - (c) Date
 - (d) Quantity
 - (e) Be as specific as possible. Any numbers, size, color, any information that will help to expedite your request.
3. Have your requisition stamped as to date received by the Ways and Means (or other committee) and retain your copy for future reference.

Figure 8. Lenawee County Central Purchasing Policy

4. Requisitions should be signed, not stamped by department head.
5. Do not combine unrelated items on one requisition.
6. Requisitions should start with the numeral one for each budget year.

PURCHASE ORDERS

1. No Purchase Order will be issued without the prior receipt of a requisition.
2. Purchase Orders will not be issued upon demand.
3. The Board of Commissioners reserves the right to select the vendor in all instances.
4. No Purchase Order will be issued until it has been determined that adequate funds are available in the applicable account.
5. Any purchases obtained other than those specified on the Purchase Order will not be honored.
6. Any Purchase Order altered in any manner will be declared null and void.
7. No invoice will be processed for payment for which a Purchase Order has not been issued. The invoice will be returned to the department involved.

All items to be purchased will continue to come under the careful scrutiny of the department head. Items in excess of \$500 are to have bids, items under \$500, but over \$100, should have quotes. Whenever possible, departments are requested to cooperate with each other when purchasing like items.

In case of difficulties in receiving requested items, please notify the chairman of the committee responsible for your department.

In case of DIRE emergency: breakdown, safety hazard, health hazard, etc. the Department head is expected to act without delay. The Department head will issue a requisition on the following day of work. It should state on the requisition that this was an emergency situation. A confirming Purchase Order will then be issued. Repairs for VEHICLES and general maintenance are not subject to the issuance of purchase orders. PLEASE, indicate to the Ways and Means Committee any such emergency purchases as soon as possible.

1. "Requests for budgeted items already approved do not require approval again. . . . Any purchases not in the present budget or above cost allowed will need approval of department committee."
2. "Items unique to a department should continue to be purchased by department. Items used by several departments should be purchased together to get quantity price."
3. "While the need for occasional emergency purchases is recognized, the practice shall be curtailed as much as possible by anticipating needs in time to permit the use of regular purchasing procedures. Emergency orders will be permitted only in cases where severe interruption of work programs will result from any delay in obtaining needed purchases. They are not an escape from the responsibility of anticipating normal needs."

Figure 9. Selected Materials from the Ways and Means Committee Letter (dated May 1, 1976) to Department Heads, Clarifying the Central Purchasing Policy.

The Printing Department Supervisor claims that for appropriate items, she has been ordered by the Board to purchase only from IBM, Sony, and Steelcase; this is by "strong suggestion," for there are no written materials covering this.

Neither before nor after the employment of the Administrative Coordinator were checks made on the sufficiency of line-item balances before purchase orders were issued. Prior to the appointment of the Administrative Coordinator, there was also no check on the availability of funds before the approval of claims by the Board of Commissioners.

All current department heads, with the exception of the Treasurer, were in their positions both before and after the administrative reorganization and were able to comment on differences in purchasing

the change, however, was not the result of a regular search procedure for alternative sources.

In 1976, the Board of Commissioners simply asked the Printing Department Supervisor if she would take on the job of purchasing. She had no prior experience or formal training in purchasing, belongs to no purchasing professional organizations or associations, and her only contact with the field is through a subscription to Governmental Purchasing, a magazine directed primarily at large units of government.

Prior to oversight by the Administrative Coordinator, her approach to purchasing and central inventory was very unsystematic. For example, decisions on stocking and purchasing for the inventory were based on "what seems to be low." There was no data on inventory value or turnover rates. All purchases were made on the basis of verbal or informal quotes, with no regular source search procedures.

The organizational placement of purchasing responsibility may be perceived by the department heads as an indication of the importance of the function and the priorities that should be attached to it. The location of central responsibility in a relatively low status position in the eyes of the other departments, and to a person lacking recognized experience and expertise in purchasing, may in part explain the behaviors of the departments as considered in the following discussion.

operations and decision making in the two alternatives. Buying center participation prior to the administrative reorganization will be covered first, followed by a discussion of the changes in participation and roles played after the Administrative Coordinator position was filled. This section is concluded with an examination of a new central purchasing policy scheduled to become effective January 1, 1982, along with the circumstances surrounding the timing of its adoption by the Board of Commissioners.

Buying Center Participation Prior to the Administrative Reorganization

The central purchasing policy originally envisioned by the Board of Commissioners was to cover all purchases and all departments. In practice, however, there was only a partial centralization of purchasing in office supplies and equipment, coupled with a loose committee approval procedure that still left most of the procurement decision making in the hands of the individual departments. As in the case of Lapeer and Van Buren Counties, the elected officials essentially retained all the important buying center roles regarding their departments. The following are some sections of the purchasing policy and comments on actual implementation:

"Only items which are not available from the printing department will be authorized for purchase by individual departments. WAYS & MEANS will reject unapproved items. . . . Any purchases obtained other than those specified on the Purchase Order will not be honored. . . . No invoice will be processed for payment for which a Purchase Order has not been issued. The invoice will be returned to the department involved."

This statement implies strict policy enforcement, both by the Ways and Means Committee and by the Board of Commissioners itself. While a few invoices were returned to departments with appointed heads, all of the

elected officials were able to routinely ignore the required procedures; the Board continued to approve payments for their expenditures. The Sheriff's Department, the Prosecuting Attorney's Office, and the Probate Court in particular would obtain many of their office supply needs directly from local vendors. The County Clerk and the Treasurer did not use the purchase order forms for their purchases.¹ Other department heads commonly filled out purchase orders after purchases were already completed or would use unpriced purchase orders if they were prepared before the receipt of the goods.

The designated paperwork flow was often not used. Purchase orders were issued to departments in batches, to be used for their direct purchases. A copy of the purchase order was to be sent to the Printing Department to use in verifying invoices before sending them to the County Clerk's Office. In practice, invoices often did not pass through the Printing Department but were instead sent directly to the Clerk's Office; in addition, the required copy of the purchase order might never be sent to the Printing Department. This would cause confusion in the Clerk's Office because there was no way to easily trace the proper department and account to be charged because there

¹The County Clerk is the most powerful politician in the county; as the Printing Department Supervisor said, "When the County Clerk talks, the Board listens." The elected officials meet at varying intervals in order to plan strategy; she generally acts as chair. All the elected officials use essentially the same language in discussing the purchasing operation.

The County Treasurer had totally refused to work within the system from its beginning. He did not run for reelection in 1980. The new Treasurer did follow the nominal paperwork requirements. As of this writing, however, he had resigned for other employment after being in office only a few months; there were no purchases made during his time in office to use in assessing his willingness to operate in the same way as the other elected officials.

was no record of a purchase order to cover the purchase.

The Drain Commissioner provides another example of the refusal of the elected officials to work within the system: he initially claimed that all of his purchases were emergencies. When he did use purchase orders, they would be prepared after-the-fact, usually the day before the once-a-month claims meeting of the Ways and Means Committee.

A letter was sent to all vendors regularly doing business with the county, stating that purchase orders were required for any department or agency to make a purchase. In general, however, the vendors have also refused to cooperate: they had no reason to as long as the Board continued to approve payments for expenditures not made according to policy.

In addition to the above situation, two other areas were handled outside the formal policy. Although payments for service contracts and equipment rentals were made from the Printing Department's budget, the department was not involved in any way in the establishment of such contracts. Although a large number of service contracts were held on county equipment, prior to the administrative reorganization the Printing Department received only two copies of purchase orders covering such contracts. Secondly, no purchases for repair, maintenance, or janitorial supplies went through the Printing Department; they were all handled by the Maintenance Department, which essentially acted as a second central purchasing unit, distributing materials and supplies and charging back the served departments and agencies.

The Printing Department Supervisor believed that the original intent of the central purchasing policy failed because of the reluctance

of the Board of Commissioners to reject purchases not made in line with the policy. Opposition to the adoption of the central purchasing policy was strong among the elected officials, with the judges, Clerk, Treasurer, and Drain Commissioner being particularly vocal. Their continuing opposition, coupled with a high turnover rate in Board membership, which would tend to enhance the power of the longer-tenured elected officials, may be the source of the Board's behavior. (After the adoption of the policy, the Printing Department Supervisor indicated that she received no additional directives from the Ways and Means Committee and rarely met with them. She felt that the committee did not care what she was doing as long as she kept a low profile.) The Printing Department Supervisor summed up her powers in control of purchasing by saying "I cannot say no to anyone."

"Individual departments with approved purchase order systems may continue to use them on items unique to their own departments."

This part of the policy was never formally implemented. There was no definition of what an "approved purchase order system" was, and there was never an examination of the departments' purchasing practices. Departments have been able to purchase items, including those which would normally be available from central stores, directly from vendors without any oversight procedures.

"Requisitions will be required for all business transacted for any department. . . . No Purchase Order will be issued without the prior receipt of a requisition. Purchase Orders will not be issued upon demand."

The original intention was for all purchase orders, except those for a few direct purchases of items unique to particular departments, to be issued by the Printing Department. This was never enforced, as considered above. In addition, requisitions for issues from central

stores were often not used or were filled out after the supplies were received.

"A list will be supplied to each department on other departments who order duplicate items. Departments are requested to cooperate with one another whenever possible in ordering supplies which do not go through printing."

In this case, "requesting" turned out to be far short of the effective multi-department consolidation of purchases. This section of the policy had no meaning in practice; there were no examples of interdepartmental cooperation.¹

¹An example illustrates the reluctance of departments and agencies within the county to work together. Four county agencies (the County Medical Care Facility, the Maurice Spears Campus [a juvenile detention facility], the Human Services Department, and the Sheriff's Department) all buy food for meal preparation. An investigation by the Human Services Director revealed they were all dealing with the same distributors. Seeing a potential for saving money, the Human Services Director contacted the other departments and agencies regarding cooperative purchasing, but received little response. It was not until he had taken his idea directly to the Board of Commissioners and received their explicit direction to investigate this area further that he could get the agency heads to come together for a meeting. Even with the backing of the Board for the meeting, the Sheriff did not attend, and he did not send a representative. During the meeting, it became obvious that the agencies treasured their independence in purchasing decision making. The Director of the Medical Care Facility, for example, stressed that (1) he already had a good purchasing system such that savings through a county-wide central purchasing operation would probably be insignificant for his unit, and (2) traditionally his unit had been independent of the rest of the county, and he supposed it would stay that way--centralized purchasing was for everybody else.

Although the purpose of the meeting was to discuss options for cooperative purchasing, there was a lack of data available. Nevertheless, the discussion quickly narrowed down to a particular option which showed some potential for savings and allowed the agencies to retain independent decision making. The Hospital Purchasing Service, a statewide purchasing cooperative, which allowed for members other than medical care facilities, would allow each agency to join individually under the HPS contracts for a yearly fee of \$300. Each agency could order separately under the contracts and have individual billings and deliveries. This was so appealing that the option of reaching agreements among the agencies and contracting with distributors as a group was not discussed. Eventually three of the agencies did join HPS individually; the Sheriff's Department refused to cooperate in any way and did not join HPS.

"Items in excess of \$500 are to have bids, items under \$500 but over \$100 should have quotes."

This is the extent of the material on bidding procedures. As considered earlier, the individual departments are essentially without oversight in this matter. Even for purchases over the \$500 level, the Printing Department Supervisor has never used any formal sealed bidding procedures. Informal quotes were used, with the Supervisor simply choosing what she considered to be the best place to order. Suppliers were retained as long as service was acceptable.

"The Board of Commissioners reserves the right to select the vendor in all instances."

This again is an explicit option that has never been exercised by the Board for departmentally-initiated purchases. The only major purchases affecting multiple departments where the Board acted as buyer and nominal decider covered the furnishings for a new county court building. The involved departments had essentially no input; the county commissioners and the building's architect made a purchasing trip to Detroit. A number of department heads indicated that the architect was the real decision maker; the occupants of the building (the courts and the County Clerk) are generally disappointed with the furniture.

Lenawee County provides an example of the necessity for caution in accepting a government's description of its administrative and financial processes. When a county reports having a centralized purchasing operation, that does not mean that what they actually do coincides with the researcher's conception of centralized purchasing or even that they do what their purchasing policy says they do. Despite the formal central purchasing policy, the actual behaviors of the actors leads to

a diagram of buying center participation for Lenawee County (Figure 10) that is essentially the same as for Lapeer County. This figure covers the majority of purchasing actions in the county, applying to all purchases by elected officials and to most purchases by departments with appointed heads. For the latter, the committee approval system was still predominantly a yes/no procedure, where the departments were expected to execute approved purchases according to the policy. The appropriate committee covering a department could, however, take a role in the identification of need and the establishment of specifications. This is the exception, however, with the usual case having the department determining the specifications and obtaining quotes or bids prior to coming to the committee for approval; the committee essentially gives formal approval to the procurement decisions reached within the department. (For this reason, buying center participation for appointed department heads for purchases other than office supplies and equipment is portrayed as the same as for the elected officers rather than as the appointed department heads in Van Buren County. [Figure 7.]

In the latter case, there was relative uncertainty as to the roles the Purchasing Committee might play in any particular purchase.) Within the above processes, the elected and appointed department heads differ significantly only in their abilities to ignore the nominal paperwork and approval steps in making purchases that would be approved for payment by the Board. They also differ in their abilities to make direct purchases of items that are or would be available through the Printing Department; in the purchase of office supplies and equipment for appointed department heads, some of the important purchasing roles are taken by the Printing Department Supervisor. This is illustrated in

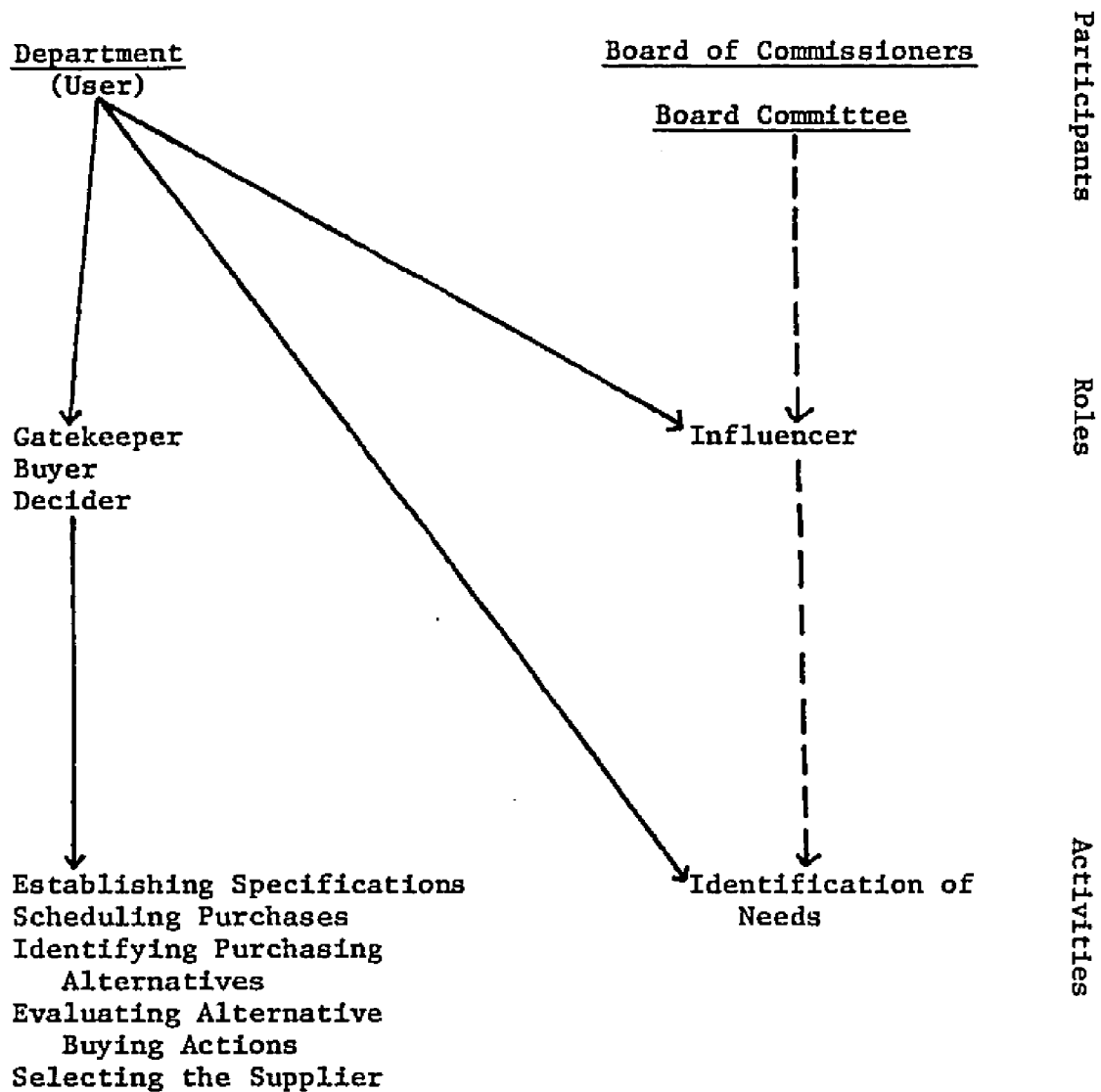


Figure 10. Buying Center Participation in Lenawee County: Purchases by Elected Officials and Purchases for Departments with Board-Appointed Heads with the Exception of Office Supplies and Equipment

Figure 11. Although some different techniques are used within the purchasing activities (e.g., the procedures used to identify potential suppliers and generate competition), the roles played by the Van Buren County Purchasing Committee and the Lenawee County Printing Department Supervisor are essentially the same. (Note that for certain types of purchases, such as typewriters, the Lenawee County Board of Commissioners has already established the major portion of the specifications by specifying a single acceptable manufacturer. The Printing Department is thus limited to the selection of the vendor rather than a product/vendor combination.)

Overall, the implementation of the central purchasing policy represents an example of an attempt to change purchasing operations in the face of powerful and effective opposition within the county government. Despite different formal organizational alternatives being used, the buying center participation patterns and roles for the elected officials has been essentially identical across the three examples examined thus far. Changes in the buying centers for non-elected department heads have occurred, but these differences will not apply to all purchases made by these departments. In some cases, these departments are also able to play some of the important roles; in others, they will play the same set of roles as elected officials are able to play.

Buying Center Participation After the Employment of an Administrative Coordinator

The County Administrative Coordinator was assigned extensive duties and responsibilities. He is explicitly charged with being a liaison between department heads and the Board of Commissioners.

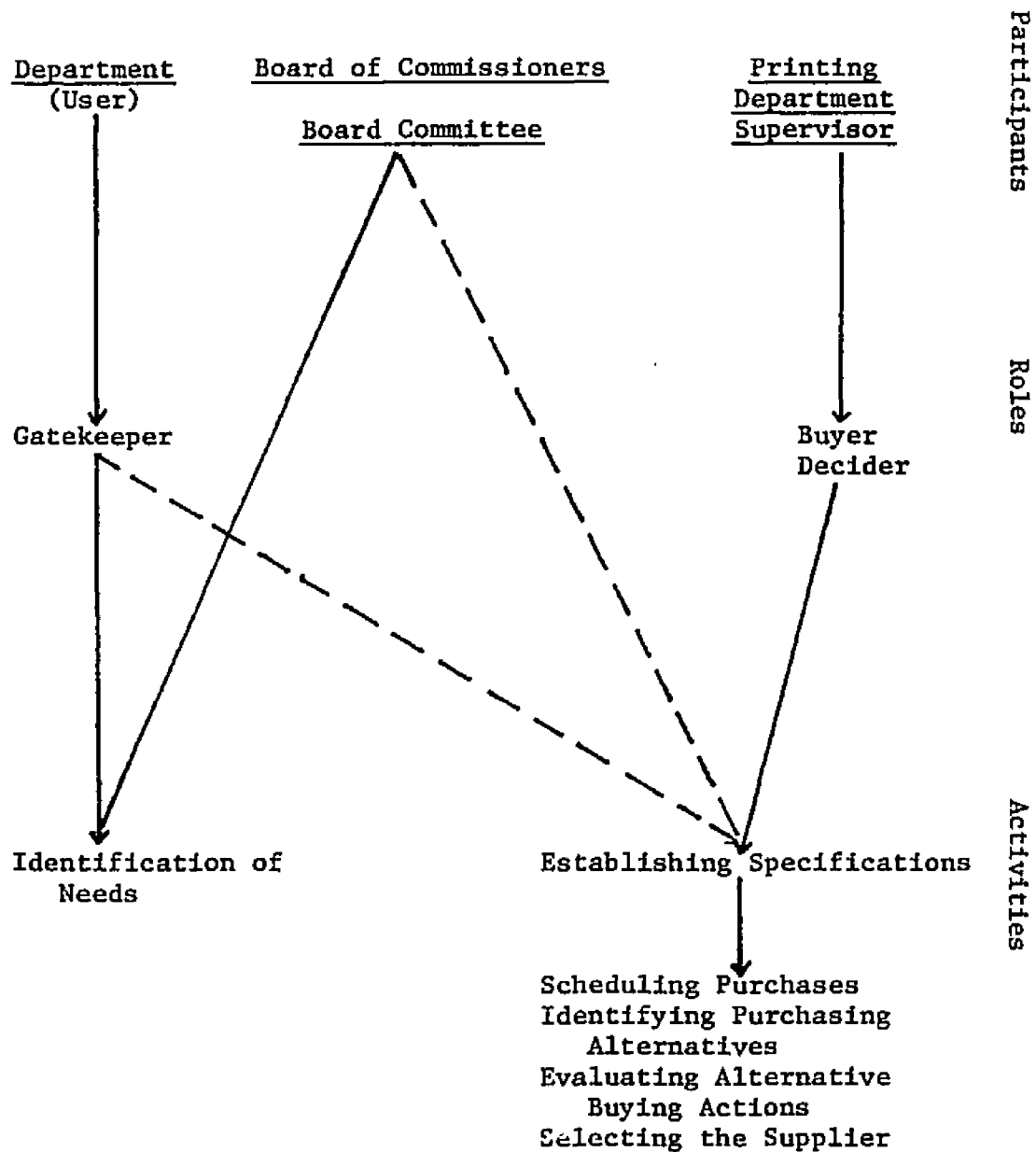


Figure 11. Buying Center Participation in Lenawee County: Purchases of Office Supplies and Equipment for Departments with Board-Appointed Heads

He was to develop a county-wide personnel system, assist in labor negotiations (through conducting research and preparing "authoritative recommendations" for the Board), design and implement a budgeting process, collect and report financial information for budget development and administration, analyze departmental budget requests, prepare agendas and act as a secretary for Board committees, function as a grantsman, manage the buildings and grounds, and develop and maintain a system of county central purchasing. These task assignments would appear to give the Administrative Coordinator a potentially large set of trading materials to use in gaining the cooperation of other actors.

While operating under the same central purchasing policy, policy implementation under the Administrative Coordinator has been changed in two areas: (1) the operation of central stores and the purchase of office supplies and equipment, and (2) the use of a separate capital expenditures budget for major purchase items.

In the administrative reorganization of the county government, the Printing Department became part of Central Administrative Services, under the direct supervision of the Administrative Coordinator. There is now a manual system of inventory control, with tighter oversight of issues from central stores through an enforced requisition procedure.¹

(Where in the past some departments were allocated a portion of the

¹This essentially meant strict enforcement of the procedures established in the original purchasing policy, along with a few minor paperwork changes. "Minor," however, is a matter of perception. The County Clerk typically has a number of accounts against which to charge supplies coming from central stores; e.g., births and deaths, elections, jury board. In the Clerk's view, the requisitioning system is in need of "major" changes because it has not consistently resulted in the proper charges being made against accounts.

Printing Department's budget to charge supplies against and other departments were directly billed, there is now a central stores revolving fund, with charges coming directly from departmental budgets.) These changes, however, were in the area of financial control and did not directly affect buying center participation. Elected officials have continued to buy certain items directly from vendors that could be available from central stores. Buying center participation in the office supply and equipment area for appointed department heads remains the same as in Figure 11. Although the Printing Department Supervisor is now responsible to the Administrative Coordinator, she receives no direct supervision in the purchase of office supplies and equipment; she is still on her own in decision making in this area.

The changes in the Printing Department have also apparently resulted in a change in the level of service provided to departments. Lenawee County provides an example of what can happen when a central purchasing unit fills an expertise gap and is operated primarily as a service activity. Despite the general opposition to the idea of central control of purchasing, prior to the appointment of the Administrative Coordinator departments routinely made use of the Printing Department to obtain much of their office supply and equipment needs; it was simply more convenient for them to do so. The Printing Department has become an important source of information for departments in this area. The more systematic approach to the operation of central stores instituted by the Administrative Coordinator has improved service to the extent that departments like the District Court, Probate Court, and the Sheriff, which routinely had made direct purchasing

of many office supplies, are making more (but not all) of their purchases through central stores. (Service has been a problem in the past, and many departments still maintain inventories on location to cover a month or more of requirements for certain items.)

Most major purchase items have been removed from the individual departmental budgets and placed in a single capital expenditures budget administered by the Buildings and Grounds Committee. In the preparation of the budget, departments are requested to assign priorities to the major purchase items desired for the coming fiscal year; these priorities are nominally used by the Board in determining the final contents of the capital expenditures budget. Purchases made from this budget were supposed to be made only upon the issue of a purchase order from the Printing Department. The creation of this separate budget was an attempt to change the roles played by the Board of Commissioners in the buying centers.

In practice, however, this change has affected primarily the departments with appointed heads; there have been minimal changes in the Board's participation in procurement decision making for the elected officials' departments. A financial assistant to the Administrative Coordinator confirmed what other department heads charged: in the preparation of the capital equipment budget, the elected officials essentially obtain what they want.¹ In addition, not all major

¹Some of the appointed department heads complained that the priorities they assigned to purchases for the 1981 budget were ignored by the Board. The financial assistant to the Administrative Coordinator cited examples of where an elected and an appointed department head had requested the same item and where both appeared to him to have the same legitimacy of need; the elected officials always had the item approved, while a number of cases had the appointed department head's request refused.

purchase items were removed from the departmental budgets. For example, the Sheriff's Department cars are still directly under the Sheriff's budget. In the mechanics of purchasing, the County Clerk, Treasurer, and Drain Commissioner continued non-use of purchase orders; the Board still approved their purchases for payment.

(According to the County Clerk, the Sheriff and the Prosecuting Attorney make more purchases against their budgets without committee approval than any other officials.¹) The Administrative Coordinator admitted to the lack of change in regard to the elected officials. He stated, for example, that he is not yet ready to take on the Sheriff in the major political battle that would be required in order to control that department's expenditures. In interviews the Administrative Coordinator emphasized the independence of the departments and agencies making up the county government; he saw his control in purchasing as keyed directly into the overall budgeting process, but his effectiveness must necessarily be limited to non-elected officials. (Thus in August, 1981, he saw the necessity of fighting many separate political battles, with the elected officials often retaining the upper hand; by November, however, his approach had changed, as reflected in a new central purchasing policy to be considered below.) A diagram of buying center participation covering the elected officials' departments will remain the same as Figure 10. Thus despite the apparent availability of a large variety of trading materials, the Administrative Coordinator was not able to obtain the desired purchasing behaviors

¹The County Clerk is aware of the other departments' purchasing practices because she acts as a secretary to many Board and committee meetings, and her office receives all invoices from the departments for use in the preparation of the list of claims.

from the elected officials.

For the other departments, buying center participation has changed as shown in Figure 12. With major purchases being handled through the Buildings and Grounds Committee and the Printing Department, and with office supplies and equipment also being covered by the Printing Department, the Administrative Coordinator's approach has changed participation in the buying centers: the situation now resembles the Van Buren County case shown in Figure 7. Control of specifications now varies: some departments indicated their initial specifications had never been altered, even where specific brands had been requested; other departments had their specifications changed in what they perceived as major ways. Control of technical expertise concerning particular purchase items (such as microfilm equipment and an offset printing press) lets the departments retain purchasing control. In many cases, the departments will obtain the quotes or bids, and thus will play the true decider role, with the committee involved acting as buyer and only the nominal decider. In other cases, the committee makes the final decision on specifications and acts as decider.

In the committee processes, the Administrative Coordinator has come to play a gatekeeping role. (One of his assigned duties is to act as secretary to committee meetings.) Department heads who have been through the process agree that many committees' decision-making procedures have changed. In the past, for example, approval decisions were generally made during the committee meeting; now the committees often wait for the Administrative Coordinator to analyze proposals for

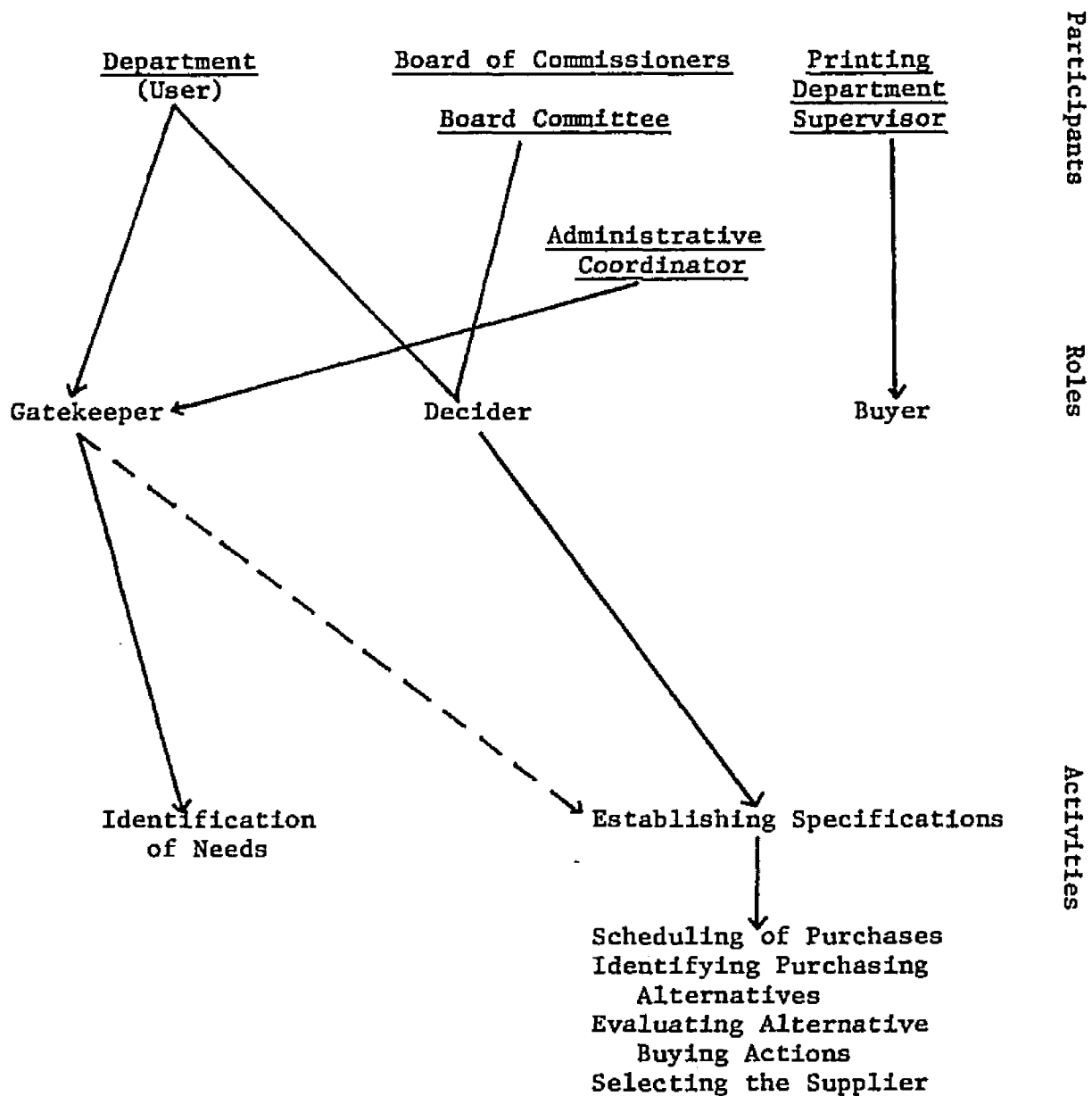


Figure 12. Buying Center Participation in Lenawee County After the Administrative Reorganization: Purchases Other than Office Supplies and Equipment for Departments with Board-Appointed Heads

purchases and to make a presentation to them before a decision is made.¹

It should be noted that even in this area where there is the least question about the Board of Commissioners' ability to command (i.e., over the appointed department heads), decision-making control in some important procurement activities may remain with the departments, and the Administrative Coordinator often plays a gatekeeping role rather than a command role in the name of the Board.

The Proposed Central Purchasing Policy

A new county purchasing policy, to become effective January 1, 1982, is shown in Figure 13. Although the written policy differs little in content from the former policy, the implementation planned by the Administrative Coordinator would lead to very different

¹In spite of the Administrative Coordinator's attendance of many Board committee meetings, there are often communication problems between the committees. For example, a request for the purchase of a free-standing coat rack for the Drain Commissioner's Office was refused by the Buildings and Grounds Committee. The Physical Resources Committee, which covers the Drain Commissioner, approved the purchase request, however, and ordered the Administrative Coordinator to arrange for the purchase and for payment approval, which he did. (Despite the purchase of the free-standing coat racks, another communication difficulty resulted in wall-mounted coat hooks also being placed in the Drain Commissioner's Office the next week.

While a number of department heads indicated that they could not always get good response to their purchasing needs, they also felt that the Administrative Coordinator's Office was a good place to obtain information and provides some overall organization to the purchasing process that benefited them. An example of the lack of central control of materials management in the past comes from the disposal of furniture from the old court buildings; the new court building was to be furnished entirely with new items. The Board of Commissioners approved a formal request from the Cooperative Extension Service Office for a selection of old office furniture. The Sheriff, however, obtained physical possession of the requested furniture. All the commissioners said was "Sorry."

**PROPOSED PURCHASING POLICY
COUNTY OF LENAWEЕ
January 1, 1982**

The purchasing of all supplies, equipment, vehicles and services and all construction or altering of County facilities for any department or agency of the County of Lenawee shall be in accordance with the following policy:

1. Requests for the purchase of all supplies, equipment, vehicles and services and for the construction or alteration of County facilities shall be made by the Department Head to the Board of Commissioners during the annual budget process in accordance with the procedures established by the Board of Commissioners. The adopted budget shall specify the approval, disapproval or modification of the request.
2. Requests made at other times due to exceptional circumstances shall be made to the departments' designated program committee, who shall evaluate the request in terms of impact on the departments programs, and make its recommendation, including the amount of funds needed, to the Board of Commissioners. Approval by the Board must include the transfer of necessary funds or designation of funds to be used.
3. All general office supplies and equipment shall be purchased and disbursed through the County Central Supply Store in accordance with procedures approved by the Board of Commissioners.
4. If the total cost of any approved purchase is not to exceed \$750., the purchase shall be made on the basis of price and quality, subject to obtaining two prices, if possible.
5. If the total cost of any approved purchase is to exceed \$750., but not to exceed \$2,500., the purchaser shall obtain in writing a minimum of two quotations, unless a specific exception is granted by the Building & Grounds Committee. Purchase shall be on the basis of price and quality; provided however, that if the decision is to purchase other than the lowest cost item, such purchase must be approved by the Building & Grounds Committee.
6. If the total cost of any approved purchase is estimated to exceed \$2,500., a formal bidding procedure, including advertising and securing of sealed bids on the basis of approved specifications, shall be required. The Building & Grounds Committee shall review the bids and make their recommendation to the Board of Commissioners.
7. All approved requests involving the construction or alteration of County facilities, including general maintenance, shall be implemented under the supervision of the Building and Grounds Committee, who shall either authorize County staff to accomplish the work or authorize obtaining the services of outside contractors.
8. Purchases made by County Employees which do not conform to these policies will be deemed to be the individual responsibility of the employee.
9. Requisitions and Purchase Orders shall be used in accordance with the following procedures:

Figure 13. The Proposed Lenawee County Purchasing Policy

PROCEDURES FOR PURCHASING SUPPLIES AND EQUIPMENT THROUGH CENTRAL STORES

REQUISITIONS

1. Requisitions will be required from all departments transacting business with the Central Supply Store (Printing Department). Numbered requisitions will be kept at the store and signed when request is made.
2. Printing, equipment and general supplies should each be on a separate requisition. Special order supplies should be requisitioned separately as proof of order. There should be a 3 to 4 week lead time for all special orders.
3. Be specific as to size, color, number, etc. This will identify items and keep departments from being overcharged.
4. No budgeted equipment shall be ordered unless requisitioned.
5. Requisitions shall be printed in triplicate. One copy for the requesting department - one for store filing purposes and one to be returned to the requesting department with monthly invoice.
6. Xerox copies do not need a requisition, but must be logged.

USE OF PURCHASE ORDERS

1. Purchase Orders for equipment and general supplies shall be issued by the Central Supply Store. Individual departments may issue Purchase Orders only for items unique to the department. P.O.'s are not required for purchases less than \$25.00.
2. The Department Head, at his/her discretion may designate a person in the department to be responsible for requisitions and purchase orders. It will be that person's responsibility to assign proper account numbers.
3. No Purchase Order will be issued until it has been determined that adequate funds are available in the applicable account.
4. No invoice will be processed for payment, for which a Purchase Order has not been issued. The invoice will be returned to the department involved.
5. Blanket Purchase Orders may be issued - not to exceed \$100.00.
6. Emergency Orders will be permitted only in cases when severe interruption of work programs will result from any delay in obtaining the needed purchases. The department head or designated representative may: (1) purchase the required product or service (2) issue a purchase order number and authorize the purchase, or (3) disapprove the request for the emergency purchase. If the emergency occurs outside normal working hours, the Purchase Order may be issued the next day and marked - CONFIRMING This Is Not An Order. A written justification for the emergency purchase shall be attached to the accounting copy.
7. Purchase Orders may be obtained from the Central Supply Store.
8. Purchase Orders will be in 4 parts - white - Vendor; Yellow - Accounting Dept., accompanying invoice; Pink - File in Central Stores; Goldenrod - Originating Dept.

results: the intention is to change buying center participation to bring the elected officials into the same position as the appointed department heads. This is to be accomplished through the budget preparation process and by the strict enforcement of the following section of the policy: "Purchases made by County Employees which do not conform to these policies will be deemed to be the individual responsibility of the employee." In other words, when an elected official does not conform to the policy in making a purchase, the Board's response (according to the Administrative Coordinator) will be to tell the official that the county will not pay for it: "You bought it, you pay for it." The County Clerk, expressing the opinion of the elected officials, said she was furious when she first read the policy and discovered the intent. According to her, the other elected officials considered it an insult.¹ The County Clerk said she would bring suit against the Board of Commissioners if she were told she had "bought" something.²

The Administrative Coordinator said he was expecting trouble. Past experiences with the central purchasing policy gives little indication of hope for success in the Board's attempt to gain more control

¹At this time, the elected officials and the Administrative Coordinator assume this policy would indeed apply to the elected officials as written. Note, however, that technically the elected officials are not county employees. See discussion in Chapter IV.

²The Printing Department recently purchased a six-months supply of white legal pads, claiming a savings for the county of \$25.00. The judges, the employees of the courts, and the County Clerk (who also functions as the clerk to the Circuit Court), however, all demand yellow legal pads. (This apparently irrational and fierce loyalty to the ubiquitous yellow legal pad is well known; ask any lawyer about white legal pads.) The County Clerk said that yellow legal pads may well be her first direct purchase outside of the purchasing policy; with the backing of the courts, she said she would be glad to have the Board challenge her on it.

in purchasing. There are, however, some circumstances involved that may allow this change to be made. The following situation gives some insights into the nature of bargaining and trading processes in county government.

After each official federal census, statute law requires the establishment of a county apportionment commission, composed of the county clerk, treasurer, the prosecuting attorney, and the county chairmen of each of the two major political parties. (The process is obviously a political one.) This apportionment commission is charged with not only redrawing the districts from which county commissioners are elected, but also with establishing the number of members of the county board of commissioners. Lenawee County now has fifteen commissioners, and the Board's recommendation was to remain at that number. The Apportionment Commission, however, has recommended that the number be reduced to between seven and eleven; the County Clerk indicated that the final number will probably be nine. These recommendations obviously have made many of the incumbent commissioners very angry. (The coming political battle will primarily be among members of the same political party; the elected officials involved on the Apportionment Commission and the commissioners whose districts would be eliminated are all Republicans.) The Administrative Coordinator admits he is counting on this anger in getting the Board to stand firm in refusals to authorize payments for purchases made outside of the requirements of the purchasing policy. In responding to Board actions, the elected officials must consider the possible effects of having those lame-duck commissioners involved in establishing the 1982 budgets for their departments. These circumstances may not be

unique to Lenawee County; according to a Michigan County Clerk's Association survey, seventy-five percent of the apportionment commissions are recommending reductions in the number of county commissioner districts.

Clinton County

Description of Purchasing Operations

Clinton County offers two different implementations of essentially the same county purchasing policy. (The first purchasing policy is shown in Figure 14; revisions and additions to the purchasing policy, effective July 1, 1981, are shown in Figure 15.) The Administrative Services Department, under the direction of the County Administrator, is responsible for the supervision of the purchasing policy and for the operation of a central store of office supplies. Although the modifications in written policy are relatively minor, the adoption of the changes marked a different level of actual implementation by the Administrator, with the backing of the Board of Commissioners.

The patterns of buying center participation, however, were not substantially changed through the modifications in the policy or its execution. Clinton County instead demonstrates the possibilities for making changes in a procurement system that will affect the achievement of other purchasing goals of the Board; in this case, the changes resulted in a flow of information from the purchasing processes to the Administrator's Office and thus to the Board of Commissioners.

The purchasing operation in this county can be seen as made up of pieces also found in the other study counties: shared with all the other counties, the participation of the Board in procurement decisions

Purchasing Policy
County of Clinton

The purchasing of all supplies, equipment, vehicles and services and all construction or altering of County facilities for any department or agency of the County of Clinton shall be in accordance with the following procedures:

1) Requests for the purchase of all supplies, equipment, vehicles and services and for the construction or alteration of County facilities shall be made by the Department Head to the Board of Commissioners during the annual budget process in accordance with procedures established by the Board of Commissioners. The adopted budget shall specify the approval, disapproval, or modification of the request.

2) Requests made at other times due to unusual circumstances shall be made in writing to the department's designated program committee, who shall evaluate the request in terms of impact on the department's programs, and make its recommendation, including the amount of funds needed, to the Board of Commissioners. The program committee may authorize such expenditures not exceeding \$750, if there are sufficient residual funds in the departmental budget.

3) The purchase of all supplies, equipment, vehicles and services in excess of \$750 shall be supported by a purchase order signed by the Department Head and Administrator, who, as Purchasing Agent for the County, shall verify prior to purchase that the conditions of this policy, including the appropriation of funds, have been met.

4) All general office supplies and equipment shall be purchased by the Administrator and disbursed through the County Central Supply Store in accordance with procedures established by the Administrator and approved by the Board of Commissioners.

5) If the total cost of any approved purchase is not to exceed \$750, the purchase shall be made on the basis of price and quality, subject to obtaining two prices, if possible.

6) If the total cost of any approved purchase is to exceed \$750, but not to exceed \$2,500, the purchaser shall obtain in writing a

Figure 14. Clinton County Purchasing Policy

minimum of two quotations, unless a specific exception is granted by the appropriate Departmental Program Committee. Purchases shall be on the basis of price and quality; provided, however, that if the decision is to purchase other than the lowest cost item, such purchase must be approved also by the appropriate Departmental Program Committee of the Board of Commissioners.

7) If the total cost of any approved purchase is estimated to exceed \$2500, a formal bidding procedure, including advertising and securing of sealed bids on the basis of approved specifications, shall be required. Solicitations for such bids and the development of specifications shall be done by the Administrator with the assistance of the Department Head and the approval of the appropriate Program Committee, who shall review the bids and make recommendation to the Board of Commissioners.

8) All approved requests involving the construction or alteration of County facilities, including general maintenance, shall be implemented under the supervision of the Buildings and Ground Committee, who shall either authorize County staff to accomplish the work, or authorize obtaining the services of outside contractors.

1. Section 3 now reads:

"The purchase of all supplies, equipment, vehicles and services that do not exceed \$100 shall be supported by a Purchase Requisition signed by the department head and submitted to Administrative Services."

2. Section 4 now reads:

"The purchase of all supplies, equipment, vehicles and services in excess of \$100 shall be supported by a Purchase Requisition signed by the department head and a Purchase Order signed by the Administrator, who, as Purchasing Agent for the County, shall verify prior to purchase that the conditions of this policy, including the appropriation of funds, have been met."

3. Section 6 now reads as follows, with changes underlined:

"If the total cost of any approved purchase is to exceed \$750, but not to exceed \$2,500, the Administrator shall obtain in writing a minimum of two quotations, unless a specific exception is granted by the appropriate departmental program committee. . . ."

4. Although Section 4 of the old policy was not included in the new policy, it remains in effect in practice.

Figure 15. Changes and Additions to the Purchasing Policy of Clinton County, Effective July 1, 1981.

through the budgeting process, here specified explicitly in the purchasing policy; a board committee approval system for unbudgeted buys or purchases over a given dollar level; the use of printed requisition and purchase order forms; the central purchase of office supplies and some office equipment; and an administrator who can take various roles in the buying centers. There are no explicit local preference policies. (Lansing, in Ingham County, is considered local; much of what the county buys is simply not available through vendors within the county.) For the purchase of office supplies and equipment, the Administrator makes extensive use of available state government purchasing programs. (The Sheriff's Department cars are also purchased under a contract established by the State.) Beyond a few other occasional purchases by departments through the state programs, none of the general fund agencies engage in any form of cooperative purchasing.

Buying Center Participation Prior
to July 1, 1981

Clinton County shared the condition with Lenawee County of having a purchasing policy that was not completely translated into practice. Prior to the policy changes, the situation was essentially the same as for Lapeer County: all the important procurement decision making remained in the hands of the individual departments. Although mentioned in the policy, a purchase order procedure was never developed; requisition forms were prepared for use in obtaining supplies from central stores, but the requirement for their use was never strictly enforced. There was no provision for a central check on the availability of funds under a line-item or budget before a purchase was made

by a department. For purchases under the \$750 level, both elected and appointed officials could simply buy directly from a chosen vendor, submitting the invoice to the County Clerk after the purchase. (Only the invoices for purchases for central stores would go through the Administrator's Office.) In Clinton County, very few departmental purchases reach the \$750 level; there was no evidence of breaking large purchases into smaller units to come under a \$750 total. The committee approval procedures for purchases over that level also presented few reasons for using such tactics. While the appointed department heads were constrained to operate within the committee approval process, the departments retained control of specifications and usually obtained the required quotes, leaving the committee with a yes/no decision for the approval of procurement decisions made within the departments. The elected officials were at times able to ignore the committee approval process and still have their expenditures approved for payment by the Board; within the committee approval process their ability to control the purchasing activities and decisions important to them, however, gave them little reason to do so.¹

¹Only one example was found of a refusal of the Board of Commissioners to approve a payment for an elected official's purchase made outside of the procedures required by the policy. A Circuit Court Judge dealt directly with a vendor in having a set of bookshelves built and installed in his office. This was an unbudgeted expenditure that was not taken through a committee approval process. The Board has refused to authorize payment for two years. The Administrator receives a monthly bill from the contractor, but has ignored them. The issue has never been forced by the contractor, although the Administrator has responded to the bills by telling him to sue to judge. The contractor has been doing other work for the county on an ongoing basis, so the amount charged for the bookshelves has been carried along as an unpaid balance. The issue has also not been forced by the Board or the Judge. The issue is still a topic of concern with the Board; the

Thus for the elected officials, a diagram of buying center participation would be identical to Figure 4 for Lapeer County. This diagram also applies in practice to departments with appointed heads for purchases other than office supplies.¹

In the purchase of office supplies, appointed department heads are constrained to obtain their needs from central stores. A diagram of buying center participation for this type of buy is shown in Figure 16. The Administrator retains almost complete control of decision making here; the departments play a minor gatekeeper role in specifications, shown as a dashed line, by providing some needs data to the Administrator. An attempt was made by a former County Administrator to restrict the elected officials to this same buying center situation. The target chosen by the Administrator was a Circuit Judge named Green, who insisted on signing all official documents with a particular type of pen containing green ink. Because this was not considered a routine office supply item, the Administrator refused to buy this pen for central stores, and he convinced the Board to refuse to authorize payment when the judge submitted an invoice after making a direct purchase. After the high level of conflict generated by this faux pas, no further efforts were made to force the elected

members are now split on whether or not to pay the bill. The Judge has had no reason to try to resolve this issue, for the shelves remain in place in his office.

¹In the operation of central stores, the Administrator is responsible primarily for the purchase of office supplies, not office equipment. The only office equipment that was purchased directly by the Administrator was typewriters, where the only choice a department head had was color. The Administrator buys only IBMs, a purchase choice that is unlikely to raise complaints from the departments.

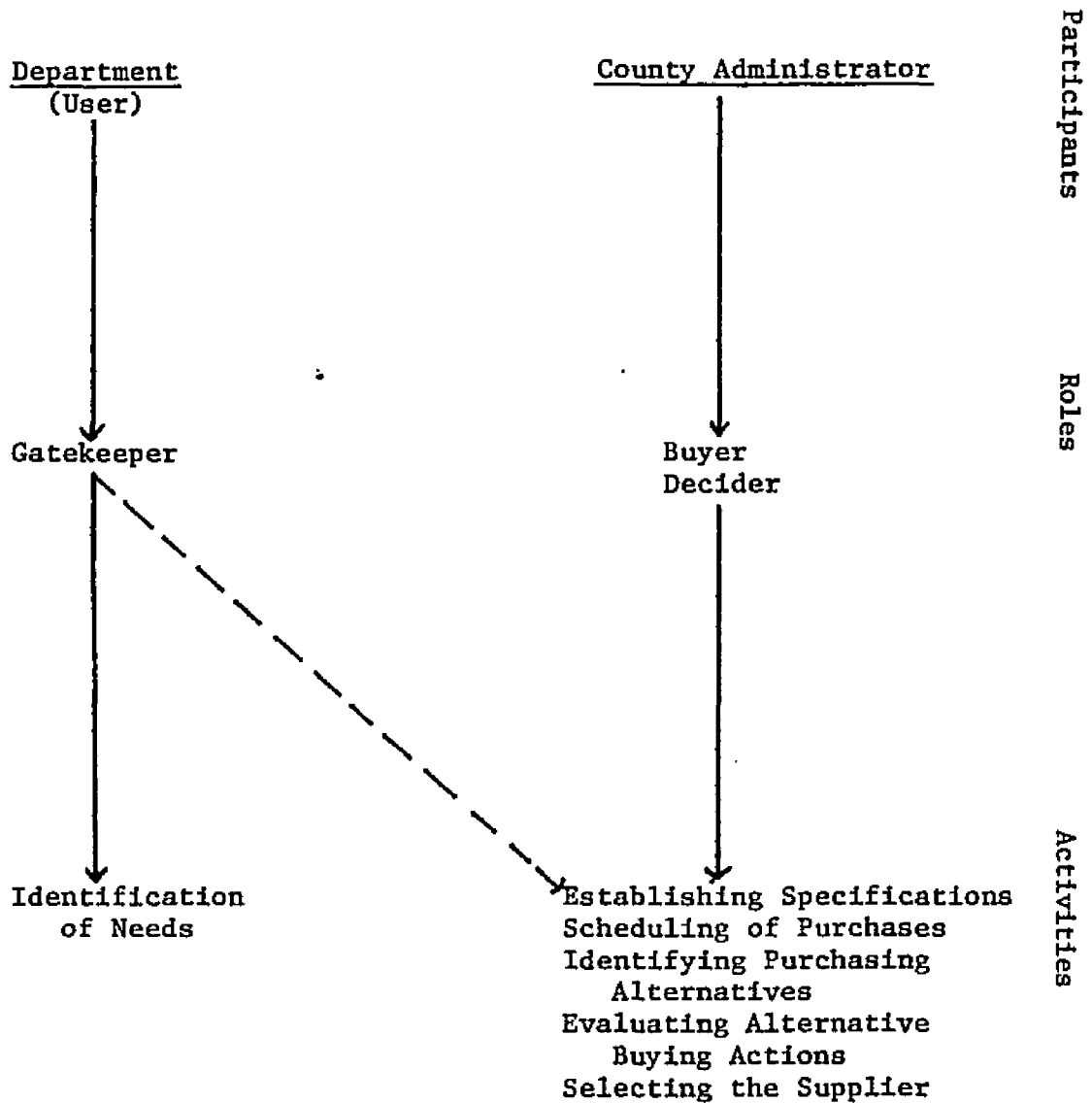


Figure 16. Buying Center Participation in Clinton County: Purchase of Office Supplies for Departments with Appointed Heads

officials to obtain all of their office supply needs through central stores, although in practice very few direct purchases are made by these officials. (The present Administrator is stocking central stores with these green pens for the Judge. Although some members of the Board of Commissioners wish to continue the battle and have questioned the Administrator about his purchase of the pens, he feels the benefits of exerting control in this area would not be worth the trouble he would face in his continuing relationships with the Judge and the other elected officials.) Because they do have this exit option, the buying center diagram for this type of buy for elected officials will be the same as for all of their other purchases.

Buying Center Participation
after July 1, 1981

The revisions in and additions to the purchasing policy did represent some changes in buying center participation and the roles played, but the major change was the implementation of a paperwork flow procedure that assured a flow of information on finances to the Administrator and thus to the Board of Commissioners. The latter change comes through the formal requirement for the use of a requisition form for all purchases and for the issue of a purchase order by the Administrator for all purchases over \$100. In this way, the sufficiency of funds under a charged line-item can be checked before a purchase is made, and near the end of the year an accurate picture of the account balances can be quickly computed. (The latter is necessary for the Board to make readjustments to assure finishing the fiscal year with a balanced budget. It also allows charging the proper year's budget where invoices for orders made before the year end are not received

and paid until the next year. This represents using the purchasing system as a tool of financial control.

This flow of information has not, however, been achieved in exactly the manner specified in written policy. In a letter to all department heads concerning the new procedures (dated July 1, 1981), the Administrator stated:

Effective today, supplies, equipment, services, etc., under \$100 will need a Purchase Requisition signed by you submitted to Administrative Services. We will then purchase the item(s) through Central Purchasing. . . . In order for this system to work efficiently, I need your cooperation and assistance. Please do not go out and order or purchase goods covered by this policy on your own, as I will have to recommend to the Finance Committee that they not be paid.

The departments, however, did not cooperate; the Administrator has had to abandon the pre-purchase requisition requirement. (The typical response from the department heads was "Don't you trust me?" In terms of the necessity of continued good relations with the department heads, both elected and appointed, the Administrator felt the benefits of pre-purchase requisitions were not enough to offset the costs.) As before the change, the departments are now making direct purchases of items under \$100 in value that are not available through central stores. Thus for purchases under \$100 for all departments (and for the purchase of office supply items for appointed department heads), diagrams of buying center participation remain the same as before the policy modifications.

The purchase order system for buys over \$100 has been implemented, and in practice it does represent a change in buying center participation not found in the other study counties. The department heads, including the elected officials, have nominally complied with the paperwork requirements; this means that for some purchases the

Administrator functions as the decider concerning the selection of the supplier. The department heads have cooperated in most cases because of two factors regarding the actual implementation of the policy:

(1) The departments control that part of the procurement decision making process that is most important to them: there have been no attempts to force changes in the specifications for purchases developed by the departments. In this sense, the purchasing operation is run under a service approach, with the Administrator generally restricting himself to going through the procedure of buying what the departments want. (Through the control they have on specifications, they can place important restrictions on the Administrator in the identification of alternative buying actions.)

(2) In practice, the Administrator does not always control the steps between the development of specifications and the selection of the supplier as written in policy. The formal policy has the departments responsible for obtaining bids or quotes for purchases under the \$750 level, while the Administrator is to obtain them for purchases in the \$750-\$2500 range. This has not been the pattern in practice. Some departments routinely let the Administrator obtain quotes and select the supplier for buys under the \$750 level. Other departments just as routinely continue to obtain their own quotes or bids for buys above the \$750 level. The Administrator has taken the position that if the departments have taken the trouble to get the quotes, he will use them in designating the supplier. (As he puts it, "I have to try to get along with them.") Department heads (both elected and appointed) sometimes do specify a specific supplier on their

requisitions; if a "good reason" for doing so is put in writing, the Administrator will usually place the order with that vendor. The Administrator realizes and admits he is not in a true command position and feels that he must usually give in to the departments in this area to get their cooperation in what he thinks are more important areas. (His nominal control of some purchasing decision making is in effect being used as trading material to affect behaviors in other parts of county government operations.) In practice, the procedures regarding the role of the Administrator in obtaining bids or quotes are strictly enforced only in limited circumstances. Purchases made outside of the policy by an elected official have been returned to the vendor by order of the Administrator. The reason for this action, however, was not that the policy procedures had not been followed or that the specifications were in question: the Administrator was only able to do this where the identical item was available under a state-established contract at a lower price. (The most recent example of a send-back was a set of file cases purchased by the Circuit Court.)

Buying center participation for these purchases over \$100 in value is shown in Figure 17. The decider role is split, with the department heads (both elected and appointed) controlling the specifications, while the selection of the vendor may be controlled by either the Administrator or the department head, depending upon the particular purchase. Although Figure 17 can be seen as applying to both elected and appointed officials, the elected officials do have more opportunities for effective exit. Strong opposition by the elected officials forced the Administrator to abandon the attempt to organize

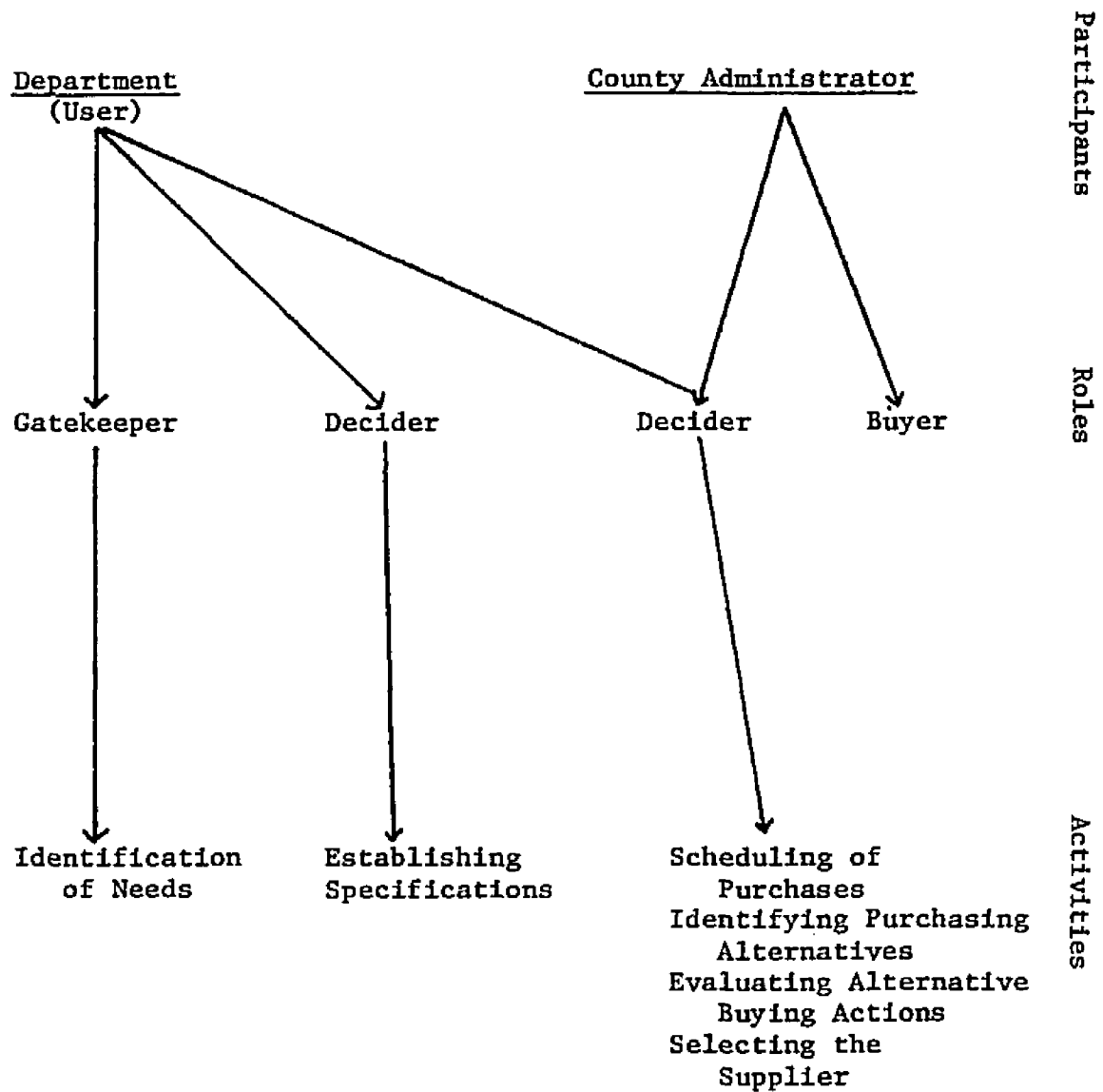


Figure 17. Buying Center Participation in Clinton County: Purchases Over \$100 and Under \$2500 for both Elected and Appointed Department Heads, Effective July 1, 1981

a single annual buy (through a formal competitive bidding process) of all printed forms and stationery for the departments. Such politically sensitive purchases remain in the hands of the officials. Other purchases by the elected officials have been effectively exempted from the policy procedures by the Administrator, through unwritten agreements with the department heads. Most of these exemptions revolve around the Sheriff's Department, such as in the purchase of gasoline and uniforms.

For purchases over the \$2500 level, no diagram of buying center participation is offered. Under the policy, the Board of Commissioners is nominally to be directly involved in the final decisions on these purchases. Very few purchases reached this level of dollar value, so there is little basis for reaching conclusions about nominal versus actual participation in decision making. For example, automobiles are supposed to be formally bid out, with a committee making recommendations and the Board making the final decision. The Sheriff has effectively removed himself from this process by making all car purchases through a contract established by the state government. (Thus there is no questioning of his specifications within the county, and he is assured of a particular quality level and set of optional equipment on the cars.) There have been few other purchases of vehicles, and the examples do not allow drawing generalizations. Other purchases over the \$2500 level were for situations not directly involving department heads; for example, a contract for janitorial services, the construction contract for the renovation of the exterior and entrance of the county courthouse, and a contract for an audit of

revenue sharing fund expenditures. (An exception was for an additional office for a circuit court judge, but the majority of the purchase total was for law books, available only from a single source.) No firm pattern in buying center participation for purchases over the \$2500 level could be established, although it should be noted that in none of these cases did the Board of Commissioners accept the low bid.

CHAPTER IX

PURCHASING ORGANIZATIONAL ALTERNATIVES

AND BUYING CENTER PARTICIPATION:

FINDINGS AND IMPLICATIONS

Introduction

Each of the procurement function alternatives presented in Chapter V appears to represent some possible change in the participation in procurement decision making: the alternatives appear to represent different opportunity sets to the various actors, to place different constraints on their choices. Adoption of a particular alternative, however, changes only a part of the structure of relationships among the participants, only some of the rules of the game. Will the adoption of certain formal organizational forms result in changes in the board's actual participation in decision making and in the control of purchasing activities which affect performance in relation to their goals and priorities? Two of the open ended questions of this study have been: Are there general patterns of participation in procurement decision making? How does the nominal centralization of purchasing authority and responsibility affect participation in the decision-making process and the roles played?

These questions will be considered through an examination of the patterns of buying center participation found in the study counties. This is followed by a discussion of the potential effects of the individual on procurement system performance. The implications of the

findings for the organization of the procurement function in small and medium size county governments will be considered, followed by a discussion of the possible performance consequences of purchasing alternatives that may be required of county governments by the state or the federal government. The chapter closes with some notes on needs for further research.

Buying Center Participation Patterns in the Study Counties

Elected Versus Appointed Department Heads

The use of the buying center concept provided a methodological base for identifying patterns of participation in procurement decision making. Based on the study counties, the BUYGRID model buyphases (straight rebuy, modified rebuy, and new task), suggested in the literature to be a good predictor of general participation patterns, have little apparent influence on the participation of the board (or of a board-appointed position assigned purchasing responsibility) in buying centers. These buyphases might be useful for examining buying centers within the individual departments, but they appear of little use in identifying patterns of board participation. After the initial participation through the county budgeting process, the board's secondary participation is usually triggered by the dollar size of a purchase against a chosen standard. Where a high dollar amount is set for such board participation, many new task purchases would remain entirely in the hands of the departments. Differences in board participation in buying centers are not linked to the type of buy but rather to the legal or political position of the unit involved; i.e., whether the department involved has an elected or an appointed head. Patterns in buying center

participation will be discussed in terms of these two groups.

The Elected Officials

In all of the study counties, whatever the formal procurement function organizational form involved, the elected officials generally controlled all procurement decision making affecting their departments. The board, a board committee, an administrator, or other employee may act as buyer, and the process may even make them appear as the nominal decider, but the real decider roles are almost always played by the elected officials. For any particular purchase, a diagram covering an appointed department might apply (such as in Clinton County where the administrator might act as the decider in the selection of the vendor), but this is by choice, not command. For the study counties, the diagrams of buying center participation covering the elected officials are then essentially identical. These diagrams do not disclose, however, that the ways in which their decision-making freedom is exercised and the points in the purchasing process where they take control of the important purchasing activities do vary from organization to organization. In some cases, their control of procurement decision making started with the county budgeting process; in others, the elected officials were able to retain the decider role because of the nature of the committee approval process in budget execution; in yet other cases, their power was reflected in the claims process, through the ability to have their expenditures approved for payment after making purchases outside of the specified policy or procedures. Even where purchasing responsibilities were assigned to an administrator position, which appeared to have the trading materials that

could potentially be effectively used in changing the buying behaviors of the elected officials (and the administrator had the desire to do so, as in Lenawee County), the officers retained control of specifications and were almost always able to act as the final deciders regarding product/vendor combination. For the elected officials in these study counties, the formal organizational form of the procurement system within the county does not appear to significantly affect buying center participation or the roles played.

Appointed Department Heads

In contrast to the straightforward case of the elected officials, there were differences across the organizational alternatives in the roles played by the actors for buying centers involving departments with appointed heads. This varied from the situation in Lapeer County, where the appointed department heads were in the same decision-making position as the elected officials for almost all purchases, to the counties with central purchase of office supplies, where for that type of purchase the department heads might only be able to play a minor influencer role. For other purchase types, there may be uncertainty as to the ability of the department head to play certain roles for any particular purchase: as in Van Buren County and in Lenawee County under the Administrative Coordinator, in some cases the department heads will play the decider roles while in others the board or a board committee may make the important decisions.

Regarding the patterns of buying center participation for these departments and the differences between the formal procurement function organizational alternatives, two conditions can be noted:

1. It is over these departments that a board of commissioners comes closest to the pure power of command; in a conflict with the board, these appointed officials have little or nothing with which to bargain or trade. Yet for many buying actions, these departments do have decision-making control regarding activities that may directly affect purchasing performance in relation to the board's goal of obtaining optimum value per dollar expended.
2. Where the board of commissioners, or an administrator or other position assigned purchasing responsibility by the board, does play important roles in the buying centers for these departments within a formal organizational alternative, this level of participation comes through a more effective exercise of command power rather than through the use of trading materials within an exchange relationship.

The results in the study counties are not only time and situationally specific as to the markets faced by the counties (as considered earlier), but also as to their general financial conditions. The purchases included in the preparation of the buying center diagrams were made during a period of general financial stress in counties, and each of these units was facing important fiscal pressures. If a board of commissioners cannot participate in county buying centers in certain ways when the pressures and motivations for doing so are highest, they cannot be expected to during a period of more abundant revenues.

Thus within these study counties, the "old courthouse gang," composed of the officials elected from a county-wide base, still retains its powers. The formal purchasing policies or some kind of superficial paperwork procedure may provide the appearance of central

control. Despite statute law and any formal purchasing rules, the elected officials have a general ability to exit the system, an option not available in private business settings. (The appointed department heads also generally lack this option, although in some cases they may adopt tactics to obtain the same ends.) The organizational forms of the procurement function, then, appear to have little effect upon the ability of the gang's members to get what they want, to apply their own criteria and their preferred weights in procurement decision making.

Review and Summary

The general literature on the behavioral theory of the firm is the source for the four categories of variables that are the determinants of organizational buying behavior within the Webster and Wind model: individual, interpersonal, organizational, and environmental. For the prescriptions of the literature regarding the centralization of purchasing authority to work within an organization and produce the hypothesized performance results, it is necessary for the variables within each of these sets to be somehow "right": i.e., the prescriptions of the literature might be said to be applicable only to an "optimal" set of conditions. An analysis of the structure of county governments suggests that the organizational variables are not "right." The board of commissioners does not have sole executive power; instead, executive power is spread throughout county government. This spread of executive power means that the relationships between the board of commissioners and many of the other important actors in county government cannot always be one of command. It is a system of shared powers. In contrast to the implicit conceptual framework of the purchasing

literature, the form of county government used in Michigan may best be viewed through a different conceptual framework based on the relationships among the important actors being characterized by bargaining, with command playing a lesser role. Within an exchange approach, there is a recognition that although there may be the nominal centralization of purchasing responsibility and authority, key behaviors affecting the accomplishment of procurement activities (in turn determining overall performance in relation to goals) cannot always be commanded. If the bargaining conceptualization of county government is valid, the predicted performance differences between the traditional form of county purchasing and the purchasing function alternatives presented in a command framework may not be found in applications to county government. As the study counties illustrated, the organizational centralization of procurement is not the same thing as centralizing all purchasing decision making.

Where the procurement function organizational alternatives presented in a command framework or format are not useful in predicting probable overall procurement system performance, an exchange framework presents a different basis for predicting performance differences. It is necessary to conceptualize the structure, the rules of the game, in a different way. Where the ability to exercise executive authority through command is limited, the trading materials available to use in obtaining the desired behaviors of other important actors may be a key variable in determining performance. The procurement function alternatives available within county government may be seen as changing the distribution of trading materials among the actors and the potentials for their effective use. When the alternatives for procurement function

organization are transposed from a command format into an exchange format, do they then represent real alternatives? Do any of them represent substantial changes in the location of certain types of procurement decision making? The study county cases illustrated that where various changes in the organization of the procurement function were made, the changes in decision-making participation generally applied only to the departments with appointed heads: i.e., they affect actors where the board of commissioners already had its clearest ability to command. Despite the apparent availability of more trading materials to a position like an administrator, participation within buying centers, the roles played, and the decision-making powers of many of the actors, particularly the elected officials, did not substantially change within the different formal alternatives for purchasing function organization. This suggests that for the working hypothesis (formulated on the basis of the exchange model) to be the actual case within a county, the determinants of organizational buying behavior considered above must again somehow be "right": i.e., that the provision of trading materials to a position will change outcomes only under some "optimal" set of conditions.

This is not meant to imply that on the basis of the study counties it can be concluded that different buying center participation patterns for elected or appointed officials cannot result through the exercise of command or through the use of trading materials within bargaining processes. All county purchasing systems will be to some degree unique. In practice, purchasing systems are hybrids: combinations of the ideals suggested in the literature, bits and pieces from other purchasing systems staff members may have had experience with, previous operating practices

and procedures, past traditions, and modifications for expediency. All counties will be facing different sets of variables within the categories of individual, social, and organizational factors. Recall, however, that because all governments purchase various commodities and services necessary for their operation, the tendency has been to assume the applicability of a single set of prescriptions covering all government procurement functions. The above discussion indicates that there is a need, illustrated by the study counties, to develop prescriptions for use where some "optimal" set of conditions does not exist.

Structure: The Nature of Trading Processes in County Government

In the case of the elected officials, why didn't buying center participation and roles change when an administrator was assigned central purchasing responsibility and authority, despite the apparent control of important trading materials by that position? Potentials for trades is not the same thing as actually making use of materials. With increased assignment of responsibilities, a person in a position assigned some degree of central purchasing responsibility would also have to be concerned with how his set of trading materials would be used in affecting other important areas of government operation. (For example, an administrator must be ready to respond to the agenda-setting abilities of elected officials.) In choosing among possible areas for using his limited resources, an administrator would have to consider his abilities to claim credit for good performance (or if good performance could even be identified and demonstrated). The priority given to procurement matters could thus change over time. The priority

given to the procurement area by an administrator, however, does not provide a complete explanation; consider, for example, the Lenawee County Administrative Coordinator, who has taken his assignment in central purchasing very seriously, as evidenced by the proposed purchasing policy and anticipated implementation. A more satisfying explanation for lack of change may be found in the basic nature of the trading processes within county government.

Within the institutional structure - behavior - performance paradigm, this returns to the question of structure. The three major dimensions of structure listed by Shaffer and Schmid are property rights, rules of representation, and jurisdictional boundaries.¹ The first two have been topics of discussion throughout this research. Property rights in a government context refers to the rights and obligations placed with an individual or group acting as agent for a governmental unit. Participation in procurement decision making may be described in terms of rights, for rights specify the rules concerning what has to be taken into account in decision making and what is internal to the decision-making unit. Rules of representation, the rules for making rules, has also been addressed; for example, note the abilities of the important actors to block or force changes in county government. The importance of jurisdictional boundaries in affecting relationships among the actors was also noted; actors are often able to protect their own interests because the legal limits on the authority of the important participants are not always clear. At any point in time, the actual limits on authority and the rights of

¹Shaffer and Schmid, p. 7.

the actors are, to a degree, a matter of the mutual recognition of the parties; this sets the stage for bargaining and trades. The concept of jurisdictional boundaries also contains some additional dimensions that may be useful in explaining the participation patterns found in the study counties.

Shaffer and Schmid list sense of community and homogeneity as two of the basic concepts of importance in analyzing jurisdictional boundary questions.¹ Homogeneity refers to tastes and preferences; the basic question is of whose preferences are to count. Where there are conflicting interests and demands among those who actually participate in a buying center, the final procurement decision of the center is necessarily a compromise. The procurement decisions coming from the buying center might then be viewed as being made by informal coalitions, where there are not only conflicting interests, but also some degree of mutual concerns. This implies a sense of community, a feeling of belonging to a group. What degree of mutual concern can be expected within county governments? The earlier discussion of the nature of county government and the trading materials available to the actors indicates that there is much less direct interdependence among the components of county government than between the departments of an organization producing a physical output for sale in

¹Shaffer and Schmid, p. 8. Two other concepts are listed: external effects and economies of scale. These have played a part in the analysis. The concept of external effects refers to what effects of transactions decision makers must consider; this has been a major focus of the research in examining the conflicting interests of the board and the other important actors. Economies of scale have been considered, both physical (such as might result from the application of specialized knowledge through the consolidation of purchasing activities within a unit of government or among units), and pecuniary (such as in the consolidation of needs in order to try to achieve possible price benefits of volume buying).

the marketplace. That is, each department in the county can generally produce its "outputs" without depending upon other departments for important inputs. Where there is little functional interdependence, there is less communication. (If other actors have resources you need for your outputs, there must be some form of communication.) Given the limited command powers of the board of county commissioners, there appears to be much less communication within a county government than might be expected for a single government entity. This sets a very different stage for participation in procurement decision making than where the units are functionally interdependent.

The basic departmental strategy is relatively simple: it is not a matter of trying to control the degree of buying center participation by "outsiders" (i.e., the board of commissioners), but instead the goal is simply to eliminate outside participation (while perhaps retaining some formal type of participation to retain the appearance of outside control by the board). There is great concern for boundary maintenance and the ability to control all decisions that could affect a department within that department. Conflict resolution within county government, in this and in other areas, generally places most emphasis on the use of "negatives" in bargaining situations; i.e., field observations indicate that most of the bargaining in county government involves "bads" or the attempts to avoid bads, rather than "goods." (The conflict and tension surrounding the necessity of reducing budget sizes may increase this tendency.) The examination of the potential trading materials of the actors in Chapter IV revealed that most of them revolved around such "bads"; e.g., the ability to stop a flow of information or some other power to do something that would harm another actor. The lack

of functional interdependence also means a lack of "goods" to be used in such situations. Once a buying situation involves more than persons within a single department, face-to-face contact and persuasion among members of the buying centers are more likely to occur only in adversary situations.

The exchange framework arguments for the centralization of purchasing responsibility and authority, which would lead to changes in buying center participation and the decision-making power of the participants, are based on assumptions of functional interdependence and a greater degree of mutual concern than are the case within most county governments. Changes in the organizational form of a county within the procurement system options are not likely to lead to changes in the functional interdependence of the departments.¹

The use of a hired county administrator, a county controller, or other similar position represent alternatives that potentially involve the use of "goods" rather than "bads" in the trading process. For example, of most importance may be a position's role as gatekeeper in controlling the flow of information to the board of commissioners in areas other than procurement. While this might appear to be a

¹The flow of information within and into the buying centers may be affected in more subtle ways than through changing the distribution of trading materials within county government. For example, it is well recognized that the flow of work and the interaction among people within an organization are interdependent. Thus, a formal paperwork flow for purchasing within a county may have some effect on the nature and levels of interaction among the important actors. Thus even where the paperwork flow is meant only to assure a check on the availability of funds under a particular line-item before a purchase is made (i.e., it doesn't affect the ability of the departments to determine specifications, vendors, etc.), there may be some impacts on participation in buying centers for particular goods through changing interaction patterns in particular ways. The nature of county government, however, would appear to limit the impacts of such changes.

significant change, the nature of the trading processes that could occur have also changed. Bargaining can now occur at two levels: between the departments and the purchasing agent or administrator, and between the departments and the board of commissioners in attempts to get around the administrator and his purchasing requirements. It appears that at least in the study counties, the elected officials' powers in relation to the board of commissioners is so strong that they need not be greatly concerned with the intermediate administrator position: they can get what they want directly from the board in this and in other areas. Despite having what this researcher first identified as potentially effective trading materials, the administrator position does not seem to be able to block the direct access of the elected officials to the board of commissioners.

The concept of the sense of community encompasses the variable of the strength of the board of commissioners in the framework for county government procurement given in Chapter III. In a broader context, it is seen that the variable would better be labeled "organizational climate," which in a purchasing sense refers to the nature of the communications between buying center members and the support that the members of a buying center have from others.

Bonoma and Zaltman note:

Generally, organizational climate differences have not proved to be effective predictors of differences in buying patterns, decision strategies, or effectiveness. However, it may be that the problem is a simple one of definition and conceptualization and not of the irrelevancy of the concept.¹

Shaffer and Schmid state:

¹Bonoma and Zaltman, p. 15.

The sense of community is a concept which is difficult to make operational or to quantify. This is a tough intellectual job. Our current level of knowledge causes much policy failure (which simply can't be blamed on the establishment, etc.) Programs and policy proposals that assume a sense of community which does not exist will not get support and will likely fail. Thus the assessment of the set of attitudes and beliefs which define the extent of the sense of community is an important aspect of policy and program development.¹

The attitude of the key members of the board of commissioners regarding the elected officials found in the study counties varied greatly.² For example, in Lenawee County, the members of the board had some general recognition and respect for the independence of the elected officials; the act of hiring a county administrative coordinator reflected a pattern of cooperation and communication among the actors. In Lapeer County, however, some members of the board stated directly that "We run this county." Their attitude towards the elected officials was that they were simply county employees, nothing more.³ A similar attitude towards the non-general fund agencies has lead to

¹Shaffer and Schmid, pp. 8-9.

²Among most boards observed both in the study and other counties, there are usually one to three members who exert strong leadership within the board and set the tone for its relationships with the other actors within the government. In this sense, the board might be said to have an aggregate character, even where very few decisions are unanimous.

³For example, the leadership of the board indicated that they considered Attorney General Opinions relating to the independence of the elected officials' offices merely advisory, and that they could effectively be ignored. (An example was the board's direct purchase of time clocks for all departments without any consultation with department heads. Extended conflict with the elected officials did result in \$3000 worth of time clocks going into storage, but they were never returned to the vendor; some of the board members do not consider the matter settled.) This attitude has been a sore point with all of the elected officials in the county.

continuing conflict. In virtually every department there was talk of a general atmosphere of distrust within the county government.

Persons who have worked in more than one county claim great differences exist in organizational climate, in particular through boards of commissioners with very different aggregate characters; most mention differences in perceived level of conflict within a county.¹ Within this study, this concept remains a kind of primitive

¹Michigan Public Act 261 of 1966 changed the form of the county government policy-making body, creating the county board of commissioners in place of the board of supervisors. This state legislation, which instituted a system of elected commissioners from single-member districts of equal population, was required by the U.S. Supreme Court's "one-man, one-vote" ruling. (Hank Avery v. Midland County, Texas, 390 U.S. 474) Ver Berg describes the situation under the old board of supervisors as follows:

Prior to that decision, county board members did not necessarily represent nearly equal numbers of people. . . . a part of the county board's members were township supervisors and others were selected from cities. According to the law, the number of county commissioners representing a city depended on the size of the city. Each city charter specified whether the city's representatives were elected or appointed. Some city charters specified that certain city officials, such as the mayor or city manager, were to represent the city on the county board in addition to other duties. (Ver Berg, p. II-9.)

While this change in format of representation may have resulted in some of the expected outcomes, it may also have resulted in some unintended consequences: change in the general organizational climate of county government, resulting in a higher level of conflict. Members of the board of supervisors did tend to represent another unit of government, a township or a city, but this also meant that such unit was their primary focus of attention. County government was a sideline with most of them; the boards would rarely meet more than once a month, with the purpose of loosely overseeing what was going on at the county level. If games of power were to be played, most occurred back in the home units of the supervisors. Under the present form, the county government becomes the home unit for the commissioners, bringing with it an increased tendency for there to be war-like activities within the counties.

term, something that must be experienced. Difficulties certainly remain in adequately specifying this variable in quantitative terms. The indication here, however, is that the organizational climate is a very important variable; e.g., it will be reflected in whether the board takes a management/control or a service approach to purchasing, or some particular balance of the two. This is also a variable that can change drastically with changes in the membership of a board. It is this possibility that must be considered in developing prescriptions; it cannot be assumed that the character of a board of commissioners will remain constant over time.¹

The Effects of the Individual on System Performance

The usual assumption underlying the prescriptions for purchasing function organization imply that different types of buying centers will result from the adoption of different forms of purchasing systems open to county government. The purchasing process is seen as one of rational economic choice, and the buying centers' aggregate role is viewed as one of information processing. Within this approach, the form of the organization is identified as the important determining

¹Organizational climate in the purchasing area is obviously not only a function of the members of the board of commissioners; it can also change with turnovers in the offices of other elected positions. In Genessee County (much larger than the study counties), the Purchasing Agent said that the system did not begin to work well after his appointment until all the elected officials had been replaced; the prosecuting attorney strongly opposed the purchasing policy and operation for twelve years. A new official coming into an already operating system is less likely to raise complaints about it or to see it as an area for bargaining. (The degree of cohesiveness among the elected officials and their pattern of contacts will affect this.)

factor.¹ The earlier discussion indicated that for county government, the organizational variables or factors may not be "right" or "optimal" for the successful implementation and operation of the purchasing organizational form prescribed by the literature.²

The exchange approach also starts by looking at the organizational form as a key determinant, and again the same conclusions were reached. This has painted a very negative picture of the possibilities for cooperation, coordinated action, and change within county government.

The earlier discussions concentrated on relational variables, those factors pertaining to the nature of the connections between the actors; i.e., the variables of concern have had nothing to do with the skills and other attributes of those actors. Organizations, of course, are made up of people, people who have the potential within the confines of the organizational form to insert some positive elements into this picture of county government. The possibility is not eliminated that the intervening variable in the conceptual farmework, the personal characteristics of the person assigned purchasing responsibility, could not, through interpersonal processes, overcome some of the blocks and difficulties presented by organizational factors. For example, regarding the exchange approach to organizational relationships, Schmid and Faas hypothesize:

¹For example, the contingency theorists hold "that organizational structure is the critical variable in determining the effectiveness or ineffectiveness of a decision unit's information processing potential." (Spekman, pp. 88-89.)

²Webster and Wind define these organizational factors as "The objectives, policies, procedures, structure, and system of rewards, authority, status, and communication that define the formal organization as an entity and significantly influence the buying process at all stages." (p. 34)

. . . that where few external bureaucratic rules are available, it will be very difficult to predict how the various development ingredients will be made available. In this case, the unique personal characteristics of the bureaucrats become all important. Their charisma and personal leadership qualities become the key to who can get the cooperation of whom.¹

In addition to the usual explanation categories for purchasing performance (organizational form and the performance of particular purchasing activities), there is a third category that is addressed from a different approach in the literature: the effects of the individual on overall purchasing performance.

A last item in a Detroit study list of primary activities affecting price performance is Management. This term was applied to situations of multi-person purchasing departments, with the activity of management referring to providing necessary information to buyers, assuring that adequate time is devoted to research and decision making, and generally giving encouragement and motivation to buyers. If purchasing responsibility is centralized in smaller county governments, however, it is usually handled by no more than one person along with some clerical help. The term "management" would instead refer to the get-up-and-go of the responsible individual and his abilities in self-motivation and direction as well as his expertise in procurement.

The purchasing literature places great emphasis on the effects that purchasing personnel have upon overall purchasing performance of an organization. The literature contains many studies attempting to identify factors that make for a good purchaser and on the measurement of individual buyer performance; emphasis is placed on factors that affect his decision making, with a large literature focused on how to

¹Schmid and Faas, p. 152.

sell to individual purchasing agents based on their personal characteristics. Webster and Wind are typical of those aiming at understanding the buyer in order to be more effective in influencing his buying decisions and selling to him.

At the heart of the organizational buying process, then, is one individual--a person both influencing and influenced by the other persons around him and by the organization and its various subsystems. Imbedded within these various influences, the individual makes his unique contribution to the workings of the organization. To understand organizational buying behavior, we need to understand also the behavior of the organizational buyer as an individual.¹

It is well recognized that the economics of a market for a particular commodity is not the only factor influencing the decisions of a purchasing agent and thus prices-paid performance.

Contrary to popular belief, the Leavitt study demonstrates that industrial buying behavior is not strictly guided by economic considerations but is powerfully affected by more subjective factors, not the least of which is the personal character and background training of the decision maker.²

Although the literature recognizes the importance of the individual in determining purchasing system performance, there are no well-established methods of comparing performance outcomes on the basis of this general variable that would be useful in comparing county governments. This intervening variable, however, must be recognized as an important alternative explanation of purchasing system performance. That is, Spangler's assertion that a skilled person will find ways

¹Webster and Wind, quoted in Corey, p. 149.

²Corey, p. 152, referring to Harold J. Leavitt, "Applied Organizational Change in Industry: Structural, Technical, and Human Approaches," in William W. Cooper, Harold J. Leavitt, and Maynard W. Sheely, II, eds., New Perspectives in Organization Research (New York: John Wiley and Sons, 1964), pp. 55-71.

around many of the obstacles presented by organizational form may be true to an extent in any organization. Although no direct comparisons were made among the study counties within this exploratory study, the study county cases suggest some important limits on the ability of an individual assigned purchasing responsibility to affect procurement system performance, either through purchasing expertise or through interpersonal skills. Constraints on the performance of particular purchasing activities have been considered throughout this work; e.g., inability to control or influence specifications, limits in the use of objective value analysis results. This may also be considered in another way: the position's ability to adopt and successfully use tactics aimed at affecting the control of procurement decision making within a county.

Assume a county has hired a trained professional purchasing agent that indeed has important skills that could result in improved purchasing performance in relation to the board's goals were he allowed to exercise them fully, and that he also has highly developed interpersonal skills. What happens when he recognizes that buying centers are involved where he may not easily have full control of purchasing decisions and thus will not be able to use all of his purchasing skills? He might choose to respond to the incentives of the situation; i.e., in many cases he will in effect be rewarded for minimizing conflict. On the one hand, he may realize that the stability of his position depends in part on his willingness to bend to the preferences of the department heads. On the other hand, boards of commissioners would tend to favor a purchasing agent who didn't keep things stirred up: they prefer to choose their own battles with department heads.

Given some acceptable level of performance in relation to the purchasing goals of the board, the purchasing agent may be rewarded for keeping the peace.

Assuming such a person has a different level of ambition, however, he can be expected to adopt certain tactics to increase his span of control. What outcomes from the use of particular tactics can be expected in the county government situation?

Strauss has examined the tactics used by purchasing agents where the position had approximately equal status with other organizational members.¹ He formulated five categories of tactics: rule-oriented, rule-evading, personal-political, educational, and organizational-interactional tactics.

1. Rule-oriented tactics: These have a purchasing agent pushing for the adoption of formal rules, or for the enforcement of existing formal rules, that would allow the purchasing agent to exert authority in decision making. The earlier discussions of the nature of county government indicate the severe limits on the successful use of this type of tactic.
2. Rule-evading tactics: This type of approach involves intentionally exceeding formal authority, such as in buying a different brand than requested by a department. While in some areas of county government operation, powers and authorities do accrue to positions through tradition and habit, earlier discussion indicated that it is unlikely in the procurement area.
3. Personal-political tactics: These include the use of personal friendships within the organization, but also the use of illegal activities, such as buying items through the county for individual's personal use. On the legal side, while friendships may help increase his influence on a piecemeal basis, when the large number of individual units within a county government are seen, this approach is unlikely to increase the span of control in a systematic way across the county.

¹George Strauss, "Tactics of Lateral Relationship," Administrative Science Quarterly 8 (September 1962): 161-186.

4. Educational tactics: This may present the best chance for a purchasing agent to extend his input to purchasing decisions within county government. He may have some ability to provide a flow of information in many cases, or at least have access to information that others do not or do not have the time to obtain.
5. Organizational-interactional tactics: This is similar to rule-oriented tactics, but is concerned with making formal changes in the organizational structure in a way that enhances his involvement and control of purchasing decisions. Earlier discussion covered the severe limits on this approach within county government.

County government thus appears to place more limits than a private business setting might on a purchasing agent's ability to exercise his professional expertise through increased control over buying centers. In any particular case, it could be that a county would be paying a professional purchasing agent for expertise that he cannot use. As indicated in the section on the nature of county government, efforts at increasing his control can easily lead to conflict and instability. Thus although the individual can achieve impacts on system performance, and this must be recognized as an important alternative explanation for observed performances, some important limits are created by the organizational form of county government.

Earlier discussion of the need for a service approach within county government indicates that the orientation of the purchaser may be the key: does he present the procurement system as a service to departments or as a control tool? This would set the tone for all his participation in procurement decision making, and taking a service approach would indicate his recognition of the importance of cooperation and the limitations of his ability to command.

Implications for the Organization of
County Government Procurement

The previous discussions indicated that purchasing is not the rational economic decision process that is assumed to underlie the prescriptions of the literature. The usual assumption has been that politics is not as important as economics; the prerequisites for effective purchasing have generally been presented as being matters of technique. It might be that in any particular county situation, the prescriptions of the literature regarding the centralization of purchasing responsibility and authority could indeed be implemented and successful in relation to particular purchasing goals; there is nothing in this exploratory study to discount that possibility. But the study counties' cases do present examples of where attempted implementation has not brought about the desired results. This again points out the need for the development of prescriptions for use where some "optimal" set of conditions does not exist.

The examination of the study counties revealed some sets of outcomes that might be expected under different formal organizations of the purchasing function. These formal alternatives found in statute, however, may not present the best format for thinking about potential changes in procurement operations. Are there other alternatives not yet considered that might be expected to lead to different outcomes?

Options for Changing Board Participation
in Procurement Decisions

Some boards of commissioners will have opportunities for changing their direct level of participation in procurement decision making in

both the command and the bargaining modes.

Within the area of the power to command, earlier discussion indicated that the tools available to a board of commissioners generally lie within a yes/no context: whether or not to allow a particular purchase, whether or not a claim covering a purchase will be paid, and so on. Thus, as in other areas, the board's control in procurement decision making is essentially outside of the buying center, except for some participation in the step of the identification of need. In the case of the elected officials, the tools they can use are of an extreme nature: i.e., outright refusals, the kind of tool that in other political situations would not be used until all other options had been exhausted.

At this level, the board's real control tools are exercised through the preparation, approval, and execution of the budget. If the board's only effective command tools are within the budgeting process and are of the yes/no type, the question is, "If the board wants to exercise these options, where in the purchasing process should it be done?" I.e., should it be exercised primarily during the budget preparation process, or in the budget execution process? Then in the latter case, should it be before or after a purchase has been made?

Earlier discussions stressed the necessity of cooperation among the actors for the smooth operation of county government; in particular, conflicts among the important actors can lead to breakdowns in the flow of information to the board, information that can be critical in management and policy decisions (e.g., information necessary for the assessment of the current financial condition of the county government).

Attempts to enforce a strict central purchasing policy of the type prescribed by the literature or other attempts to control the decision making for purchases for the departments, particularly those of the elected officers, can lead to high levels of conflict and actions by other actors to impose "bads" on the board of commissioners. With conflict having such high potential costs, a board might look for a strategy for participation and playing particular roles in buying centers that would present the lowest apparent probability of generating such conflict. Based on the situations in the study counties, this goal would mean that the command option (i.e., in the yes/no format) would produce better results if exercised during the budgeting process rather than during budget execution.

By law, the budget that the board of commissioners adopts for the county represents only tentative authority for the departments to spend, and the board may make changes in the allocation during budget execution and may also specify (within limits) further processes and procedures that must occur before actual purchases can be made. (To carry effective legal weight, the latter must be listed or referred to in the appropriations act.) What the law says, however, does not necessarily determine how the important actors perceive it; what they believe about it is more important in shaping their responses to the actions of the board of commissioners. In the study counties, and in field observations in other counties, virtually all elected officials share a common perception and belief that once their departmental budget totals are set, they should have complete power in determining how the money is to be spent; i.e., they should be able to shift funds among line items without permission of the board, so long as they do

not exceed the total appropriation.¹ In shaping the behaviors of the elected officials and other department heads, what the law says about tentative authority to spend may have little impact; a simplified view of the elected officials' position would be that once the budget is set, it should be too late to argue about whether or not a particular piece of equipment should be purchased.

If the board of commissioners is not likely to be able to take on important procurement decision making roles within buying centers through the adoption of formal purchasing organizational alternatives or is not otherwise likely to be able to exercise its command role in budget execution without creating conflict that can carry over into other important areas of county government operation, the board's primary opportunity for exercising command power will be during the budgeting process; i.e., making changes in budgeting procedures that will allow more detailed examination of proposed purchases at that time.

Through its ability to determine line-item totals and allow for certain types of purchases to be made (i.e., under the categories defined by the line-item titles), the board will have some implicit and

¹In these counties, appropriations were made on the basis of line-items; i.e., shifts in funds among line items within a department's budget requires formal action by the board or a finance committee. A budget may be adopted by the board that does permit departments to make such changes without board permission, but commissioners have rarely been willing to allow general fund departments such freedom.

Note that in Lapeer County the board appeared to share this perception. The board of commissioners' secretary indicated that the board had a "mind set" that generally prevented it from refusing any purchase that had originally been in the budget.

explicit powers in determining the general shape of specifications, particularly for large items, and may in some cases be able to specify procedures to be used in making a purchase in some detail. The determination of specifications is perhaps the most important area for control in terms of the goal of obtaining the optimum value per dollar expended; obtaining the lowest price for an item of a given quality level is not important if a lower quality item, available in a much lower price range, would have satisfied requirements in use. To raise questions about the suitability of a specific requested item for its intended use (i.e., the real need for a particular level of quality) during the budget formulation process is to bring the activity of value analysis out of the departments and open it to the participation of the board.

This calls for a compression of what in many cases has been a two-step identification of need process; i.e., a typical process involves:

1. The establishment during budget formulation of line-item totals based on a general perception of the specifications of the requested items, and
2. The establishment of exact specifications for a purchase either by the department itself or through a committee approval process during budget execution.

There is some overlap between the two steps, for the department heads will almost always have an idea of exact specifications and quality level desired in order to make budget estimations. This is almost always necessary for budget preparation and justification. The degree to which the board of commissioners examines the details of proposed

purchases during the budgeting process, however, is highly variable. The complexity of the budgeting process (particularly where the board knows it is working with incorrect or incomplete financial information), often leads a board to routinely postpone such examination until budget execution. Such postponement, however, presents the potentials for increased conflict, as considered above. During the budget formulation process, the board's command powers are more generally recognized as legitimate by the other important actors within the government. Exercise of command powers during the budget execution steps appears to present greater probability of conflict, the effects of which can carry over into other important areas of county government operation.¹

If exact specifications for all purchases were to be set during budget formulation, the process would become so time-consuming that few counties would ever finish. Actual opportunities for exercising this option may be very limited in many counties, depending upon the current form of the budgeting procedure.

Following the same line of reasoning, the board may have some potentially effective options falling within the bargaining category

¹Friedman's work on municipal budgeting indicated that the increased detail in the budgeting process required by such an approach would be opposed by department heads. His findings were that department heads do not want to have accurate information (i.e., financial, market, or price data or forecasts) available at budget time; such information would limit their flexibility. Department heads instead wanted to be able to justify their proposed expenditures only on the basis of "my professional expertise and experience." I do not have enough knowledge about budgeting processes to consider the unintended consequences of a move by a board of commissioners to consolidate the identification of need activity within budget formulation. Consequences can be expected to vary according to the extent involved; i.e., what lower limit on purchase value would be placed for detailed examinations.

during budget execution. While the purchasing position of a county administrator or similar office is usually presented in a command format, in practice a service approach could instead be used. The use of information is the key, with the position assigned central purchasing responsibility attempting to fill expertise gaps and otherwise recognizing and making use of its potential gatekeeper roles. (Earlier discussion indicated that the tactics for expanding control most likely to be successful within county government were educational in nature.) An intentional approach in combining the use of information flows and a service orientation can produce desirable results from the board's point of view: witness the use of central stores in Lenawee County and the increased ability to control purchasing activities following the establishment of specifications even for elected officials in Clinton County.

Cooperative Purchasing and Information Sharing

The examination of participation in buying centers, the roles played, and the control of decision making covering particular purchasing activities indicated limits on prices-paid performance. (These are in addition to the limits resulting from the small total quantities purchased, such that alone few counties could break through any volume price barriers.¹ The obvious alternative is to look to cooperative purchasing with other entities; strategies would have to focus on structuring the procurement function to affect abilities for

¹Even if the central purchasing operation prescribed in the literature could be implemented, changes in operations (allowing the consolidation of orders, standardization, and so on) in order to try to achieve pecuniary economies of scale, may not allow any actual cost savings for counties below some critical size level.

entering cooperative purchasing arrangements. Just as the political climate in county government may preclude the effective use of the literature's prescriptions on centralized purchasing forms, it may also be limiting to the types of cooperative purchasing arrangements that are likely to be used. For example, the literature suggests that sharing professional purchasing personnel among counties, cities, and other units would lead to significant savings. If, however, the elected officials heading the major county general fund departments are unwilling to give up control over purchasing to a central department within the county, it would be unlikely that they would be willing to make all the necessary compromises to buy with other units of government. Cooperative purchasing of the form of the state programs would appear to be the most appealing to the semi-autonomous departments; it would represent the sharing of personnel and the benefits of volume purchasing without the necessity of having to reach agreements with other units about the allocation of personnel and the sharing of costs: participation is relatively painless.¹

Hardwick states the theoretical requirements for successful cooperative purchasing:

General logic dictates that successful joint purchasing among independent units is partly dependent upon the existence of centralized and professionally administered purchasing practices within the cooperating jurisdictions.²

In interpreting Hardwick's proposition, it might be better to

¹Recall also the example of "cooperative" purchasing of food in Lenawee County. The same would apply to cooperative purchasing among the same departments in different units; e.g., for Sheriff's Departments in a number of counties.

²Hardwick, p. 13.

conceptualize the major county departments and agencies as separate governments rather than as making up a single government. Creating situations which allow the type of decisions necessary to take part in cooperative arrangements requires facilitating flows of information among the departments, insofar as participation in cooperative purchasing would seem to be a function of the information held by departments.

Such a conceptualization is supported by the lack of knowledge at the county level about state purchasing programs open to local governments. In the past, for example, direct mailings have been used to publicize the Extended Purchasing Program to all local units of government. Yet an examination of county participation in the program reveals relatively few counties participate to any extent, and usually only for a few departments within a county, although they are buying similar items to what other county departments are purchasing elsewhere. Because of departmental independence, there is no assurance that if such information is mailed to one address within the county government that others would ever become aware of the programs, much less obtain enough information to prompt them to abandon other established purchasing relationships.

Levine and White note that the relative independence of an agency (i.e., how dependent it is on others for inputs) determines how much it interacts with other agencies. In the county government context, this can be seen as the level of communication with the board of commissioners or an administrator. With the area of dependence being the budget (and the actions of the board along a yes/no format), the interaction patterns in most counties are limited in structure and type

in such a way that they do not lend themselves to systematically spreading such information. Because of the nature of the relationships among the departments and between the departments and the board of commissioners, there appears to be a need for systematic information sharing within county government if the potential benefits of available cooperative purchasing arrangements are to be realized.¹

County government procurement, because of the spread of executive power and the bargaining nature of the relationships involved, can also best be viewed in terms of cooperative purchasing among independent units. But there are important differences: (1) in inter-governmental purchasing, units usually have the exit option, where for intragovernmental purchasing there are other ways for voice to be used, and (2) the bargaining and negotiating between government units are over a fairly small and specific set of items - how the costs and benefits of the arrangements are to be shared; potentials for affecting other operating areas of other units of government are not great. These possibilities again stress the need for a board of commissioners to approach purchasing within budget execution from a service orientation rather than as a control function.

Cooperative procurement activities do not have to be restricted to actual purchases; an important area of alternatives covers various systems of information sharing on vendors, vendor performance, and prices among units of government. The literature stresses the importance of face to face communication between purchasers within the same

¹The actual benefits in prices-paid available through cooperative purchasing arrangements remains open to question. See the appendix for a discussion.

industry for information acquisition; yet there is almost none among purchasers in different counties.¹ This is a common situation for organizations: the GAO hospital study found there was virtually no information sharing between hospitals even in the same city.

Most purchasing agents in the hospitals visited said they were unaware of what other hospitals were paying for routine supply items. Several hospital purchasing agents said that traditionally purchasing agents do not exchange information on what they paid for supplies. Several group purchasing association directors said that purchasing agents do not divulge the prices they pay because they may be obtaining supplies at prices higher than what others pay, and this could cost them their jobs. The directors also said purchasing agents do not tell others of the prices they pay because the vendors instruct them not to do so.²

Given the range of prices paid for comparable commodities found in the GAO study, vendors have a great interest in isolating their markets.

(See the appendix.) To counteract the costs to hospitals of such

¹The behavioral theory of the firm suggests that governments will move from the familiar to the unfamiliar in searching for information for problem solving. Thus in organizational learning, for many firms the performance of similar organizations becomes an important measuring stick. (See Richard M. Cyert and James G. March, A Behavioral Theory of the Firm [Englewood Cliffs, New Jersey: Prentice-Hall, 1963].) But county governments do not seem to be sensitive to the performance of other counties: they generally have no idea of how particular operations are accomplished in their close neighbors. The question about purchasing most frequently asked of me when I visit counties is, how do other counties do it? The means for and extent of information sharing in this area appears to be very limited. Day to day job responsibilities and pressures (and perhaps the part-time nature of the position of county commissioner) usually prevents persons from gathering this type of information. I have found counties to be completely ignorant of how purchasing is done in their nearest neighbors. Thinking of procurement systems as encompassing some simple forms of technology, the literature on technology transfer reveals that the use of a technology at one unit does not mean natural flow to all units. A study of innovations in state agencies, for example, found that technological leadership by one agency does not extend to other agencies in the same state. (Irwin Feller, Alfred Engel, and Donald Menzel, Diffusion of Technology in State Mission Oriented Agencies [University Park: Pennsylvania State University Institute for Research on Human Resources, 1974].)

²U.S. General Accounting Office, Hospitals, p. 6.

secrecy, the GAO recommended a system where Medicare intermediaries would gather price information from the hospitals they serve: the GAO identified the lack of knowledge about what was being paid by others for routine supply items as the major cause of the great price differentials found. Through redefining the rights of vendors in selling to governments, it might be in the general taxpayer's interest to have a similar system of information sharing for county and other local units of government, covering both prices and vendor performance.

Potential State and Federal Government
Requirements Affecting Purchasing
Function Organization

Potential state and federal government requirements that could affect the purchasing function organization within county governments are also based upon a command format: the desire is to affect how a result is achieved. As Schmid and Faas note, in addition to trying to influence the mix of inputs used to try to achieve certain ends, outsiders may also try to structure administration as a condition for grants and loans.¹ If the requirements imposed on counties do not recognize the nature of county government as considered in this research, performance outcomes may be very different than those desired.

An example coming from the federal government are a set of standards governing procurement by state and local governments where particular types of federal grant and loan monies are involved.²

¹Schmid and Faas, p. 146.

²U.S. Office of Management and Budget, "Standards Governing State and Local Grantee Procurement; Attachment O of OMB Circular A-102,"

This set of requirements was issued in conjunction with a change in federal policy giving local units more decision-making freedom regarding how grant dollars would be used; in return for that freedom, the state and local units would have to adopt a procurement system that would meet certain federal government norms. The individual federal agencies making the grants are to conduct formal reviews of the procurement operations of grantees.

. . . when a grantee procurement system meets the standards of this attachment it may be certified by the grantor agencies, thus reducing individual pre-award contract reviews by that agency of other agencies making grants.¹

Thus if a local government's formal purchasing policy meets the federal requirements, it would not have to obtain prior approval of the grantor to make purchases with the grant dollars, except for noncompetitive and brand name buys over \$10,000.

The circular does not require that a centralized form of purchasing be used, but it does specify detailed selection procedures and methods of procurement. The decision-making freedom allowed by certification from a grantor agency presents great incentives for the adoption of a purchasing policy meeting the federal requirements. While these could easily be incorporated into a formal county policy and procedures manual, this research suggests that changes in the formal policies do not necessarily lead to changed outcomes. (To this point, these federal requirements have not been a factor in county procurement, for counties have rarely received federal assistance of the type covered by this circular.)

Federal Register 44, No. 159, 15 August 1979, 47874-47878.

¹Ibid., 47874.

The state government is in a position to more directly affect the organization of the procurement function in county government.

(County governments, within the State Constitution and statute law, are technically arms of the state government, subject to legislative impositions.) The state legislature could require that all counties operate a procurement function based on the American Bar Association's Model Procurement Code for State and Local Government. This model, issued in 1979, was intended to be general, requiring local government ordinances and regulations to flesh it out in actual application. This model, however, does strongly hold that certain fundamentals are required, no matter what the form of local government: among these requirements are the use of a "strong" purchasing agent directing a highly centralized purchasing operation. It is not surprising that the model calls for a direct implementation of the traditional prescriptions of the purchasing literature, for the ABA project was intended to translate the major findings of the recommendations of the National Association of State Purchasing Officials' 1975 report into legislative proposals. "The basic recommendations of the NASPO report served as the guiding principles in drafting the code."¹ (The NASPO report framed its recommendations in the form of recommended statutory coverage granting particular powers of command.) In the process of writing the Model Code, the National Association of State Purchasing Officials and the National Institute of Governmental Purchasing, Inc., were also active participants; they have an obvious interest in promoting the use of a "professional" purchasing agent with management-type control and authority.

¹ABA report on the Model Code Project, dated May 1, 1979, p. 1.

There have been moves in other states to impose the ABA Model Procurement Code on local governments.¹ Although in any particular county such a purchasing system might be successfully implemented with the desired results, this study indicates the possibility of a different performance outcome in small and medium size counties: a superficial purchasing system that gives the outward appearance of central control, but without actually substantially changing participation and roles in the buying centers.

Needs for Further Research: Implications
of the Results for County Government
Organization and Operation

The results of this study raise some fundamental questions about the general structure and operation of county government in Michigan. The general limitations on the command powers of the board of commissioners or its ability to bargain to obtain desired behaviors in the

¹In addition to the backing by the American Bar Association, the National Association of State Purchasing Officials, and the Council of State Governments, the U.S. Department of Justice has issued a publication strongly supporting the use of the code, entitled A Code for Better Government. There may be additional pressure from the federal level for its use. ". . . the Model Procurement Code is likely to play an important role in the management of procurement under federal grants. In its 1978 Report to the Congress, the Office of Federal Procurement Policy, which is also responsible for regulations pertaining to procurement under grants, refers to the Model Procurement Code as the main vehicle by which the federal government might disengage itself from detailed oversight of procurement by state and local government grantees." (Council of State Governments, 1980 Suggested State Legislation 39 [Lexington, Kentucky: Council of State Governments, 1979].) The National Association of Counties is a little less enthusiastic: "Resolved, That the National Association of Counties recommend that each county study its existing procurement system in light of the proposals contained in the Model Procurement Code. . ." (National Association of Counties, American County Platform and Resolutions 1979-1980 [Washington, D.C.: National Association of Counties, 1979].)

procurement area have been directly examined, but it is easily seen that these limitations extend into other areas as well: what is revealed about the nature of the trading and bargaining processes and the nature of the relationships among the actors will apply to the entire range of county government operations and functions. This study has examined only how part of the set of relationships among the actors might be changed; given the results here, we might consider questions about changing the general overall nature of the relationships among the actors.

The board of commissioners is nominally a policy-making body. Does it make sense for the allocating body of the county government to have so few unquestioned powers? What does this mean for the mix of outputs to the public when it is necessary to make budget cutbacks in times of fiscal crisis? What other limitations on the decision-making powers of the board in policy making result from the independence of the elected officials and the spread of executive power throughout county government? Questions of this nature point to the need for further study of the powers and functions of the county board of commissioners and the relationships among the important actors in county government.

APPENDIX

APPENDIX

PRICE PERFORMANCE OF COOPERATIVE PURCHASING ARRANGEMENTS

Conventional wisdom holds that participation in cooperative purchasing arrangements allows reaping the price benefits of volume buying. It is not clear, however, that the expected price results will actually be found for any particular organization. The persons doing the purchasing in local governments would typically claim they are not paying higher prices than available through the state programs, although they are obviously not disinterested. A study of local government procurement in southeast Michigan notes:

Local officials and purchasing agents believe their current purchasing practices are good. Most feel they are obtaining fair prices and otherwise performing well--all local circumstances considered. . . . On the subject of prices, for example, buyers generally contended they were paying the same price as others or getting lower prices, regardless of size and purchasing practices.¹

The spottiness of county government participation in the state programs could be interpreted as indicating counties are not now paying significantly higher prices than available through the state's programs, so they would have little reason to participate.² (The limited use of the

¹Hardwick, pp. ix, 9.

²For example, for the state fiscal year 1979-1980, 27 counties (or particular departments in those counties) made actual purchases under the Extended Purchasing Program contracts, totalling \$673,186. Using 1979 general fund expenditure figures from the Michigan Department of Treasury, and using a low 10% portion of those figures as an

programs may indicate careful shopping.) Jeffry White, State Extended Purchasing Consultant, admits the program does not necessarily offer the lowest possible price for every item: a lower price might be available to any particular local government.¹ The Purchasing Division does not know the range of prices being paid by nonparticipating units of government for commodities available under state contracts; it does not attempt to put a figure on potential savings for operating within the program.

There is some empirical evidence, in the form of two prices-paid studies, that a considerable range of unit prices are being paid for comparable commodities in comparable volumes, although neither is

approximation of county total purchases of commodities under those budgets, the percentage of county purchases through the program ran from a low of .025% to a high of 32.6%! For the group of participating counties, 3% of commodity purchases from general fund expenditures would have been through the program.

²Presentation to seminar for New County Administrators, January, 1980. Some of this is due to the large size of some governments. Bids from vendors on state contracts are based on small volume deliveries to a great number of points throughout the state. Some larger counties have enough volume being delivered to a single point that they can get better prices. Some might be due to local history; e.g., friendships or internalized behaviors leading to a particular local businessman offering very low prices to a county. It is recognized in the literature that volume buying does not always result in lower unit prices: "Certain commodities have fairly stable prices which are not materially affected by changes in purchasing patterns. Additionally, volume buying initially requires more planning and coordination than a single spot purchase and thus added purchasing costs. . . . it is, therefore, necessary to weigh anticipated costs and benefits associated with volume buying to determine to what extent savings are available." (NASPO, State and Local Government Purchasing, p. 4.5) "Certain types of requirements, such as tire recapping, can become less attractive to bidders as volume increases beyond certain points. In periods of product shortage or labor difficulties, large volume contracts are avoided rather than sought. . ." (Ibid., p. 14.1) The particular market environments for the types of commodities purchased by county governments will be an important determinant of the savings possible through using cooperative purchasing arrangements.

conclusive regarding local government purchasing. Price/quantity comparison research results or descriptions of methodologies used are not generally available. I have located only two examples of price surveys intended to judge the performance of purchasing operations.¹

These are found in the following sources:

- (1) C.T. Hardwick, Purchasing Study of Local Government in the Southeast Michigan Metropolitan Six-County Region (Detroit: Metropolitan Fund, Inc., 1965).
- (2) U.S. General Accounting Office, Hospitals in the Same Area Often Pay Widely Different Prices for Comparable Supply Items, Report HRD-80-35, January 21, 1980.

¹A third example, conducted with a different underlying purpose, is found in the study done for the City of Detroit. (See p. 104.) The overall objective of the Detroit study was to develop a system for measuring the productivity of the purchasing and materials management function. In an effort to determine the usefulness of proposed measures and the types and availability of data necessary to use them, a pilot test of recommended measures was conducted in the City of Detroit. Among the total systems measures tested was a comparison of prices paid. This comparison covered three governments: the City of Detroit, one county, and the state government. It was not meant to be a full-blown study, but instead was to indicate the difficulties in the use of particular measures. It was found that the City had the lowest prices, the state was in the middle, with the county having the highest costs over a range of commodities. The results were held to indicate that the measure as used was reporting the dollar value of purchases and the physical size of a government rather than price effectiveness. After noting many of the threats to validity of the measure, the study concluded: "It is recommended that a regional price comparison not be included in the total system measures nor reported to management above purchasing." (p. 4-94) Note the influence that professional associations and purchasing agents may have had in this study and its recommendations. Prices-paid differentials were not to be used to make comparisons between alternative systems: organizational forms were already taken to be optimal. They were instead to be used to focus on particular purchases. "It is recommended that the regional price comparisons be used in conjunction with the audit. The comparison can serve as an indication of an area in which to perform an in-depth audit. Should, for example, a high price be paid for antifreeze, the purchase may be subjected to the list of audit questions regarding good practices and procedures." (p. 4-94) The study instead recommended that a comparison of past versus present prices-paid within the government be retained as a measure of total system performance.

The Hardwick study directly examined the purchasing of thirty-one governments of widely varying sizes and purchasing loads.¹ The research objective was "to demonstrate whether or not local purchasing agents do pay identical prices for like items and to test the effects of quantity on price." The survey was a small part of a larger research effort; the results were combined with other knowledge of purchasing conditions to derive an estimate of percentage savings potential from the centralization of purchasing within local governments and from joint or cooperative purchasing. Because the purpose was to determine gross magnitudes, only a limited effort was made to control for quality, service, or other differences that could lead to differences in prices paid. (For example, price and quantity data comparisons on typewriters and automobiles are especially open to question, as admitted by Hardiwick.) The use of the data for serious comparisons and analysis would be open to severe criticism. The price and quantity data for other commodities, such as gasoline, antifreeze, and paper, however, appear more legitimately comparable and might reveal some trends to be looked for in other studies.

An objective of the study was to generate recommendations which would "effectuate a greater professionalization in the field of public purchasing." Hardwick starts from the dominant stance of the purchasing literature: such professionalization for Hardwick means strong centralized purchasing, with an emphasis on cooperative purchasing with

¹Specific units responding to the survey were not listed, although the group consisted of six school districts, fifteen cities, four counties, three townships, and three road commissions. Size variation is implied by the quantities purchased: for example, where gasoline was purchased, volume varied from 500 to 340,000 gallons annually.

other governments to allow for larger volume purchases. He thus makes assumptions about the practical achievement of pecuniary economies of scale in the real world of purchasing.

In a free market with mass production, unit prices tend to decrease as the quantity ordered increases.¹

Hardwick claims that his limited price survey indicates that "there is sound justification that large quantities mean lower prices."² I think, however, that this price survey was too limited to be strong evidence for this conclusion. The author started with the assumption that larger quantities mean lower unit prices and so looked for and found supporting evidence in the survey. The survey still contains, for example, a case which, although extreme, shows vendor pricing policies may be the dominant factor.³

The GAO hospital study provides data contradictory to the usual assumptions about the price benefits of increasing purchase volumes and the benefits of group or cooperative purchasing. This study reviewed prices paid for routine hospital supply items at thirty-seven hospitals in six large cities. A list of seventy-three items for potential comparison was reduced with the help of a director of a hospital group purchasing association to a final list of forty-three routine supply items most likely to be purchased by all hospitals and to be comparable irrespective of brand name. Data collected were prices (most recent as

¹Hardwick, p. x.

²Ibid., p. ix.

³This item was rocksalt: no variations in prices paid were found. Civil suits covering collusive bids were in process according to the author. Important pricing policies of vendors, however, do not always have to take such extreme forms.

of July 31, 1978), brand, estimated annual usage, the vendor, and the purchasing methods used in acquisition.

Although not directly covering local government situations, this study is revealing of the nature of the relationships between purchasers and vendors, whether the buyer is a public entity or a business enterprise. Wide price variations were found: for example, a price range of more than 600% was found for aspirin, and 100% for trash can liners and fluorescent lamps.¹

Overall, there appeared to be no rhyme or reason for price variations noted. . . . explanations, such as volume or group purchasing arrangements resulting in lower prices or differences in product quality, were not consistent with GAO's findings.²

The important findings were as follows:

1. The relationship between volume purchasing and unit price:

The usual assumption, as in the Hardwick study, is that increasing volume purchased, such as through consolidation of the needs of the individual departments into single orders, will result in a decreasing unit price. While cost functions of production and distribution might indicate this should be the case, adding people and their relationships changes the results.

--Some hospitals paid more than double the price paid by other hospitals. For several items, some hospitals paid more than three times the price paid by another hospital in the same area.

¹U.S. General Accounting Office, Hospitals, p. 6. The GAO study attempted to quantify an aggregate impact. "Although the differences between the highest and lowest prices for individual items were quite extreme, the overall impact of the differences in terms of total annual usage at the related prices paid by the hospitals was much more moderate. Based on the reported prices and using the lowest price as the base, the weighted impact of the price differentials was about 10%. However, this ratio varied between cities. . ." (p. 15)

²Ibid., p. 1.

--Some vendors sold the same items to different hospitals in the same area at different rates.¹

Even where items were purchased from the same vendor, overall the highest volume purchaser obtained the lowest price in about one-half the cases. In many cases, an inverse relationship existed: the higher the volume, the higher the price.

2. The relationship between group purchasing and unit price:

The usual assumption, as in Hardwick, is again that units binding together to purchase in volume will obtain lower unit prices. Bargaining power is implicitly assumed, regardless of the form of organization. The GAO study found that group purchasing arrangements did not necessarily ensure that a participant received the lowest possible price in an area. The usual assumption was found to be true for about 40 to 63 percent of the items where comparisons could be made. (The percentage varied by area.)

In five of the six cities surveyed, membership in group associations did not necessarily result in hospitals achieving the lowest available price in the area.²

Three explanations were offered for these findings:

1. The unsuccessful bidders on the group contracts in turn try to undercut the group's prices in an area. There is no indication as to the extent of this practice.
2. Member hospitals might use the group prices as a negotiating tool for getting lower prices from other vendors. Note, however, that if this was an extensive practice, the data would still show that members of the group purchasing arrangements would be achieving the lowest prices in an area.

¹Ibid., p. 4.

²Ibid., pp. 13-14.

3. Member units did not use the group contracts even when the prices were favorable because of the personal preferences of the staff. As considered earlier, this could be an important factor in county governments.

Summing up its findings, the GAO study states:

There was little rhyme or reason to the variations in prices noted in the six cities because (1) there was often little correlation between the volume purchased and the prices paid, (2) the same vendors were charging different hospitals different prices for identical items without regard to the volume purchased, and (3) group purchasing did not necessarily result in the lowest price in an area.¹

Although the state programs would represent what theory would suggest would give the best unit prices, some research indicates that in the real world of buying and selling, purchasing in volume does not automatically mean lower unit prices. Ignorance, dishonesty, and simple lack of initiative may be explanations for particular situations, but some more general patterns of behavior may also be involved. Prices-paid comparisons, for example, are not popular on either the buyers' or sellers' sides: buyers don't want to look like they are not performing well and sellers don't want to appear like they are taking unfair advantage of buyers. In examining the criticisms of prices-paid comparisons, persons from both sides of the transactions use similar language and phrases in explaining away the differences found. The explanations fall into the categories of (1) the commodities involved cannot be directly compared, (2) different services are provided with the commodities, or (3) differences exist in the cost of providing the services or goods to different buyers. Neither buyers nor sellers seem willing to admit that vendors are in business to make money: it is avoided as an explanation of price

¹Ibid., p. 16.

differentials. The differences paid are seen as "variances indicative of normal marketing practices in a competitive environment."

Sellers will describe situations in terms of loss-leaders or discounts used to gain footholds. A high degree of benevolence is assumed by buyers. Neither buyers nor sellers want to directly admit that vendor pricing policies might call for charging a higher price in the interest of profit or that something as apparently as un-American as making as much money as possible by selling to government might be involved. Rather than having such benevolent vendors, it might be that vendors will in general charge the highest price possible, with limited regard to the volume purchased and with almost no regard to the prices paid by other buyers. (It is thus in the interest of the vendor to be able to isolate his "markets" and to prevent the sharing of prices-paid information.) This represents an area open to future research.

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