# **Dynamic Capabilities Perspective for Strategic Public Procurement: Rethinking Procurement Strategic Proposition**

Dr Ndrecaj Vera

Cardiff School of Management, Cardiff Metropolitan University, UK.

Email: [vndrecaj@cardiffmet.ac.uk](mailto:vndrecaj@cardiffmet.ac.uk)

Dr Mason-Jones, Rachel

Cardiff School of Management, Cardiff Metropolitan University, UK.

Email: [rkmason-jones@cardiffmet.ac.uk](mailto:rkmason-jones@cardiffmet.ac.uk)

Dr Mohamed Ashmel Mohamed Hashim

Cardiff School of Management, Cardiff Metropolitan University, UK.

Email: [MMohamedHashim@cardiffmet.ac.uk](mailto:MMohamedHashim@cardiffmet.ac.uk)

Prof Issam Tlemsani

The Centre for International Business, United Kingdom

[i.tlemsani@tcib.org.uk](mailto:i.tlemsani@tcib.org.uk)

Dr Zaman, Asif

Head of Department for Accounting, Economics and Finance

Cardiff School of Management, UK

Email: [azaman@cardiffmet.ac.uk](mailto:azaman@cardiffmet.ac.uk)

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**Abstract**

In recent years, public procurement become more complicated (The Future generation Report, 2020; UK Government Green Paper Report, 2022). The complexity and dynamic environment have created additional pressures on the delivery of the public sector organisations (PSOs) with limited resources (UK Uyarra and Flanagan, 2010; Uyarra, 2010; 2013; Sönnichsen and Clement, 2020; Vecchi et al., 2020). In such a dynamic environment, public management need to focus on short-term opportunities to gain bargaining power to maximise cost reduction and organisational performance (Cox, 2001; 2004; Murray, 2009; Staples and Dalrymple; 2011; Uyarra et al., 2013; Deasy et al., 2014; Uyarra et al., 2014; Vecchi, et al., 2020). Similarly, Loader (2007; 2013) claimed that due to the uncertain economic environment, saving on public spending has become the overriding focus of the PSP.

Subsequently, PSOs are seeking not only a new strategic approach but also a strong leadership to address the increasing pace of change, technology developments, changing perceptions, increased expectations, citizen empowerment, new approaches to remuneration and reward (Winter, 2003; Ambrosini et al., 2009; Ambrosini and Bowman, 2009; Easterby-Smith et al., 2009; Killen and Hunt, 2009; Chien and Tsai, 2012; Uyarra, 2010; 2013). Therefore, this study offers Dynamic Capabilities (DCs) as an emerging paradigm of modern Procurement Strategic Proposition **(**PSP). The strategic role of DCs in such a dynamic environment has catapulted this issue to the forefront of the research agendas of many scholars, in public and private sectors (Salvato and Rerup, 2011; Teece et al., 1997; Zott, 2003).

The literature observed indicates that the DCs concept has emerged as a result of a rapidly changing environment. Although, Teece (2018) argued that DCs recognize that organizations not only adapt to the business environment, but they also often try to shape it. He further argues that to accomplish this requires organisations’ ability to respond rapidly and effectively to environmental threats and to opportunities (Teece et al., 1997; Teece, 2007; Teece, 2018). Similarly, Eisenhardt and Martin (2000) and Helfat et al. (2007) suggested that DCs enhance technical efficiencies and address organisational changes in a dynamic environment. Overall, the literature observed suggests that organisations need to develop and deploy unique difficult-to-replicate skills and capabilities in both internal development and external sourcing to be able to renew their capabilities and thrive over time (Helfat et al., 2007). This has been echoed in the recent study by Collins and Anand (2019), arguing that DCs seems to give rise to the enviable ability to “always have a competitive advantage in an attractive industry” and so continually deliver superior financial performance regardless of external circumstances.

This paper extends the concept of DCs in the context of PSP it investigates how public sector organisations create strategic value through public procurement in times of change. This leads to the assumption that public sector management can benefit from applying management theories usually applied in the private sector. DCs have rarely been studied in the context of public sector organisations (PSO).  The purpose of this paper is twofold: first, to revise and extend the existing work on DCs in the context of PSP, contributing to theoretical development and second, to develop an ecosystem framework that integrates two multidisciplinary concepts DCs and PSP.

A qualitative method using an interpretive theoretical paradigm has been implemented with an inductive logical approach combined with a robust multiple case studies strategy. The empirical investigation comprises semi-structured interviews with the stakeholders, such as senior procurement experts with a strategic role in the organisation, providing insights on how they implement DCs in strategic conversion. The collated data were analysed using thematic (primary data) and content analysis (secondary data). For an analytical purpose, this research disaggregates three core processes of the DCs: sensing, seizing and transforming, drawing upon Teece’s (2007) conceptual framework.

Findings explicate micro-foundations of DCs in public sector procurement, demonstrating its potential to become a new strategic approach, guiding public sector organisations on how to operate successfully in a dynamic, complex environment through strategic conversion of high-order procurement capabilities. Findings indicate that LAs may not be ready yet to implement such a futuristic approach since the maturity of procurement has yet to reach a strategic form. It is only something that large local authorities have recently embraced. This remains even more challenging for small local authorities, which to some degree, their approach to procurement seems to revert to transactional/traditional procurement. Achieving such change will likely require interagency cooperation (*new combinations)* and the ability to execute (*sensing*). A new futuristic model where LAs are run more like an enterprise has a better chance of developing and deploying DCs partly because of the organisational culture and the latitude that leaders of these Authorities have.

This study offers DCs as an emerging paradigm of modern public sector procurement, making three primary contributions to the body of knowledge. The study extends existing work on DCs in public sector organisations adding to theoretical development. The research strategy employed provides empirical evidence. Analysis reveals that WLAs with strong sensing, seizing and transforming capabilities are more leaning to support superior long-term procurement performance. The conceptual framework that emerged from this study helps to understand three strategic management activities: sensing, seizing and transforming in public-sector procurement.

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