

The Procurement Process: An Integrated Review of Sourcing Strategy, Supplier Evaluation, Bidding, and Contract Performance

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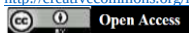
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ABSTRACT

Procurement is the organisational function responsible for identifying, sourcing, contracting, and receiving goods, services, and works from external providers to support both operational and strategic objectives. This paper presents an integrated conceptual review of the procurement process, tracing its evolution from nineteenth-century railway purchasing departments to its current status as a strategic management discipline. The review addresses four interconnected themes: the definitional boundaries between procurement, sourcing, and acquisition, together with recognised models of procurement performance; the criteria and procedures for supplier evaluation, qualification, and relationship management; the benefits, limitations, and tools associated with structured supplier appraisal; and the mechanics of competitive bidding, contract award, and post-award performance evaluation. Drawing on literature from the Chartered Institute of Procurement and Supply, the Institute for Supply Management, and established supply-chain-management scholarship, the paper argues that procurement performance is shaped less by any single practice than by the coherence among the sourcing model, evaluation criteria, and contract-governance mechanism selected for a given spend category. The paper concludes with recommendations for aligning supplier segmentation with governance intensity and identifies the comparative performance of collaborative sourcing models in resource-constrained public procurement systems as a priority for future empirical research.

1. Introduction

Procurement denotes the organisational function through which goods, services, or works are identified, negotiated, and purchased from external sources, typically through tendering or competitive bidding intended to secure fairness and value for money (Monczka et al., 2020). Government or public procurement is subject to additional statutory and regulatory controls intended to preserve transparency and accountability in the use of public funds (Decarolis, Pacini, & Spagnolo, 2016). While procurement is often discussed as a single tactical activity, contemporary scholarship treats it as a strategic function whose effectiveness depends on the coherent alignment of sourcing strategy, supplier evaluation, and contract governance across the full life of a purchasing relationship (Lysons & Farrington, 2016).

This study examines the procurement function across four principal areas. Section 2 explores the historical development of procurement, clarifies its relationship to the related concepts of sourcing and acquisition, and analyses recognised models of procurement performance and collaborative procurement. Section 3 investigates the criteria, processes, and relationship-management practices involved in supplier selection. Section 4 addresses structured supplier evaluation, including its benefits, limitations, and supporting tools. Section 5 analyses the bidding process and the subsequent management and evaluation of contract performance. Section 6 discusses the interdependence of these elements, and Section 7 concludes with implications for both practice and research.

2. The Procurement Function: History, Definitions, and Performance

2.1 Historical Development

Formalised purchasing has roots in military logistics, but it acquired organisational prominence in the nineteenth century, when railway companies established dedicated purchasing departments to manage the acquisition, care, and use of supplies, recognising that purchasing efficiency directly affected construction and operating costs (Lysons & Farrington, 2016). Through the early twentieth century, the purchasing agent's role expanded from a narrowly cost-cutting function toward a recognised professional discipline requiring market analysis, negotiation, risk management, and contractual expertise, reflecting the growing complexity of industrial supply chains (Monczka, Handfield, & Giunipero, 2008). This professionalisation trajectory continues in contemporary practice, where procurement is increasingly positioned as a strategic contributor to organisational competitiveness rather than a purely administrative back-office task (Trent & Monczka, 2003).

2.2 Procurement, Sourcing, and Acquisition

Procurement, sourcing, and acquisition are related but analytically distinct terms. Procurement is generally understood as the tactical act of purchasing a product or service, whereas sourcing is the broader, more strategic process of identifying and qualifying suppliers capable of providing required products or services (Institute for Supply Management [ISM], 2021). The ISM defines procurement as an organisational function encompassing specification development, value analysis, market research, negotiation, buying, contract administration, inventory control, and receiving, distinguishing it from the narrower function of purchasing (ISM, 2021). In United States defence practice, procurement is defined more narrowly as the act of buying goods and services on behalf of government, while acquisition additionally covers the conceptualisation, design, testing, contracting, deployment, and eventual disposal of complex systems (Defence Acquisition University, cited in Monczka et al., 2020).

Procurement activity is also commonly divided by spend category. Direct procurement concerns production-related inputs—raw materials, components, and parts—that become part of a finished product and is therefore central to manufacturing supply-chain management. Indirect procurement concerns the acquisition of operating resources that support the finished product but are not incorporated into it, ranging from standardised maintenance, repair, and operating (MRO) supplies to complex outsourced services (Lysons & Farrington, 2016). This distinction has practical governance implications: direct spend categories typically warrant closer supplier integration and continuity planning given their production criticality, whereas indirect spend categories are more amenable to standardised, transaction-based sourcing.

2.3 The Acquisition Life Cycle and Sourcing Models

In technology and defence-related procurement, acquisition is frequently modelled as a phased life cycle—concept and technology development, system development and demonstration, production, and sustainment and disposal—through which a given system may enter at different stages depending on the maturity of the underlying technology (Monczka et al., 2020). Many practitioners additionally describe procurement as a cyclical process that begins with the definition of a business need, proceeds through specification, supplier identification, solicitation, evaluation, contract award, and delivery, and concludes at the asset's or service's end of life, at which point the cycle recommences (Lysons & Farrington, 2016).

Organisations increasingly recognise that the appropriate governance model for a supplier relationship varies with the strategic importance and complexity of the category being sourced. The sourcing-model continuum extends from transactional arrangements—basic provider and approved provider models governed by standard market pricing—through preferred-provider and performance-based or managed-services models that introduce relational elements and output-based service-level agreements, to vested and shared-services arrangements and, at the most integrated end, equity partnerships such as joint ventures or acquisitions (Monczka et al., 2020). Selecting a sourcing model

that matches the category's strategic weight, rather than defaulting to a single organisational standard, is widely regarded in the literature as a key determinant of sourcing effectiveness.

2.4 Procurement Performance

The Chartered Institute of Procurement and Supply (CIPS) articulates procurement objectives through a widely cited “five rights” formula: goods and services should be of the right quality, in the right quantity, delivered to the right place at the right time, and obtained at the right price, with a sixth criterion—right source—subsequently added (CIPS, cited in Lysons & Farrington, 2016). CIPS further distinguishes cost “savings,” which reduce budgeted spend, from “cost avoidance,” which prevents anticipated price increases, cautioning that savings should be treated as a valid performance measure only where they reflect the organisation’s own expectations of the procurement function (Roylance, 2006).

Benchmarking research offers empirical texture to these normative criteria. Industry survey data reported by Ardent Partners indicate that the average procurement department manages roughly six-tenths of total enterprise spend, achieves annual savings in the region of a few percentage points, and maintains contract-compliance rates below two-thirds, suggesting substantial room for improvement even among typical performers (cited in Lysons & Farrington, 2016). Consultancy-developed frameworks such as A. T. Kearney’s Return on Supply Management Assets (ROSMA) model similarly find a pronounced gap between top-quartile and middle-quartile procurement functions, with leadership accountability identified as a distinguishing feature of higher-performing departments (Roylance, 2006). Spend under management and procurement operating expense as a percentage of managed spend are commonly used as complementary efficiency indicators.

2.5 Joint and Collaborative Procurement

Joint procurement arises when two or more organisations combine their purchasing activities, a practice especially common in public-sector procurement through central purchasing bodies (Decarolis et al., 2016). Kamann, van der Vaart, and de Vries (cited in Monczka et al., 2020) propose four complementary theoretical explanations for inter-organisational purchasing collaboration: a transaction-cost-economics rationale, in which collaboration reduces the aggregate transaction costs of the participating actors; a resource-dependence and resource-based-view rationale, in which collaboration creates market power unattainable independently; a neoclassical-economics rationale, in which specialised joint units capture scale economies; and a neo-institutionalist rationale, in which collaboration reflects prevailing normative expectations rather than a discrete efficiency calculation. Policy analysis commissioned for the European Parliament has similarly recommended that member states consider establishing central purchasing bodies to achieve more coherent, coordinated procurement outcomes (cited in Decarolis et al., 2016).

3. Elements of Supplier Selection

3.1 Supplier Evaluation Criteria

Supplier selection criteria should align explicitly with organisational objectives and strategy rather than be applied generically (Lysons & Farrington, 2016). Commonly used criteria include product quality, verified through certification, sampling, or third-party testing; price competitiveness, assessed through comparative benchmarking and negotiation; delivery reliability, assessed through historical on-time performance and logistics capability; financial stability, assessed through financial statements and credit ratings; and, increasingly, sustainability practices, assessed through environmental and labour-standard certification (Sherry, 2008). Establishing clear, measurable metrics for each criterion supports a systematic, comparable evaluation across candidate suppliers and reduces the risk of inconsistent or biased selection decisions.

3.2 Supplier Qualification Process

Supplier qualification is the structured process by which candidate suppliers are assessed for suitability prior to being placed on an approved supplier list. It typically proceeds through defined stages: establishing qualification criteria; pre-screening candidates on basic characteristics such as location, size, and years in operation; reviewing documentation covering financial, legal, quality-management, and insurance status; and, for higher-risk or higher-value categories, conducting on-site audits of facilities and production or service-delivery processes (Mahmoudi & Javed, 2022). Suppliers that meet these stages are added to an approved supplier list, while those that do not are generally excluded from further engagement with the procurement team (Mahmoudi & Javed, 2022).

3.3 Supplier Performance Measurement

Once a relationship is established, ongoing performance measurement against key performance indicators—on-time delivery, quality conformance, responsiveness, and cost performance—enables an organisation to verify continued fit with its requirements (Gordon, 2008). Root-cause analysis of performance shortfalls, rather than symptomatic correction, supports durable improvement, and performance metrics should be periodically reviewed to ensure continued alignment with the organisation's evolving strategic priorities, whether these emphasise cost leadership, innovation, sustainability, or customer responsiveness (Gordon, 2008).

3.4 Supplier Relationship Management

Supplier relationship management (SRM) extends beyond transactional oversight to the deliberate cultivation of long-term, collaborative supplier partnerships (Monczka et al., 2020). Its principal components include supplier segmentation, which allocates differentiated management attention according to strategic importance and risk; relationship development, sustained through open communication and mutual understanding of objectives; joint performance monitoring against agreed metrics; collaborative improvement initiatives, including joint problem-solving and innovation-sharing; and structured supplier development programmes intended to build supplier capability over time (Supply Chain Digital, 2019). Effective SRM further requires clear contract and relationship-governance mechanisms, technology platforms that support real-time information exchange, explicit attention to ethical sourcing and supplier diversity, defined conflict-resolution procedures, and, where necessary, a planned supplier-exit strategy that limits disruption to continuity of supply (Supply Chain Digital, 2019).

4. Supplier Evaluation: Process, Benefits, Drawbacks, and Tools

4.1 Purpose and Process

Supplier evaluation—sometimes termed supplier appraisal—is the quantitative assessment of prospective or existing suppliers aimed at assembling a portfolio of best-in-class sources, whether for initial award decisions or for the ongoing monitoring of contract compliance, cost, risk, and continuous improvement (Mahmoudi & Javed, 2022). A typical evaluation sequence involves defining criteria aligned with organisational goals, identifying and shortlisting candidate suppliers, collecting information through requests for information or supplier questionnaires, scoring supplier responses against the defined criteria, conducting site visits or audits where warranted, and monitoring the performance of selected suppliers against agreed benchmarks (Lysons & Farrington, 2016). Because supplier evaluation is most effective as a continuing rather than a one-off exercise, many organisations formalise periodic—commonly annual—re-evaluation as part of a broader supplier performance-management programme.

4.2 Benefits and Drawbacks

A well-designed supplier evaluation process helps organisations source from suppliers offering high and consistent standards of product or service quality, adequate capacity, and financial stability, and can surface hidden cost drivers within the supply chain (Gordon, 2008). The prospect of evaluation itself can motivate incumbent suppliers to sustain or improve performance. The principal drawback is resource intensity: rigorous evaluation, particularly where it involves cost-benefit analysis of make-versus-buy

decisions or dedicated procurement-department capacity, requires sustained managerial commitment, and under-resourced evaluation processes risk becoming a compliance formality rather than a genuine risk-mitigation tool (Mahmoudi & Javed, 2022).

4.3 Evaluation Tools

For low-complexity sourcing decisions, simple spreadsheet-based scoring tools are often adequate, but data-management and integrity challenges grow as evaluation frequency and complexity increase, prompting many organisations to adopt electronic request-for-proposal or e-tendering systems that combine initial supplier selection with ongoing performance benchmarking (Juhnyoung, 2006). Within procurement education, the Carter Ten Cs model is a widely taught evaluation framework, assessing a supplier's capacity, competency, consistency, control of process, commitment to quality, cash position, cost competitiveness, cultural compatibility, ethical conduct ("clean"), and communication or information-integration capability (Carter, cited in Lysons & Farrington, 2016). The model's breadth—spanning financial, operational, and ethical dimensions—illustrates the multidimensional character of contemporary supplier risk assessment.

5. The Bidding Process and Contract Performance Management

5.1 The Bidding Process

Competitive bidding is a structured method for soliciting and evaluating supplier proposals to ensure fairness, transparency, and value for money in supplier selection (Decarolis et al., 2016). The process typically begins with a clear articulation of the requirement and a decision on whether competitive bidding is warranted, followed by the preparation of bid documents—requests for proposals, requests for quotation, or invitations to bid—that specify requirements, evaluation criteria, and submission terms (Lysons & Farrington, 2016). After publication and, where appropriate, a pre-bid clarification meeting, suppliers submit bids for evaluation against the predetermined criteria, often by a dedicated evaluation committee. Clarification exchanges with bidders may follow to resolve ambiguities before a supplier is selected and contract terms are negotiated. Good practice includes structured debriefings for unsuccessful bidders, which preserve transparency and sustain constructive supplier relationships even when a bid is unsuccessful (European Bank for Reconstruction and Development [EBRD], cited in Decarolis et al., 2016). The cycle concludes with contract award, followed by contract management during performance and a post-contract evaluation intended to capture lessons for future sourcing exercises.

5.2 Summary of the End-to-End Process

Reviewed as a whole, the procurement process can be summarised as a sequence of need identification, procurement planning, supplier selection, bidding and negotiation, contract award, and contract management, understood as an iterative rather than strictly linear cycle in which lessons from contract management and post-contract evaluation feed back into the planning of subsequent procurement exercises (Project Management Institute [PMI], 2021). Each stage carries distinct governance requirements: planning establishes the budget, risk register, and evaluation criteria that later stages depend on, while contract management operationalises the risk allocation and performance expectations negotiated at award.

5.3 Contract Management and Performance Evaluation

Contract management encompasses the full life cycle of a supply agreement, from contract creation—in which deliverables, timelines, payment terms, quality standards, and dispute-resolution mechanisms are negotiated and documented—through execution, monitoring, amendment, and eventual renewal or termination (PMI, 2021). Effective contract monitoring requires established reporting channels to track deliverable progress, performance metrics, and emerging risks, along with a structured process for assessing and approving contract amendments as circumstances change.

Performance evaluation operationalises contract monitoring through defined key performance indicators covering quality, timeliness, cost, customer satisfaction, and regulatory compliance (PMI, 2021). Systematic data collection—through performance reviews, stakeholder feedback, and, where warranted, audits or site visits—supports an objective and transparent performance assessment, from which specific, measurable, actionable, relevant, and time-bound (SMART) feedback can be delivered to the supplier. Where performance gaps are identified, collaboratively developed improvement plans with defined actions and timelines, together with regular progress reviews, provide a structured route back to compliance; where they are not resolved, the resulting performance record informs the renewal or termination decision at contract expiry (Trent & Monczka, 2003).

6. Discussion: Aligning Sourcing Strategy, Evaluation, and Governance

The four domains reviewed above are often presented as sequential stages of a linear process; however, the literature synthesised here indicates they are better understood as mutually reinforcing choices that must be calibrated to the strategic significance of the category being procured. The direct-versus-indirect distinction outlined in Section 2.2 and the sourcing-model continuum described in Section 2.3 jointly determine the appropriate level of evaluative and relational effort: a low-value, low-risk indirect purchase is adequately served by a basic or approved-provider model and a lightweight scoring tool, whereas a high-value, production-critical direct-spend category warrants the more comprehensive supplier-qualification and relationship-management apparatus described in Section 3, potentially extending to vested or equity-partnership arrangements (Monczka et al., 2020).

Bidding and contract-governance mechanisms (Section 5) should be calibrated similarly. A rigid, price-driven competitive-bidding process is well suited to standardised, transaction-based categories where switching costs are low, but poorly suited to strategic categories where supplier development, joint innovation, and long-term relationship management—the core concerns of SRM in Section 3.4—are the primary sources of value. Where this alignment is absent, evaluation and monitoring effort is likely to be either wasted on low-risk categories or insufficient for high-risk ones, and CIPS's caution that savings should be judged against organisational expectations, rather than treated as a universal performance yardstick, follows directly from this category-specific view of value (Roylance, 2006).

The joint-procurement theories reviewed in Section 2.5 point toward a further implication: collaborative sourcing arrangements are likely to be most valuable precisely where transaction costs or resource constraints prevent an individual organisation from achieving an efficient category-specific sourcing model on its own account—a condition especially relevant to public-sector procurement in resource-constrained settings. Comparative empirical evidence on how central purchasing bodies affect the alignment problem described above remains limited outside European public procurement contexts and represents a promising avenue for future research, particularly in developing-country and Central African procurement systems.

7. Conclusion and Recommendations

Procurement has evolved from a narrowly transactional purchasing function into a strategic discipline whose performance depends on the coherent alignment of the sourcing model, supplier evaluation intensity, and contract governance mechanism with the strategic importance of the category being procured. This review demonstrates that the historical professionalisation of purchasing, the definitional distinctions between procurement, sourcing, and acquisition, and recognised performance frameworks such as CIPS's rights-based model and the ROSMA benchmark collectively provide a normative foundation for practice. Supplier evaluation and qualification processes operationalise this foundation into repeatable, auditable decisions, while bidding and contract-performance management establish the control loop through which intended value is either realised or eroded.

Three recommendations are proposed for practitioners. First, supplier segmentation should explicitly inform the choice of sourcing model and evaluation intensity, rather than applying a uniform process across all spend categories. Second, procurement functions should monitor both efficiency measures (such as spend under management and cost avoidance) and relationship-quality measures (including supplier development outcomes and joint innovation activity), rather than focusing solely on short-term savings, in line with CIPS's caution about interpreting savings data. Third, contract-management capability—encompassing clear KPIs, structured performance-improvement processes, and disciplined documentation—should be regarded as inseparable from the sourcing decision, as even a well-evaluated supplier relationship can deteriorate without sustained governance. For researchers, the principal opportunity is to empirically test the category-alignment framework proposed in Section 6, particularly through comparative studies of collaborative and centralised purchasing arrangements in public procurement systems with significant resource constraints.

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