

ANALYSIS OF MARKET FORCES AS THE BASIS FOR CONDUCTING THE PUBLIC PROCUREMENT PROCEDURE TO EVALUATE THE EFFECTIVENESS

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INTRODUCTION

The analysis of the effectiveness of public procurement is one of the most acute problems facing all countries of the world. The well-being and economic stability of the state depends not only on the amount of funding, but also on the effectiveness of the use of allocated funds. The purpose of the study: to consider the legislative regulation in the field of procurement and to identify the main market forces in the field of public procurement. Objectives of the study: to achieve high efficiency of the procurement process, namely: to improve the methodology of the process. Materials, methods and conditions of research. Regulatory acts, as well as laws 44 and 23 of the Federal Law were studied.

THE RESULTS OF THE STUDY AND THEIR DISCUSSION

A comprehensive analysis of the existing problems in the field of public procurement is carried out based on the result, which identifies key methodological shortcomings, procedures for conducting an analysis of the effectiveness of procurement, as well as recommendations for the use of strategic analysis of the driving forces that will further improve the efficiency of public procurement. There are many reasons why we can talk about low efficiency in the field of public

procurement. These include:

- insufficient elaboration of methodological recommendations;
- binding to the price, not to the quality indicator;
- insufficient use of modern accounting programs;
- lack of dynamics in time when performing the analysis.

As practice shows, most of the methods used today to assess the effectiveness of public procurement do not reflect the actual situation. The state and the economic community are faced with the question, how is it possible to correct this situation? Suggest new assessment methods and approaches, or look at the situation from a new perspective?

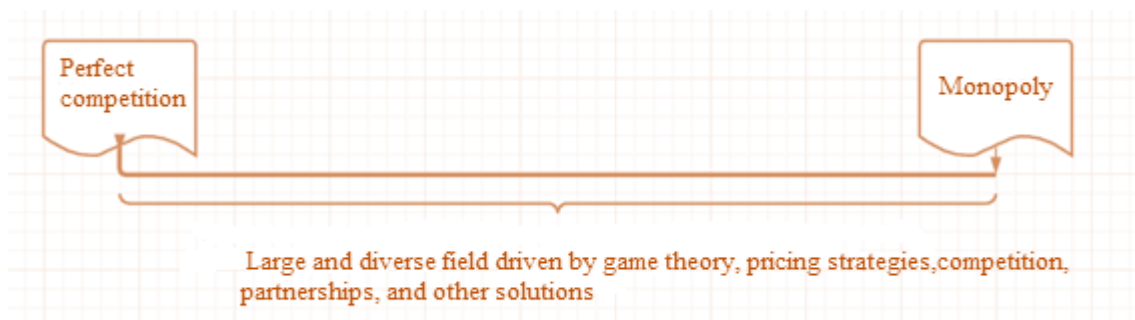
According to the authors, the consideration of this problem should begin with the most important part - with the methodology of the process. Any market research, as you know, begins with the study of the rules and laws that are present in the market and govern it. Such laws, for example, include competitive states, as an example, we can distinguish perfect competition and monopolistic competition. These two types of competition are extreme

opposites of each other (Figure 1) and, despite the fact that in real life it is almost impossible to meet them in their pure form, they will be considered later. If there is a pronounced monopoly in the market, then the company that carries out its activities on it is enough to apply the simplest methodology and primitive arithmetic analysis and forecasting.

If there is a pronounced perfect competition in the market, then the company that carries out its activities on it, by analogy with the conditions of a monopoly, applies the simplest methodology, accepting the prevailing market conditions and does not use mathematical analysis and forecasting at all, since it is at a minimum profitability close to the conditions of survival.

For a company, neither in a monopolistic market nor in a market of perfect competition market strategies will be applied since they do not make economic sense. Since the development and application of any strategy entails an increase in costs.

Figure 1. Field of the market strategy management



Source: Search data.

At each point of the above-mentioned field of action, it is possible to form market structures and market strategies that allow you to get profitability higher than the average existing in the market. When choosing a market strategy, the company's management inevitably faces two key questions:

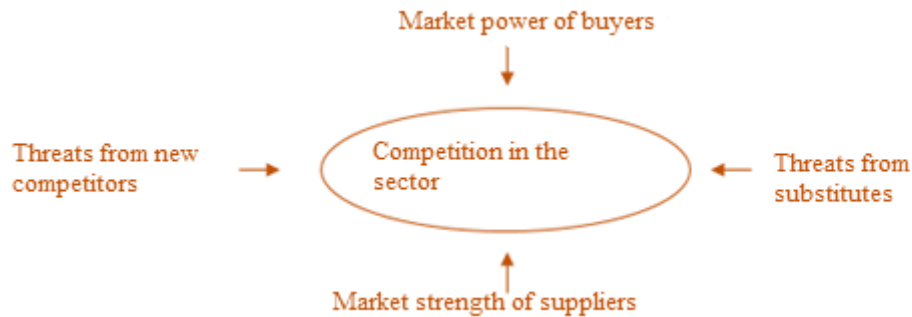
1. How to organize the detail of the company and how it interacts with consumers, suppliers and partners so that the margin is higher than normal?
2. How to balance the company's chosen activities and at the same time not allow the market to move towards perfect competition or monopoly?

After analyzing various market situations, it can be concluded that many companies often incorrectly determine their current market strategy as they incorrectly see their position on the field of action (Figure 1), deliberately dooming themselves to receive normal profits, although the market itself allows one to get super-profits, or on the contrary, the situation is completely out of the company's control and the market is doomed to disappear.

When building a methodology for the procurement process, it is necessary to clearly understand the market forces that operate and will operate in the market and analyze the possibility of influencing them. Their definition should be at the head of the methodological approach to public procurement, although, as is known today in the field of public procurement, there is no practice of determining the current market forces.

One of the most basic concepts in defining market forces is the Porter's model of market forces, which says that a market strategy can consist of five elements:

Figure 2. Porter's Market Forces



Source: Search data.

The main idea of the Porter's competition is to determine the current chance to earn an increased income. If for the sphere of public procurement we do not take into account the procurement in the defense industry and the procurement in the field of scientific research, then in general the market situation is as follows. Since there is a large number of participants in the market, which differ slightly from each other, and the buyer, represented by state structures, chooses a supplier on the basis of the maximum starting price of contract, that is, at a price where the competition is close to perfect. Thus, the profit of the process participants-suppliers in this case will always be at the minimum level, and any other forecasts in the financial model are most likely just an error in data preparation.

As we were able to find out, the situation of proximity to perfect competition does not mean its 100% coincidence, but it means that there may be a situation in the market in which some market participants will be able to receive excess profits. Inevitably, the question arises as to whether this situation is possible in the public procurement market that was mentioned earlier.

The answer is obvious - this situation is not possible in this market because the buyer determines the price at which he plans to purchase the product. This inevitably leads to the following negative consequences:

1. The buyer has the market power. Suppliers are beginning to leave the market, as there is not a single market for each GWS limited to public procurement. Suppliers are moving to other markets where there is an opportunity to generate income at the middle level and above.
2. The shift of market forces towards the supplier. Since the number of participants has decreased, and the level of profit of participants is at a minimum level, this leads to the formation of a supplier monopoly, which in the long term leads to an increase in prices for GWS, a deterioration in quality and an increase in profitability.
3. Balancing market forces. The balancing of forces will take place exactly as long as there is no situation of excess profit. As the profitability of GWS increases, this leads to an increase in the number of suppliers in the market. But at the same time, it is worth noting that the prices of GWS have already increased significantly and will not fall, and the monopolist company, which managed to form earlier, has created a large number of barriers to entry, the main of which is its reputation and established relations with customers in the face of state structures.

In total, at the beginning and at the end of the process, the real market forces are in the hands of the buyer, but over time they make a cycle and undergo significant changes. And the passage of each cycle in the dry balance leads to an increase in the influence of monopolies, an increase in prices and a deterioration in quality. To date, the methodological approach to the application of the guaranteed maximal price in no way depends on the market in which the object of purchase itself is located, and this is another shortcoming.

For example, some state-owned company plans to purchase mobile devices using the new 5G technology in October and at the same time determine for maximum starting price of contract themselves as a price equal to 100,000, as a result, the purchase did not take place or was held at this price and an earlier generation device was purchased. When analyzing the purchase, using current approaches, it is possible to state with confidence that the purchase was carried out successfully, although from the point of view of a more rational approach in the case of unsuccessful procurement, it can be stated that the effectiveness of such a purchase is 0, since there were significant errors in the formation of the TOR or the definition of the maximum starting price of contract.

The low efficiency of the purchase can be said in the case of the purchase of an earlier generation model, since the purchase was not what was actually planned. As you know, new models of mobile devices at the time of their appearance are quite expensive and the appearance of a new model was no exception, and its price was 120,000, but in a week it fell to 100,000. This situation arose because the buyer deliberately assumed that the power of the market was in his hands, although this was fundamentally wrong and the market power was in the hands of the seller.

Porter's research on the market forces of competition has found wide application and is mainly used to evaluate competitors from the point of view of the probability of the appearance of analogous products, substitute products, as well as the appearance of new market participants. In the future, this analysis allows one to determine the methods of conducting competitive struggle. Despite the current trend in the use of this analysis, it shows its effectiveness for strategic planning, which in turn is very important for the development of regulatory measures and the conduct of public tenders.

This is why identifying market forces is indeed an important task. This will allow one to really assess the situation, plan the methods of market regulation and, in accordance with this, apply the right approaches to evaluating the effectiveness of procurement. Despite a number of advantages that can be obtained in public procurement using the approach described above, it has a number of limitations that, of course, need to be mentioned:

- 1) All market participants are in no way connected to each other through a conflict of interests (that is, there is no mutually beneficial interaction of participants that reduces the efficiency of the process and there is no conspiracy)
- 2) The price is determined by structural advantages, in other words, since any product is unique, has its own quantitative and qualitative characteristics that often form a competitive advantage, they are reflected in pricing.
- 3) The market is quite stable. This clause refers to the fact that this analysis takes place only in the case of market stability.

When analyzing these restrictions, it is possible to draw the following conclusions:

- 1) There are situations in the market that have internal collusion, as evidenced by the large number of violations identified by the FAS in public procurement.
- 2) The final price of the transaction, one way or another, is determined close to the maximum starting price of contract. That is, other competitive advantages are not sufficiently taken into account.
- 3) There are often situations of instability in the market, this is due to the foreign policy situation, the application of sanctions on various products, significant volatility and the fall in the national currency.

From the above, we can assume that there are restrictions that directly signal that the analysis of specific market forces by Porter is not applicable. However, the authors come to the following thesis. The use of this analysis in public procurement is not just a place to be, but it is still extremely necessary. The restriction on the presence of collusion and conflict of interest at the current stage of development of legislation and control should not be taken into account, if only for the reason that the complete elimination of this restriction is a long-term process, in

the direction of which active activity is already underway. The restriction on the price of transaction is also not considered, since one of the tasks of conducting the analysis considered in this article is to avoid making a purchase decision on the basis of the maximum starting price of contract. The restriction on market stability is an even more complex topic, and in order to bypass this restriction, we use the analysis carried out with a breakdown into periods within a variety of short-term periods (one calendar year, half-year, quarter, or one full production cycle of the product), considering adjustments for the probability of economic situations affecting the entire economy. The implementation of this analysis and the measures taken on the basis of it are likely to lead to significant changes in the operation of the entire contract system.

CONCLUSION

If in the future we change the methodological basis for conducting public procurement and add an analysis of market forces, which will allow one to correctly assess the effectiveness of their implementation and ultimately lead to an improvement in the quality of life of the population of the country.

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Analysis of market forces as the basis for conducting the public procurement procedure to evaluate the effectiveness

Análise das forças de mercado como base para a realização do processo de compras públicas para avaliar a efetividade

Análisis de las fuerzas del mercado como base para llevar a cabo el procedimiento de contratación pública para evaluar la eficacia

Resumo

O artigo considera a mudança na metodologia de realização de concursos públicos e, como consequência, uma mudança nos métodos de avaliação da eficiência. Os principais problemas metodológicos no momento, as perspectivas de desenvolvimento e a eliminação das questões atuais são consideradas. Uma abordagem que tem encontrado ampla aplicação na avaliação da atratividade dos investimentos dos projetos é apresentada, ou seja, a análise das forças motrizes do mercado e a análise da concorrência segundo Porter. O tema escolhido é um dos mais relevantes, uma vez que a definição das forças motrizes do mercado e as forças da concorrência permite o uso mais eficiente dos mecanismos de gestão do estado de suas compras.

Palavras-chave: Compras públicas. Sistema de contratos. Política antitruste. Proteção da concorrência. Desenvolvimento econômico.

Abstract

The article considers the change in the methodology for conducting public procurement and, as a consequence, a change in the methods for assessing efficiency. The main methodological problems at the moment, development prospects and elimination of current issues are considered. An approach that has found wide application in assessing the investment attractiveness of projects is presented, namely, the analysis of the driving forces of the market and the analysis of competition according to Porter. The chosen topic is one of the most relevant, since the definition of the driving forces of the market and the forces of competition allows more efficient use of the mechanisms for managing the state of its purchases.

Keywords: Public procurement. Contract system. Antitrust policy. Protection of competition. Economic development.

Resumen

El artículo considera el cambio en la metodología para llevar a cabo la contratación pública y, como consecuencia, un cambio en los métodos para evaluar la eficiencia. Se tienen en cuenta los principales problemas metodológicos actuales, las perspectivas de desarrollo y la eliminación de las cuestiones actuales. Se presenta un enfoque que ha encontrado una amplia aplicación en la evaluación del atractivo de inversión de los proyectos, a saber, el análisis de las fuerzas motrices del mercado y el análisis de la competencia según Porter. El tema elegido es uno de los más relevantes, ya que la definición de las fuerzas motrices del mercado y las fuerzas de la competencia permite un uso más eficiente de los mecanismos de gestión del estado de sus compras.

Palabras-clave: Contratación pública. Sistema de contratos. Política antimonopolio. Protección de la competencia. Desarrollo económico.