Appraisal and Management of Service Procurement Project Based on Value Rationality and Modern Purchasing Concept

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Abstract. The service procurement has increased greatly along with the development of society and economy. Selecting the most suitable service providers through evaluation is not only has a bearing on the use efficiency of procurement funds and social fairness, but also related to the vitality and competitiveness of service enterprises. Starting from the concept of value rationality and modern procurement, and considering characteristics of service items different from material purchasing, this paper discusses the characteristics and difficulties of service procurement projects, analyses the key issues in service purchasing appraisal, including supplier qualification, project management and planning, purchasing price, and emergency plan design. The implementation of evaluation factors and commitments from aspects of service details and quality standards, continuous monitoring of service realization and delivery, and rewards and penalties for suppliers based on user satisfaction are brought forward, with a view to improving the assessment and management of service procurement projects continuously.

Introduction

The procurement of service items has become a concern along with a new trend of service outsourcing [1]. Statistics show that from 2012 to 2018, the added value of China's service industry increased from 24485.2 billion yuan to 46957.5 billion yuan, with an average annual growth rate of 7.9%, which is 0.9 percentage points higher than the average annual growth rate of GDP. The proportion of service industry in GDP rose further by more than 50% in 2015 and 52.2% in 2018, accounting for half of the national economy [2]. However, the service industry in the United States has accounted for 80.6% of the total GDP of the US [3]. There is still much room for the development of service industry in China. At present, the transformation and upgrading of China's service industry is advancing in an orderly manner, new service industries and new service forms emerge in endlessly. Enterprise service outsourcing and government purchasing services are popular. Compared with goods and projects, the proportion of service items purchasing in enterprises and governments is increasing rapidly [4].

On the basis of rational value analysis, using modern purchasing concept to analyze the evaluation and management of service purchasing projects is available to promote effective competition among service providers and select the most suitable service providers [5]. As a result, it can not only meet the needs of users and improve the efficiency of the use of procurement funds, but also relate to social fairness and justice, ultimately raise the vitality and competitiveness of the entire service industry enterprises, and enhance the efficiency of service industry production [6].

Analysis of Value Rationality and Modern Purchasing Idea

Value Rationality and Its Meaning

The so-called "value rationality" means that the actor pays attention to the value that his behavior can represent, i.e., whether to realize social fairness, justice, loyalty, honor and so on. It focuses on the rationality of behavior from the perspective of certain substantive and specific values. Value rationality reflects a person or a group's rational thinking on value issues [7,8]. Under certain
conditions, value, as a relationship between things and human needs, is embodied not only in the value of things, but also in meaning. The value world is a meaningful space existing in the form of "purposiveness". In this world, people's questioning of value and meaning, people's ultimate destination and ultimate concern become the focus [9].

Analyzing from its characteristics, value rationality is a subject-centered rationality; it is a purposeful rationality, emphasizing the appropriateness of current needs while taking into account the long-term needs of human beings; it is also a critical rationality, which pays attention to the survival and development of human beings and their every point, and faces up to the deficiencies in reality and devotes itself to deconstruction. Value rationality is also a kind of constructive rationality, constantly realizing the change and Transcendence of the real world, so that people can get a greater degree of satisfaction.

In a word, value rationality is to urge people to judge the world with rational eyes and to promote the continuous progress of society through efforts. It is instructive for the assessment and management of service procurement projects.

The Idea of Modern Purchasing

The progress of society has brought about many conceptual changes. Modern procurement concept can be said to subvert people's understanding of traditional "procurement" and bring about great changes in procurement management [10]. The main features are as follows:

From the pursuit of function to the collaboration, the importance of coordination and communication among different stakeholders are wholly emphasized;

In the process of project development, it is necessary to attach significance to the responsibility attribution in the process of comprehensive development of products and services. The success or failure of the project has been transformed into the joint responsibility of suppliers, procurement departments, production departments, R&D departments and marketing departments [11];

Aiming at getting profit to the pursuit of profitability, a win-win cooperation with suppliers and focus on reducing the total procurement cost should be established [12];

From the start point of development of products or service items to after-sales service, the focus of work is inclined to the customers, realizing that procurement is to meet the needs of users, as the ultimate goal of procurement, attaching importance to the construction of the relationship with users. At the same time, the tracking monitoring after the completion of procurement is included in the requirements of procurement review.

Difficulties Analysis in Service Procurement Review

Because of the invisible and non-storage characteristics of service itself, compared with the procurement of goods and engineering projects, there are some special requirements and difficulties in the evaluation of service procurement projects [13,14], which can not directly apply the consistent practice of goods and engineering procurement [15,16].

Lacking Measurable Direct Quality Evaluation Criteria

The appraisal experts are most concerned about the quality and technical indicators of the purchasing objects [17]. Most goods and projects have clear quality requirements, which are regulated by relevant international standards, national standards and industry criteria, and when evaluating, experts can easily compare and estimate according to the technical indicators of goods and projects. Even if there is no corresponding quality standard, the experts can also judge the quality of products through samples and trials.

Service items are quite different. Except for some national standards (such as some contents of express delivery and logistics), many services lack corresponding quality technical standards, which makes it difficult to set and evaluate quality examination indexes scientifically and reasonably. Even if there are some criteria, it is difficult for review experts to make an intuitive judgment on the quality of service provided by suppliers. For example, the catering service guarantees the delicious taste of Chinese food, which is too subjective. When estimating, only the service process and results
promised by service providers can be used to judge. As for whether the final implementation can satisfy the users, the appraisal experts are not fully sure.

**Being Difficult to Remedy the Consequences of Evaluation Errors**

If the quality of products provided by suppliers is not up to standard, they may be asked to solve it by redo and replacement. Usually, they can also store (stock) to deal with the risks brought by the quality of products and the supplier's failure to offer products in time. For service projects, however, suppliers provide services and users consume services at the same time. Service products (or project) are usually not stored, once the service provided by the supplier cannot meet the needs, users are not satisfied, requiring suppliers to redo and replace is very difficult, and then it will cause irreparable losses to users.

The reliability and quality of service provided by suppliers are vulnerable to changes in market and service environment. For example, transportation services are susceptible to variations in holiday and climate environment, which can be transmitted directly and rapidly to users. If the supplier's ability is limited and it can't respond to this change in time, users will bear a great risk. Therefore, auditing experts should be cautious in choosing suppliers for service procurement projects. The supplier's adaptability must be carefully examined.

**Being Weak in Suppliers’ Price Comparability**

Service is done by people and thus the manpower cost is a major component of service project cost. For the same kind of service, the professional and technical level or special skill level (quality and skill) of the specific service provider is different, and its human cost is also not the same. Taking training service as an example, the remuneration of well-known experts and general lecturers is definitely different, which will lead to great differences in suppliers' quotations [18].

In addition, the cost of human input in advance for some services has been offset by the sale of corresponding service products, which do not need to be based on physical objects. It is easy to copy or modify such service products, and the cost is low, such as software design and development. The quotations of suppliers of such service products will vary greatly [19]. For the same software development project, some vendors offer 5 million yuan, while others offer only 1 cent. There is no comparability. Choose the cheapest price, users may be not confident, judging from the effect, is not necessarily the best.

There are also some items (such as fixed-point maintenance of vehicles, etc.) the total amount of demand is difficult to determine, resulting in difficulties in supplier quotation. In addition, in recent years, the cost of manpower has increased rapidly. Service prices often need to be adjusted within the service cycle, or dynamic prices based on changes in human costs have to be accepted. All of these will weaken the significance of price evaluation.

**Key Issues to be Grasped in Service Procurement Review**

Because there are some special requirements and difficulties in service procurement project which are different from material procurement, it is necessary to adjust the appraisal methods, elements and key points in accordance with the characteristics of service project, on the basis of rational value analysis and under the guidance of modern procurement concept, in order to ensure that users get the reliable service quality and expected results. According to the above discussion, the basis, content, emphasis and difficulty of service procurement project evaluation based on value rationality and modern procurement concept are shown in Fig. 1.

**Setting Qualification Requirements for Suppliers Soundly**

Value rationality focuses on the rationality of behavior from the perspective of certain substantive and specific value concepts. The same is true for service procurement projects. Unlike goods purchasing projects, only a few goods related to personal safety and health need specific qualifications and qualifications. Each service industry basically has relevant special qualifications
requirements, or implements business licenses, or establishes professional qualifications. At the same time, there are relevant regulatory bodies.

![Diagram](image.png)

**Figure 1. Appraisal of Service Procurement Projects Based on Value Rationality and Modern Procurement Concepts.**

Licenses and qualifications reflect the access conditions and capabilities of service providers, and are also the basis for users to obtain services and gain quality assurance. In determining the content and standard of service project evaluation, the basic qualification requirements of suppliers should be clarified to ensure that suppliers can provide corresponding services according to quality and quantity [20]. The amount of service purchasing items is generally small, which has little attraction to suppliers. Qualification level requirements should not be too high, and must be matched with the needs of service projects. In addition to the qualification requirements for suppliers, specific qualification requirements should also be put forward for project managers and even service practitioners.

**Not Taking Quoted Price of Suppliers as the First Factor**

Modern procurement concept no longer puts procurement price first. Compared with goods and projects, the amount of service procurement is usually less and the quotation is not comparable, but the results of service procurement often have a significant impact. Consulting services such as survey and design have a decisive impact on the cost of the project, while construction supervision services play an guarantee role in the progress, quality and investment control of the project. Thus, when considering the evaluation method and price weight, it is not appropriate to consider price as the main factor in selecting suppliers. The lowest bidding price method may not be adopted, while at least the lowest bidding price method is used with caution.

When reviewing, if too much attention is paid to suppliers’ quotations, some suppliers may
drastically reduce costs or adjust prices in disguise. For example, reducing the commitment of staffing, employing low-quality service personnel, reducing the level of service, etc., will inevitably lead to the decline of management and service quality, and bring losses to users. When using the comprehensive scoring method, reference should be made to the practice of government procurement, which reduce the weight of the price score, and control it at 10% - 30% (the weight of the purchase price of goods and projects is about 30% - 60%). Focus on the characteristics of service projects, considering personnel, safety, environmental protection, energy saving and other factors, in order to truly meet the purchaser's continuous expectations of supplier services to choose.

**Giving Priority to Assessing Management Planning of Suppliers**

Assessment of service projects usually includes resource status and management planning. Resource status includes capital qualification, human resources, facilities and equipment allocation, management mode, and similar performance. Being short of the necessary resources, it is impossible to achieve the requirements of service realization for the bidding project. However, only owning resources, but lacking scientific and systematic management planning and effective follow-up implementation, the supplier cannot reach the service commitment to users with sufficient efficiency. Especially nowadays, the operation of such resources of service providers also requires that they should not have a negative impact on society and users, such as environmental pollution, public safety and so on. This is the value rationality from a larger perspective. It is necessary to use advanced management control theory to plan resource management and implement it effectively.

From the point of view of value rationality, the appraisal of service procurement projects should focus on identifying the applicable laws and regulations of the bidding service projects in management planning, shouldering due social responsibility, putting people first, meeting the social requirements for safety, health, environmental protection and energy conservation, and assessing the management organization framework, service policies and objectives of service projects. Also, it must consist of standards, service measures and methods, as well as service process detection and control, emergency disposal and so on.

**Require Supplier to Provide Service Emergency Plan**

Value rationality is a kind of purposeful rationality, which pays attention to people's feelings. Safety is the most basic requirement. In the evaluation of service procurement projects, attention should be paid to the security and stability of services. It is vital to examine and verify whether there will be law-abiding, safety, environmental protection and other problems in service operations, so as to avoid harmful effects on users' work and life order, people’s life and property, and to prevent accidents such as leaks, thefts, food poisoning, fires, environmental pollution, personal injury and so on. In project assessment, it is necessary to assess whether service providers have provided perfect service emergency plans, and to compare and appraisal the rationality and effectiveness of preventive measures, response mechanism and human and material resources arrangement in emergency plans.

**Ensuring the Implementation of Review Factors and Commitments**

Because of the invisibility of the service, users can not check beforehand clearly the quality of the products before they get the service. They can only judge and choose according to the evaluation factors by comparing the quality of each supplier's commitment. It is indispensable to clarify the details of the contract and manage the whole process of the supplier's service.

**Specifying Service Details and Quality Standards in the Contract**

After the reviewing results come out, the user can sign the contract with the service provider of the tender (transaction). The main contents of the contract terms are determined on the basis of several aspects, namely, the evaluation results, the bidding documents (response documents) of the
successful bidder (transaction supplier), the bidding documents (negotiation documents, inquiry documents) and so on. Generally, it is not allowed to change other substantive contents in the documents. This is the general stipulation of the Law of the People's Republic of China on Tendering and Bidding for the signing of contracts. Whether it is enterprise procurement or government procurement, it must be complied with.

The two sides can negotiate to further clarify and refine the contents which are not clear and detailed beforehand. For example, in the property service procurement contract, it should not be required to keep the ground clean in general, but should stipulate how many times to mop the ground every day, how many times to inspect, and how long to clear the ground debris.

**Focusing on Continuous Monitoring of Service Implementation**

The realization and delivery of some service items (such as vehicle maintenance, material management, etc.) often lasts for a long time. After the service provider has been determined to win the bid, it will begin to fulfill its service commitment to users in accordance with the planned management schedule and operational resources. However, many subsequent conditions and environments will change. Whether users get satisfactory services on schedule is in fact full of many variables. For such long-term continuous service delivery projects, in order to ensure that users continue to access the required services, attention should be paid to the follow-up validation of services. Assessment experts can be arranged to regularly (half a year or the end of the year) monitor and evaluate the process of service projects (such as scientific research and development) or the effect (such as dietary security). If problems are found, suppliers are required to make a mend.

**Rewarding and Punishing Suppliers According to Customer Satisfaction**

The only criterion to judge the service level is whether the users are satisfied. According to the specific service items, by the promise of the supplier, it is capable to define the contract terms, refine the quality evaluation criteria of quantitative service, and determine the collection points, procedures, methods and means of monitoring information one by one. Collecting the feedback information of users on whether the service is satisfactory or not, and dealing with all kinds of contradictions, disputes and violations in time are considered to be available.

The establishment of a reward and punishment mechanism linked with the appraisal results, and determination of a satisfaction standard according to different service items are also good ways. For example, more than 80% of the people surveyed must be satisfied with the service. Over this standard, incentives such as written recognition, in-kind reward, upward floating contract amount, priority renewal can be taken to assess the results. If it fails to meet the agreed standards, measures such as criticism and warning and downward floating of the contract amount may be taken. If the evaluation results fail many times, the contract may also be terminated according to prior agreement.

**Conclusion**

The assessment and management of service procurement project is a systematic project, and there are many problems to be concerned about. The results of the appraisal have a direct impact on the selection and implementation of the project. Scientific management methods must be adopted to ensure the scientificity and rationality of the evaluation.

To discuss the accreditation and management of service procurement project from the point of view of value rationality is to carry out the purpose rational analysis aiming at realizing social fairness, justice, loyalty and honor, so as to ensure that the review process and results can better serve the public and society.

Using the concept of modern procurement and logistics to guide the evaluation of service procurement projects is to perform the duties of reviewers and gatekeepers according to scientific laws, so that service procurement projects can play their due role better.
References


