

Reputation factor in the Russian public procurement system from the point of view of direct market participants

Contractual relationships are characterized by such problems as incompleteness and limited information, the possibility of unforeseen circumstances, the difficulty of formalizing certain aspects in the contract, and therefore counterparties face the risk of opportunistic behavior. A significant role in the principal-agency relationship is played by the reputation of firms, which reflects a combination of market, institutional and strategic signals (Fombrun & Shanley, 1990). Reputation plays an important role in making contracts effective in moral hazard markets (Fehr et al., 2009).

Public procurement contracting is often criticized for being inefficient (Karjalainen, 2011). Excessive bureaucracy hinders the ability of SMEs to interact with the public sector (Di Mauro et al., 2020), and weaknesses in procurement procedures create barriers to awarding contracts to the best suppliers (Loader & Norton, 2015). As a result, some countries have begun to shift their focus away from price-based procurement for critical and strategic goods (Meehan et al., 2017). Contracts with suppliers focused on ensuring a quality procurement have become more frequent (Farr, 2016). These measures are in line with the spread of New Public Management (NPM) approaches in the public sector, in which a large role is given to performance evaluation, private sector practices are borrowed. Despite this, the nature of public procurement in many countries limits the use of a reputation indicator in supplier selection (Spagnolo, 2012), while in private procurement, reputation is one of the most significant factors in expanding suppliers' customer base (Manello & Calabrese, 2019). The relationship between reputation, competition and barriers to entry is an important topic of debate in public procurement regulation (Kachour et al., 2016).

And although the issue of reputation factor in public procurement is considered by many researchers, the opinion of direct market participants - customers and suppliers - regarding the importance of reputation in the procurement process remains insufficiently studied. This study is devoted to the analysis of the role of market participants' focus on the reputation factor in terms of improving the efficiency of procurement at the micro level, as well as the formation of generalized trust between customers and suppliers.

The empirical basis of the study is the survey of public buyers and suppliers in Russia, conducted in 2020. Overall, more than 600 responses from procurers and 800 responses from suppliers were analyzed. From the responses the information about the assessment of suppliers' and procurers' reputation importance, the assessment of the procurement effectiveness and the inclination to trust new suppliers/procurers basing on their corporate reputation was obtained. The methodology involves quantitative analysis of data using correlation and regression analysis.

The joint inclusion of trust and reputation in the model, where the dependent variable is procurement efficiency, shows that it is reputation that has a direct impact on efficiency, and trust affects it through reputation. In the work, it was assumed that procurement efficiency is achieved through a two-sided assessment of reputation, i.e. when not only the reputation of the counterparty (supplier) is important for the customer, but also his own. For verification, customers were divided into 4 groups depending on their answers to questions about the importance of the reputation of customers and suppliers. As a result of the analysis, it was found that the smallest increase in efficiency occurs if high importance is attached only to the reputation of customers, and the greatest increase in efficiency occurs if the assessment of both customer's and supplier's reputation is high.

Another important aspect that is studied is the context in which customers perceive the concept of reputation. We cannot know for sure whether the respondent meant the role of reputation in competitive conditions or in the context of informal relationships between customers and suppliers. This can be verified indirectly. The first way was to use a direct question about informal relationships between the customer and the supplier. The assessment of the importance of reputation significantly positively correlates with the willingness to trust new suppliers with experience in the field, and significantly negatively correlates with the assessment of the frequency

of informal relationships between the customer and the supplier in public procurement practice. Additionally, this was checked by identifying the practice of informal connections through a list experiment conducted in the survey. As part of the experiment, the respondents were asked to note the number of factors specific to public procurement in Russia. Among the factors for the experimental group was the item "informal relations between the customer and the supplier." With the help of regression, it is shown that the importance of reputation does not affect the choice of this item by the respondents. Thus, reputation scores are interpreted as referring to competitive conditions rather than informal connections.

The conducted research considers the reputation factor from the point of view of direct market participants - customers and suppliers. It is shown what meaning is put into the reputation factor, as well as the key components of reputation in the opinion of market participants. Empirical analysis has shown that the orientation of market participants on reputation contributes to the formation of trust in new counterparties and increases procurement efficiency. At the same time, the effect is greater if high importance is attached to both the reputation of suppliers and the reputation of customers.