

Abstract: Public procurement essentially consists in the purchase of goods and/or services helping public administrations performing (better) their public services missions. Its role has evolved and it is increasingly used as an instrument to achieve additional socio-economic objectives such as fostering innovation. Public procurement of innovation has gained a renewed impetus in the academic literature too, which has been mostly focusing on its impacts on innovation and on impediments in the public procurement procedure.

The literature has recognized that market creation is one of the means through which public procurement can stimulate innovation (Box, 2009; Edquist, 2011; Rothwell, 1984). However, the actual role that public procurement can have in market formation has not been explored. Moreover, the literature has focused on the instruments to be implemented to remove barriers to innovation in the public procurement procedure (Georghiou, Edler, Uyerra, & Yeow, 2014). It has neglected instruments needed to ensure the formation of markets for innovation through public procurement. In this regard, the objective of our research is to enhance our understanding of the role of public procurement in the formation of markets for innovation. For that purpose, we will identify the market malfunctions impeding innovation that public procurement could solve as well as the instruments that are consequently needed.

We analyse the role of public procurement in the formation of markets for innovation within an evolutionary framework. Therefore, we consider markets as knowledge creation and coordination systems (Potts, 2001). We use the theory of market formation elaborated by Bleda and del Río (2013) identifying the different coordination stages in the process (generic deep and surface, and operational coordination) and the related hindrances that should be solved.

The research question is addressed through a multiple-case study and an abductive approach. We tap the considerable amount of case studies already conducted on public procurement: we use ten cases drawn from academic and conference papers, policy reports and dedicated database. The instruments acting on market formation in these cases are listed and grouped according to their role in the procurement process. Each of these categories is associated with the role that policy-makers acting as procurers have in market formation.

Our multiple-cases study first reveals that public procurement equipped with appropriate instruments can solve all coordination failures impeding market formation (generic deep and surface, and operational). Policy-makers acting as public procurers play different roles as regards coordination: they can ease, encourage or impose coordination via different instruments according to their level of knowledge. The relationship between instrument and coordination failures is not on a one-to-one basis: coordination failures could be solved by a mix of instrument and a single instrument may solve several coordination failures. Moreover, our research results reinforce the statement that market formation is not a linear process: there are back-and-forth movements between the coordination stages that can be activated by some instruments.

