

INNOVATION THROUGH PROCUREMENT

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WHAT AM I GOING TO TALK ABOUT?

- **WHY THE NEED?**
- **POLICIES**
- **PRACTICAL IMPLEMENTATION**

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WHY THE NEED?

- **OPPORTUNITY FOR INVESTMENT IN INNOVATION**
- **COMPETITION FROM 'TIGER' ECONOMIES**
- **PROCUREMENT SUPPORTED INNOVATION MORE EFFECTIVE THAN GRANTS/SUBSIDIES**

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SCALE OF PUBLIC PROCUREMENT

UK: €225bn

EU: €2,000bn?

(€2,000,000,000,000)

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WHY IS IT IMPORTANT?

•POTENTIAL TO:

- DRIVE INNOVATION
- MAKE NEW MARKETS
- ENCOURAGE GOOD PRACTICE

•FEEDBACK FROM BUSINESS:

- POOR SPECIFICATION.....DELIVERY FAILURES
- POOR PLANNING AND COMMUNICATION
- BUREAUCRACY/AMATEURISM
- RISK AVERSION/SPECIFICATION OF INPUTS

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EU POLICY ENCOURAGE MEMBERS TO USE PROCUREMENT TO SUPPORT INNOVATION

AMEND DIRECTIVES TO HELP

- COMPETITIVE DIALOGUE**
- ENCOURAGE e-PROCUREMENT**
 - REDUCED TIMESCALES**
 - e-AUCTIONS**
 - e-TENDERING**
 - PORTALS**
 - DYNAMIC PURCHASING SYSTEM**

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ENCOURAGE MEMBERS TO USE PROCUREMENT TO SUPPORT INNOVATION

**PRE-COMMERCIAL PROCUREMENT
GUIDANCE**

CASE STUDIES

HANDBOOK

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EU VIEW

- **MAKING BEST USE OF INNOVATION AND RESEARCH COMES DOWN TO PROCUREMENT**
- **GOVERNMENTS NEED TO BE INTELLIGENT CUSTOMERS**
- **RISKS NEED TO BE MANAGED**
- **INVOLVE KEY USERS IN SPECIFICATIONS**
- **DIALOGUE WITH MARKET IMPROVES SPECIFICATIONS**

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EU VIEW

- DESIGN CONTESTS CAN BE IDEA GENERATORS
- SPECIFY THE PROBLEM, NOT THE SOLUTION
- SELECTION CRITERIA SHOULD BE PROPORTIONATE
- AWARD CRITERIA SHOULD BE APPROPRIATE
- CONTRACTUAL ARRANGEMENTS CAN STIMULATE INNOVATION
- AWARDED NEEDS EXPERTISE

EU RESEARCH

**“ONLY UK HAS BROAD STRATEGIC PROCESS” TO
FOSTER INNOVATION THROUGH PUBLIC
PROCUREMENT**

**“GERMANY AND NETHERLANDS ARE ADOPTING
STRATEGIC PRACTICES”**

**IN OTHER COUNTRIES PROGRAMMES ARE BEING
DEVELOPED**

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UK GOVERNMENT ACTION

- **DTI SoS HELD ROUNDTABLE WITH STAKEHOLDERS (BUSINESSES, UNIONS, GOVERNMENT, ACADEMICS ETC) IN SEPTEMBER 2003 ON HOW TO OPEN UP PUBLIC PROCUREMENT**
- **KEY ISSUES EMERGED:**
 - **BETTER FORWARD PLANNING**
 - **GREATER TRANSPARENCY**
 - **INCREASING PROFESSIONALISM OF PROCURERS**
 - **ENCOURAGING INNOVATION**

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INNOVATION REPORT 2003

- GOVERNMENT MUST “THINK INNOVATION” TO BOOST INNOVATION AND SECURE FUTURE PROSPERITY
- PUBLIC PROCUREMENT HAS A VITAL ROLE IN STIMULATING SUPPLIER INNOVATION
- CHALLENGE IS TO BECOME A MORE INTELLIGENT CUSTOMER
 - MORE STRATEGIC APPROACH TO PROCUREMENT
 - EMBEDDING BEST PRACTICE

DTI WEBSIT ADDRESS: www.dti.gov.uk/

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POLICY DEVELOPMENT AND IMPLEMENTATION

- **LAYING FOUNDATION FOR BETTER PROCUREMENT PRACTICE**
 - **KELLY PROGRAMME**
- **ENCOURAGING GREATER INNOVATION**
 - **INNOVATION REPORT AND DTI FIVE YEAR PROGRAMME**
- **REMOVING BARIERS TO SMALL FIRMS – SME PILOTS, SINGLE WEB PORTAL**

KELLY PROGRAMME

- *INCREASING COMPETITION AND IMPROVING LONG-TERM CAPACITY PLANNING IN THE GOVERNMENT MARKETPLACE REPORT – 2003*
- AIMS OF THE PROGRAMME – TO ACHIEVE A MORE SYSTEMATIC & STRATEGIC APPROACH TO KEY GOVERNMENT MARKETS BY:
 - PROVIDING INDUSTRY WITH CLEARER INFORMATION ON PUBLIC SECTOR DEMAND
 - GAINING A BETTER UNDERSTANDING OF MARKETS
 - SHARING MARKET INTELLIGENCE
 - STRATEGIC SHAPING OF THE MARKET
- THREE PILOT MARKETS – CONSTRUCTION (MATURE), WASTE (CHANGING) AND HEALTH TREATMENT CENTRES (NEW)
- TOOLKIT FOR WIDER IMPLEMENTATION BASED ON PILOT MARKET FINDINGS

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'CAPTURING INNOVATION' GUIDANCE

- SHOWS HOW TO BE A MORE INTELLIGENT CUSTOMER
- INNOVATION IS POSSIBLE THROUGHOUT BUT GREATEST POTENTIAL ARISES AT EARLIEST STAGES:
 - WHEN POLICY IS BEING FORMULATED
 - WHEN PROGRAMMES AND PROJECTS ARE BEING SHAPED
 - IN THE FORMULATION OF THE PROCUREMENT STRATEGY



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DTI FIVE YEAR PROGRAMME 2004

KEY MEASURES TO EMBED INNOVATION IN PUBLIC PROCUREMENT

- APPOINT A SENIOR BUSINESS PERSON TO WORK WITH OGC TO LOOK AT A NUMBER OF SPECIFICALLY IDENTIFIED PROJECTS TO PROMOTE THE USE OF INNOVATION. REAL OPPORTUNITY TO:
 - DRAW IN NEW TECHNOLOGIES AND PROCESSES
 - FACILITATE DISCUSSIONS WITH SUPPLIERS
 - EMBED INNOVATION INTO WIDER PUBLIC PROCUREMENT PRACTICES
- DEVELOP A MECHANISM TO ALLOW UNSOLICITED INNOVATIVE IDEAS TO BE SUBMITTED TO THE PUBLIC SECTOR

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HOW POLICY IS DEVELOPING

- NEW APPROACHES TO RISK MANAGEMENT WITHIN THE PUBLIC SECTOR
- EARLY SUPPLIER INVOLVEMENT
- FUNDING FOR EXPLORATORY WORK
- SUPPORTING R&D CARRIED OUT BY SMALL BUSINESSES
- BUSINESS STRUCTURES AND MODELS WITHIN THE PUBLIC SECTOR THAT INCENTIVISE DIFFERENT PARTIES TO ADOPT NEW APPROACHES
- SHARING OF BEST PRACTICE BETWEEN DISPARATE POINTS OF PROCUREMENT

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PRE REQUISITES AND DRIVERS FOR INNOVATIVE PROCUREMENT

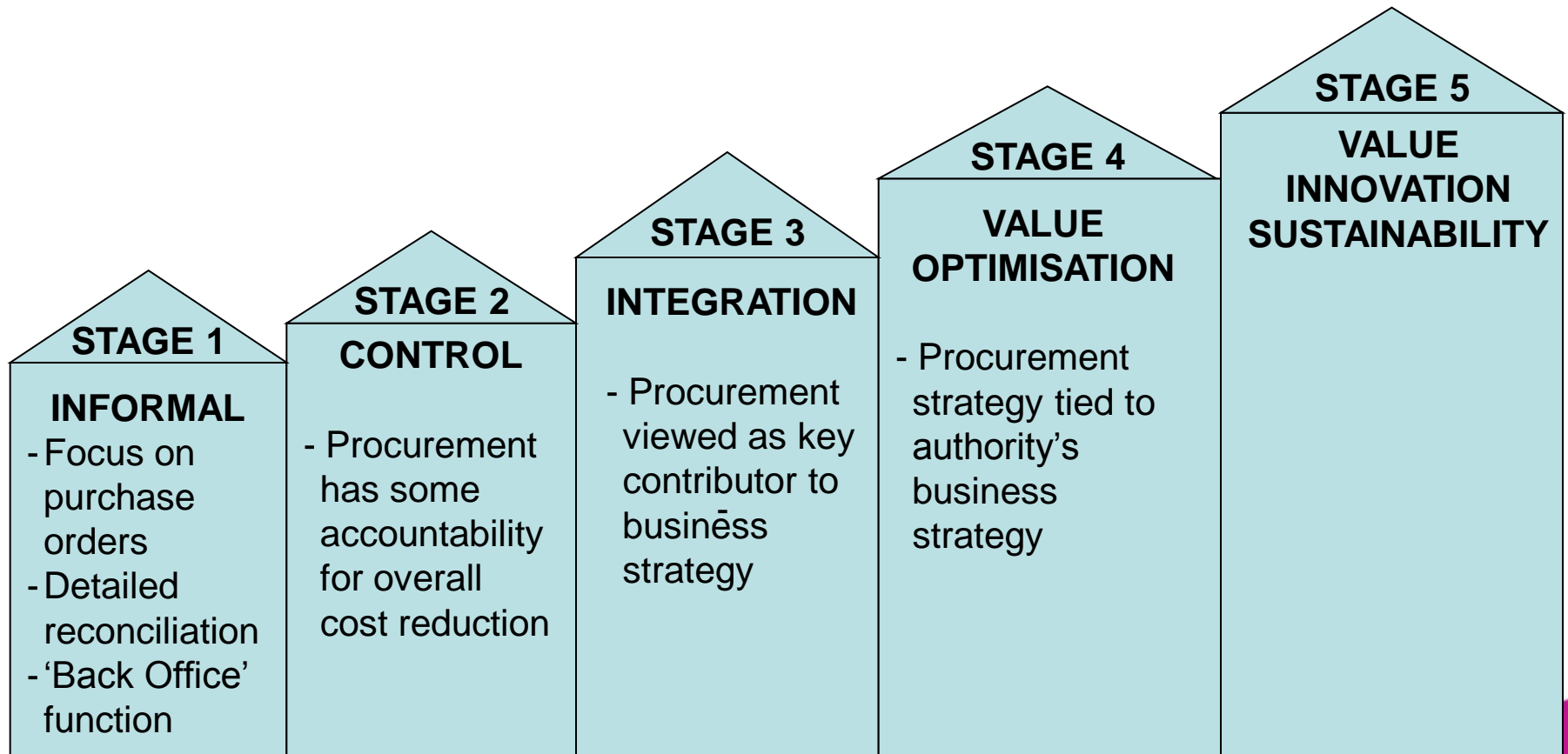
- **SPONSOR – REQUIRES INNOVATION
(NATURE OF BUSINESS)**
- **TOP CLASS PROFESSIONAL PROCUREMENT ORGANISATION**
- **EXTERNAL MOTIVATORS EG GOVERNMENT POLICY**
 - **MORE WITH LESS**
 - **PRIVATE FINANCE INITIATIVE**
 - **OUTSOURCING**
- **MARKET DEVELOPMENTS/INDUSTRY PRESSURE**
- **ABILITY OF INDUSTRY TO DELIVER (I.T.?)**
- **IMAGINATION**

TOP CLASS PROFESSIONAL PROCUREMENT ORGANISATION ADEQUATELEY RESOURCED

- SUITABLY RESOURCED
- SKILLS
- KNOWLEDGE
- PROFESSIONAL AND PROFESSIONALLY COMPETENT
- ADVANCED PROCUREMENT TECHNIQUES
 - RELATIONSHIP MANAGEMENT
 - SUPPLY CHAIN MANAGEMENT
 - VALUE ANALYSIS
- AWARENESS OF ALTERNATIVES
- CRITICAL MASS AND SUSTAINABLE
- STRUCTURE
- CREDIBILITY AND INFLUENCE
- MOTIVATION

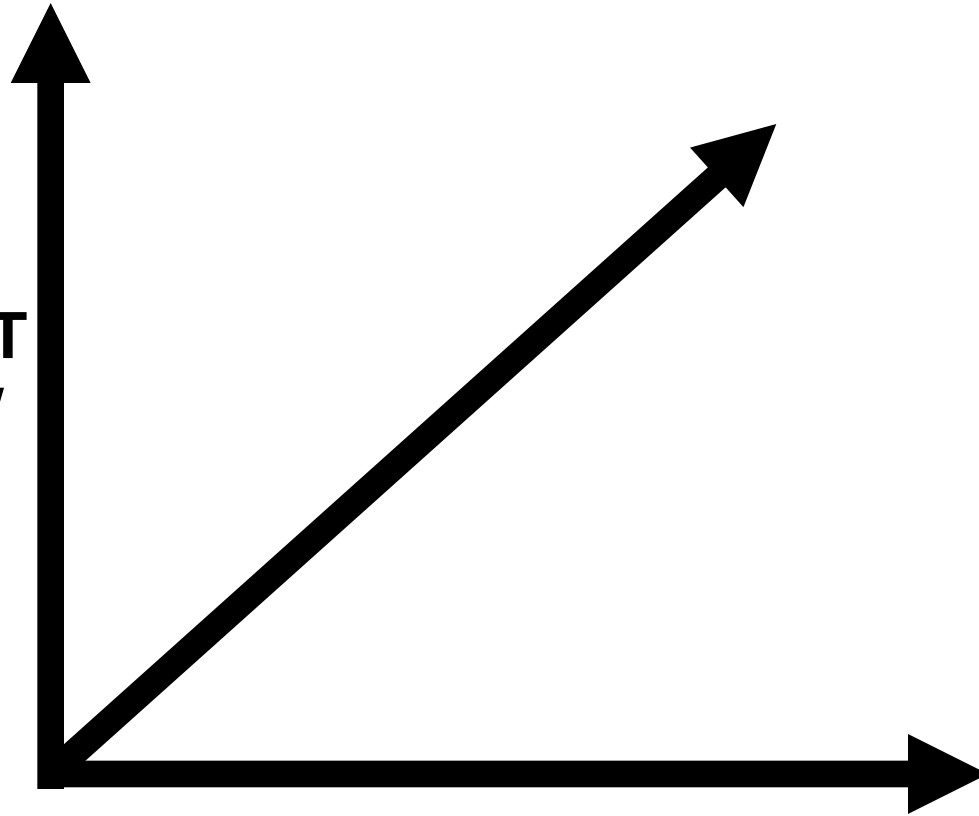
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FOUR STAGE PROCUREMENT MATURITY MODEL IS COMMONLY USED IN THE PRIVATE SECTOR



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**SUPPLIER
ENGAGEMENT
RISK TAKING/
INNOVATION**



TRUST/REPUTATION/CREDIBILITY

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HOW DOES ONE BUILD CREDIBILITY?

- DELIVER RESULTS
- BE RELIABLE
- HIGH ETHICAL STANDARDS
- PROFESSIONALISM

CREDIBILITY TAKES TIME

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PRE – REQUISITES FOR INNOVATION PROCUREMENT

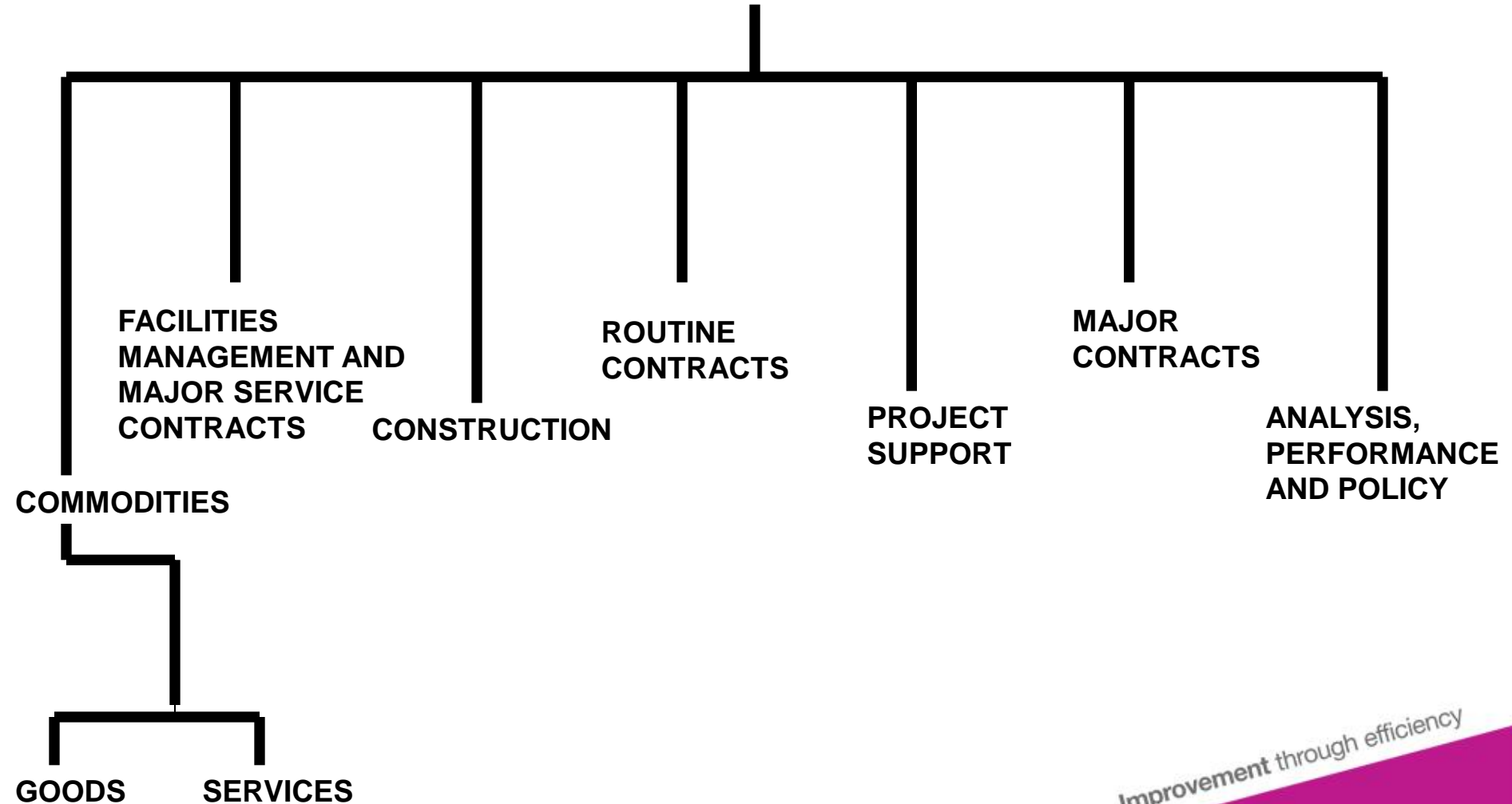
- UNDERSTANDING PROCUREMENT SPEND
- UNDERSTANDING NEEDS
- UNDERSTANDING MARKETS
- STRONG GOVERNMENT POLICY
- PRACTICAL POLICIES
- EARLY STAGE INTERVENTION

PRE – REQUISITES FOR INNOVATION PROCUREMENT

- **PERFORMANCE MEASURES AND MEASUREMENT**
- **STRONG DRIVE TO IMPROVE PUBLIC SERVICES**
- **ENGAGEMENT WITH INDUSTRY**
- **LONG TERM RELATIONSHIPS**
- **ABILITY TO INVEST IN SUPPLY BASE AND SUPPLIERS**

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CAN ONE CREATE SUITABLE PROCUREMENT ORGANISATION IN GOVERNANCE?



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KEY ELEMENTS OF PROCUREMENT ORGANISATION

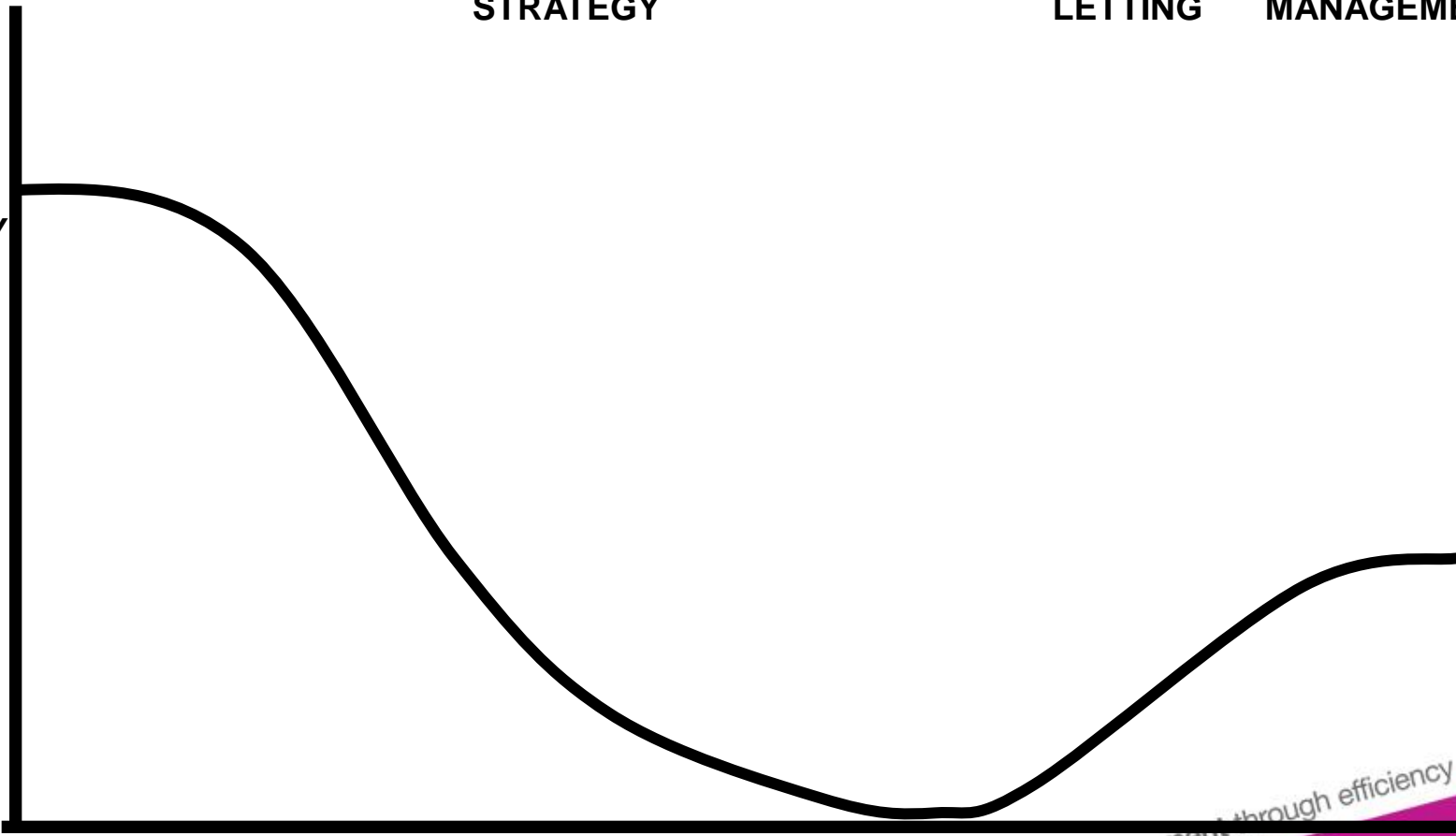
- ENTREPRENERIAL
- POWERFULLY MOTIVATED INDIVIDUALS
- ENGAGEMENT WITH CUSTOMERS
- RELATIONSHIP MANAGEMENT
- SPECIALIST COMMODITIES EXPERTISE
- SPECIALIST MARKET EXPERTISE
- TECHNICAL PROCUREMENT EXPERTISE
- PERFORMANCE MEASUREMENT
 - SERVICE
 - VALUE
 - WORKLOAD
- ADVANCED PROCUREMENT TECHNIQUES

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OPPORTUNITIES FOR INNOVATION

CONCEPT SPECIFICATION CONTRACTING STRATEGY CONTRACTING CONTRACT CONTRACT
LETTING MANAGEMENT

OPPORTUNITY
TO
INFLUENCE
INNOVATION



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THE NORTH WEST LOCAL GOVERNMENT

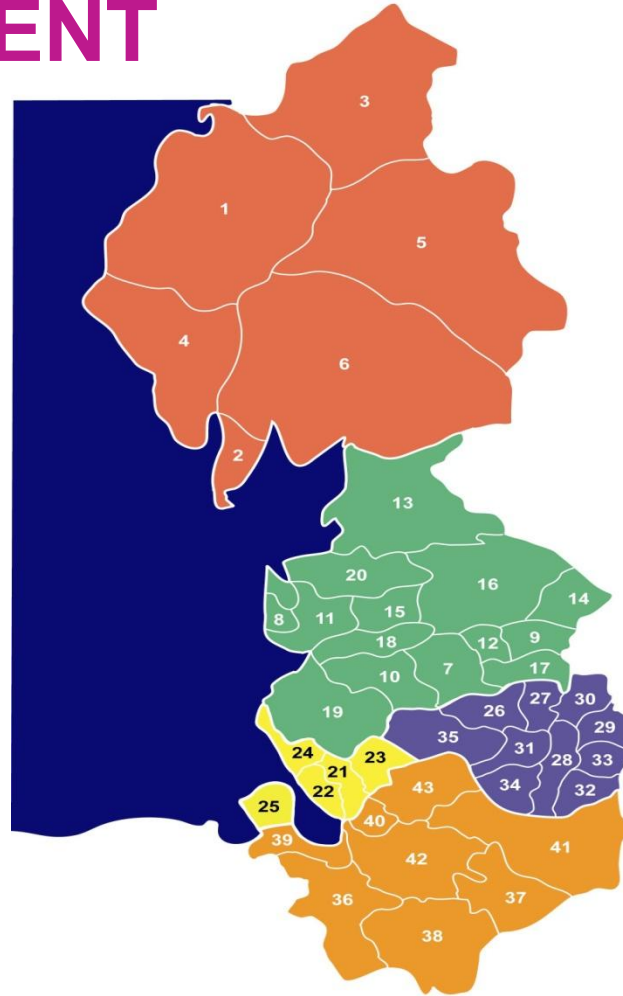
3 COUNTY

4 UNITARY

15 METROPOLITAN

24 DISTRICT

1 NATIONAL PARK



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NORTH WEST LOCAL GOVERNMENT

- **47 COUNCILS**
- **TYPICALLY 2 PROFESSIONAL PROCUREMENT PEOPLE IN EACH**
- **DEVOLVED PROCUREMENT**
- **500 FULL-TIME EQUIVALENTS**
- **SPECIFICATIONS DRIVEN BY STAKEHOLDERS**

- **PURCHASE SPEND €10BN PA**

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IN 4 YEARS TIME – PROCUREMENT TRANSFORMED

- ORGANISATION STRUCTURE
 - 6 PROCUREMENT HUBS
- HIGH PROFESSIONAL STANDARDS
- CREDIBILITY
- ACTIVE ENGAGEMENT WITH STAKEHOLDERS AND BUSINESSES
- 12.5% PA VALUE FOR MONEY IMPROVEMENT
- SUSTAINABILITY PLAN COMPENSATION
- PERFORMANCE MEASUREMENT

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**PROCUREMENT ORGANISATIONS CAPABLE
OF INITIATING / DELIVERING INNOVATION
ARE THOSE WHO WILL BE MOST
SUCCESSFUL AT DELIVERING
SUSTAINABILITY POLICIES AND VALUE FOR
MONEY**

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OUR CHALLENGE

TO BUILD POWERFUL PROCUREMENT ORGANISATIONS MOTIVATED TO DELIVER VALUE FOR MONEY, SUSTAINABILITY AND INNOVATION

HOW CAN WE ACHIEVE THIS?

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With thanks.....

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