

INNOVATION THROUGH PROCUREMENT

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WHAT AM I GOING TO TALK ABOUT?

- **WHY THE NEED?**
- **EU AND UK 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: £125bn

NORTH WEST: £12.5bn

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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 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 VIEW ENCOURAGE MEMBERS TO USE PROCUREMENT TO SUPPORT INNOVATION

- **PRE-COMMERCIAL PROCUREMENT GUIDANCE**
- **CASE STUDIES**
- **HANDBOOK**
- **EU DIRECTIVES IMPROVED**

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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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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**

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KELLY PROGRAMME

- **THREE PILOT MARKETS – CONSTRUCTION (MATURE), WASTE (CHANGING) AND HEALTH TREATMENT CENTRES (NEW)**
- **TOOLKIT FOR WIDER IMPLEMENTATION BASED ON PILOT MARKET FINDINGS**

'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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HOW IS POLICY DEVELOPING?

- EXHORTATION
- LACK OF ENGAGEMENT OF GOVERNMENT
 - CENTRAL AND LOCAL
- LACK OF ENGAGEMENT WITH PROCUREMENT
- PROCUREMENT NOT FIT FOR PURPOSE
- MORE PRESSING PRESSURES

EXAMPLES?

WASTE MANAGEMENT

RESEARCH EQUIPMENT

BUILDING SCHOOLS FOR THE FUTURE

HIGHWAYS AGENCY

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PRE – REQUISITES FOR INNOVATION PROCUREMENT

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

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PRE – REQUISITES FOR INNOVATION PROCUREMENT

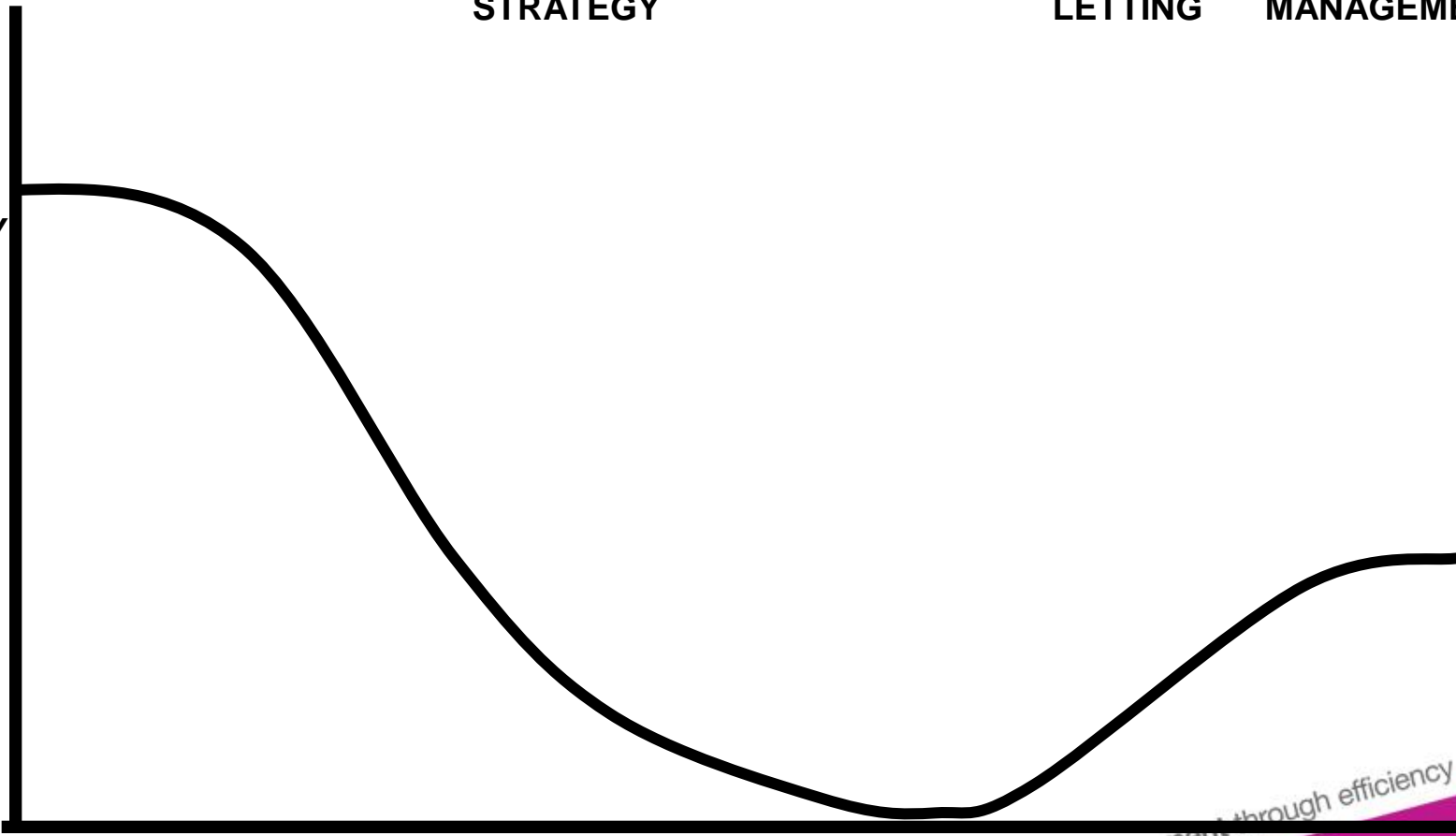
- **PERFORMANCE MEASURES AND MEASUREMENT**
- **STRONG DRIVE TO IMPROVE PUBLIC SERVICES**
- **ENGAGEMENT WITH INDUSTRY**
- **LONG TERM RELATIONSHIPS**
- **ABILITY TO INVEST IN SUPPLY BASE AND SUPPLIERS**

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OPPORTUNITIES FOR INNOVATION

CONCEPT SPECIFICATION CONTRACTING STRATEGY CONTRACTING CONTRACT CONTRACT
LETTING MANAGEMENT

OPPORTUNITY
TO
INFLUENCE
INNOVATION

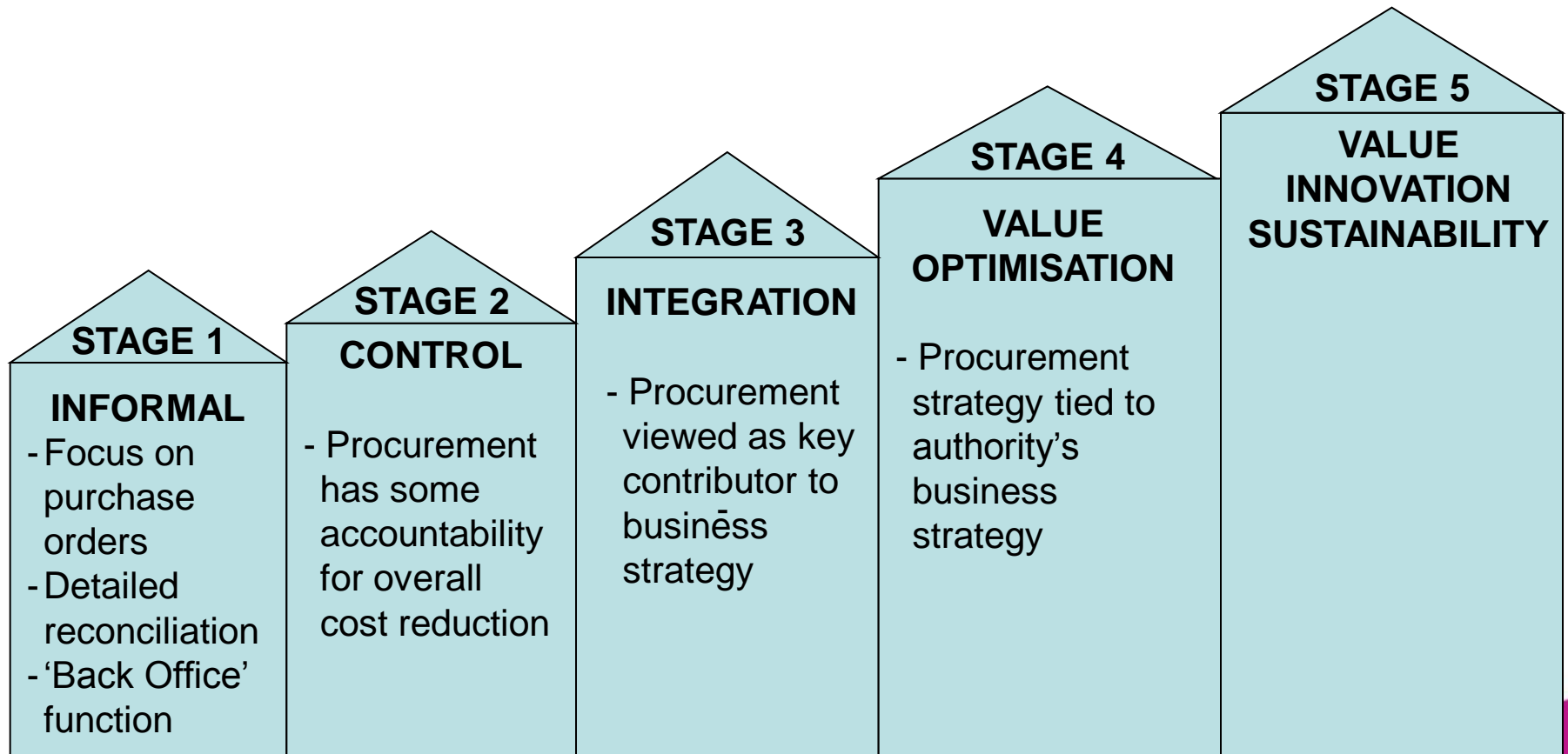


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KEY ELEMENTS OF PROCUREMENT ORGANISATION

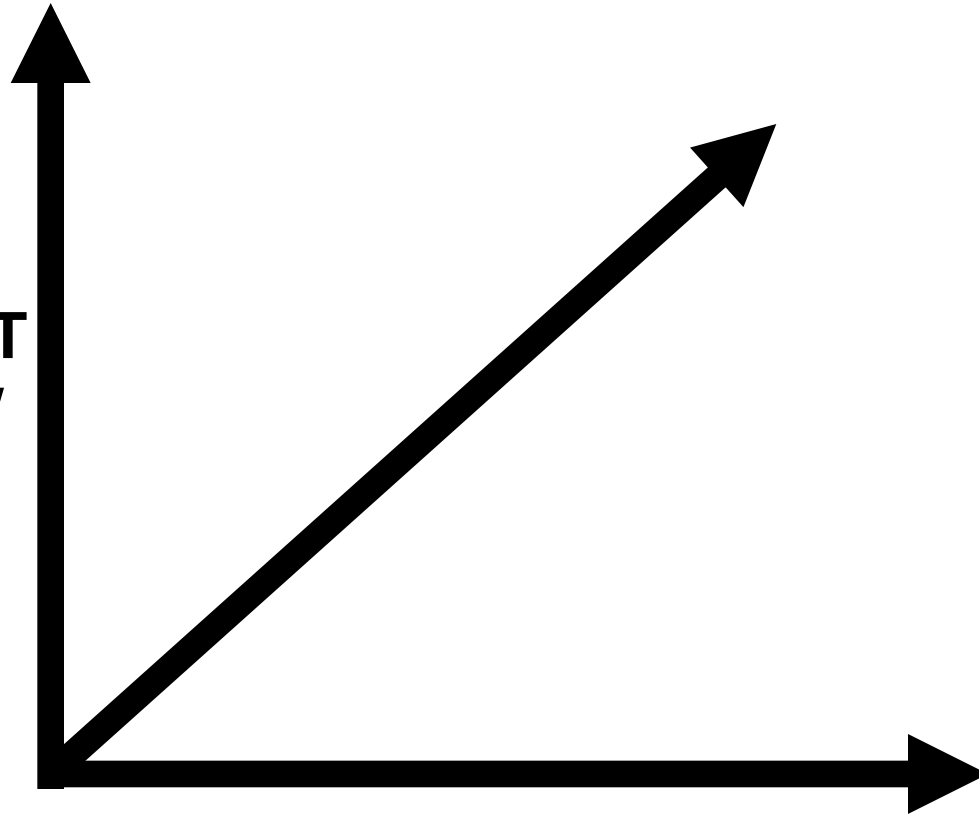
- ENTREPRENERIAL
- POWERFULLY MOTIVATED INDIVIDUALS
- ENGAGEMENT WITH CUSTOMERS
- RELATIONSHIP MANAGEMENT
- SPECIALIST COMMODITIES EXPERTISE
- SPECIALIST MARKET EXPERTISE
- TECHNICAL PROCUREMENT EXPERTISE
- PERFORMANCE MEASUREMENT
 - SERVICE
 - VALUE
 - WORKLOAD
- ADVANCED PROCUREMENT TECHNIQUES

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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TRANSFORMING PROCUREMENT

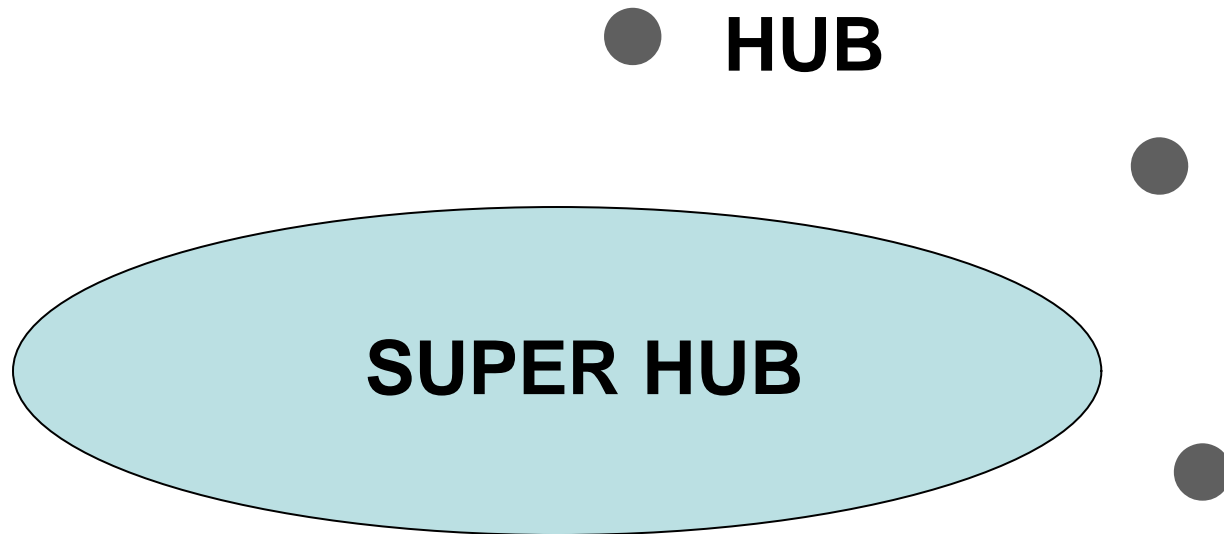
MAP PROCUREMENT LANDSCAPE

SHORT TO MEDIUM TERM GAINS

LONG TERM RE-STRUCTURING

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IS THIS WHAT PROCUREMENT WILL LOOK LIKE?



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HOW DOES ONE BUILD CREDIBILITY?

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

CREDIBILITY TAKES TIME

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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

CREATE CULTURAL CHANGE TO SUPPORT INNOVATION

HOW CAN WE ACHIEVE THIS?

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With thanks.....

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