

# **INNOVATION THROUGH PROCUREMENT**

**Colin Cram**

**Regional Director**

**North West Centre of Excellence**



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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/](http://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



# PRE – REQUISITES FOR INNOVATION PROCUREMENT

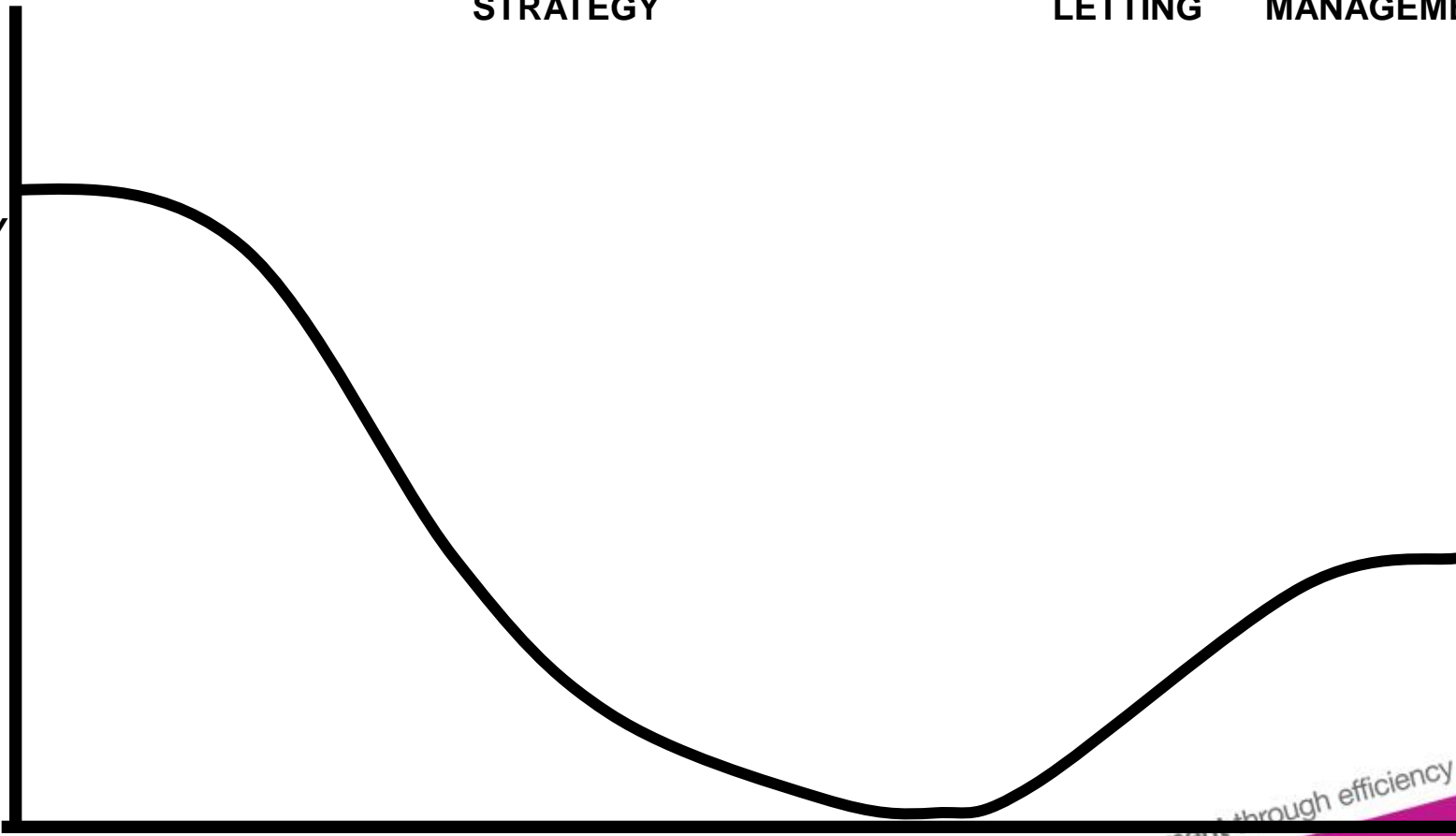
- **PERFORMANCE MEASURES AND MEASUREMENT**
- **STRONG DRIVE TO IMPROVE PUBLIC SERVICES**
- **ENGAGEMENT WITH INDUSTRY**
- **LONG TERM RELATIONSHIPS**
- **ABILITY TO INVEST IN SUPPLY BASE AND SUPPLIERS**

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# OPPORTUNITIES FOR INNOVATION

CONCEPT SPECIFICATION    CONTRACTING STRATEGY    CONTRACTING    CONTRACT LETTING    CONTRACT MANAGEMENT

OPPORTUNITY TO INFLUENCE INNOVATION



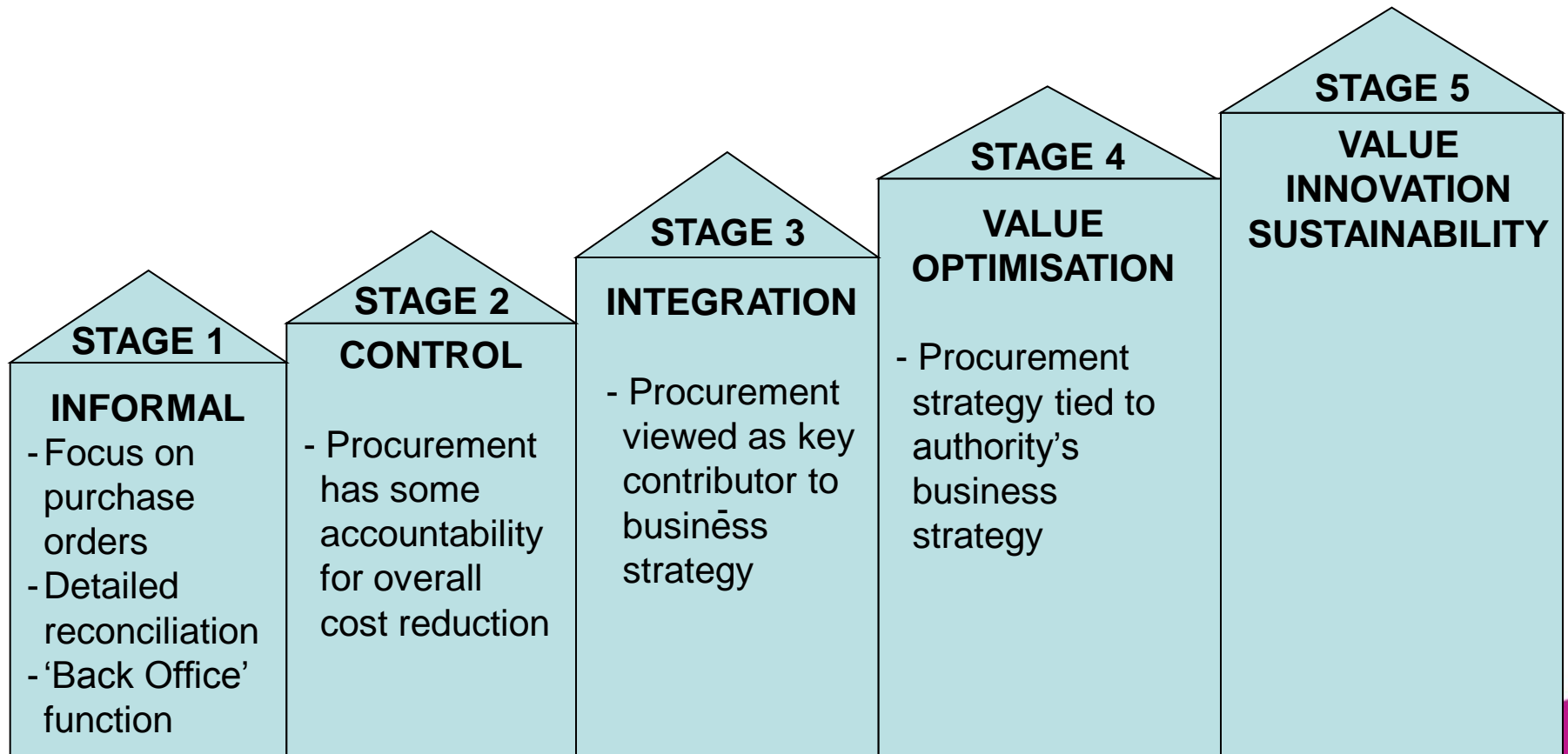
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# KEY ELEMENTS OF PROCUREMENT ORGANISATION

- 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

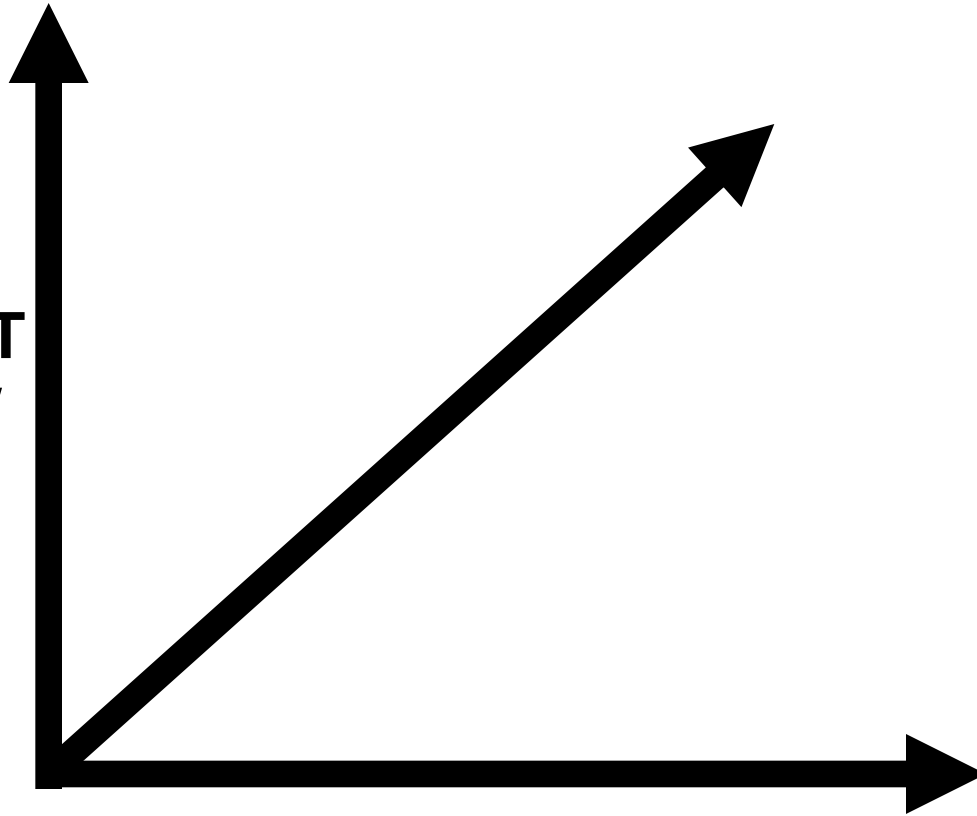
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# FOUR STAGE PROCUREMENT MATURITY MODEL IS COMMONLY USED IN THE PRIVATE SECTOR



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**SUPPLIER  
ENGAGEMENT  
RISK TAKING/  
INNOVATION**



**TRUST/REPUTATION/CREDIBILITY**

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# TRANSFORMING PROCUREMENT

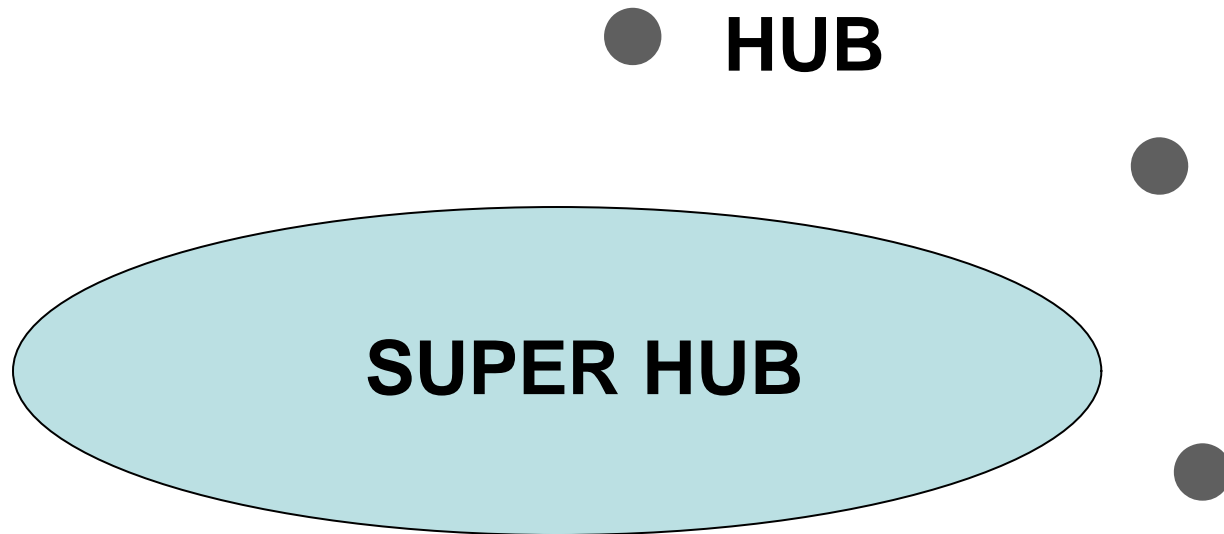
MAP PROCUREMENT LANDSCAPE

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.....**

**Colin Cram**

**Regional Director**

**North West Centre of Excellence**

**[colin.cram@tameside.gov.uk](mailto:colin.cram@tameside.gov.uk)**

**Telephone 0161 342 3301**

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