





# A RESEARCH STUDY – NORTHERN IRELAND FOSTERING INNOVATION THROUGH PUBLIC PROCUREMENT?

Completed by Envision, on behalf of



Northern Ireland Council for Voluntary Action

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## 1.0 An Introduction to the Research Study

### 1.1 Context for This Study

Innovation is a key driver of productivity and economic growth. It can also make a major contribution to improving the quality and financial sustainability of public services. Consequently there is considerable, and growing interest in policy approaches that stimulate and support innovation.

While attention has traditionally centred on supply-side policies that are aimed at supporting the private sector to generate innovation (eg Research & Development funding), the focus has recently turned to demand-side measures, including public procurement.

Given large size (and large value) of the public sector, there would appear to be potential to harness the public sector's purchasing power, to stimulate, foster and help sustain innovation.

However it is unclear (as of late 2014) whether this is happening, in practice, in Northern Ireland.

In September 2014, the Northern Ireland Council for Voluntary Action (NICVA) commissioned Envision Management Consultants to:

- (i) Carry out a programme of research to examine this key question:  
*'To what extent does public procurement policy and practice in Northern Ireland encourage innovation';* and
- (ii) To make recommendations for improvement.

The research was carried out between mid-September 2014 and December 2014, and involved engaging with both Northern Ireland public sector organisations and the Northern Ireland supply base (private sector companies, and voluntary & community organisations).

### 1.2 The Research Methodology

#### 1.2.1 The First Step – Exploring Expert Opinion on Fostering Innovation through PP in N Ireland.

Envision invited a group of experts to participate in panel working session / facilitated discussion at the beginning of the research process. The panel members were invited to the discussion session, based on their experience and expertise in working in:

- The SME sector
- Public Procurement Practice
- Innovation Policy in the Public Sector
- Public Procurement Policy
- Public Procurement Law



All directly relevant to the challenge, and the opportunity of fostering innovation through Public

This mix of experience complements NIVCA’s undoubted expertise and experience of the Community & Voluntary Sector, and built on the consultations that NIVCA had undertaken prior to the commissioning of this research study (consultations that were in fact a stimulus for this study).

Specifically, the expert panel involved the following key stakeholders:

<b>Expert Panel Members</b>		
<b>Organisation</b>	<b>Name</b>	
<b>The Central Procurement Directorate</b>	Michael Watson	As Centres of Procurement Excellence, CPD and BSO are directly focused on the challenges and opportunities involved in fostering innovation through Public Procurement.
<b>Business Services Organisation - Procurement &amp; Logistics Service</b>	Peter Wilson	
<b>Business Services Organisation - Small Business Research Initiative</b>	Julie-Ann Augusto	
<b>Social Enterprise Northern Ireland</b>	Juliet Cornford	Social Enterprise Northern Ireland works with Social Enterprises in Northern Ireland, and has direct experience and feedback from these Social Enterprises on their experience of Public funding allocation, Public Procurement, including the procurement of innovation.
<b>Federation of Small Businesses</b>	Carolyn Brown	FSB represents the interests of Small Businesses in Northern Ireland, and has direct experience and feedback from SME’s on their experience of Public Procurement, including the procurement of innovation.
<b>CBI Northern Ireland</b>	David Fry	CBI represents the interests of business in Northern Ireland – from SME’s to larger Corporates. In this role, CBI has direct experience and feedback from companies on their experience of Public Procurement, including the procurement of innovation.
<b>Public Service Reform Division – Department of Finance &amp; Personnel</b>	Christopher Farrington	DFP is strongly focused on the reform of the public sector – including Innovation in the Public Sector. This includes all aspects of innovation – procurement of innovation, and innovative procurement, and Christopher Farrington is central to DFP’s work in this area.
<b>EverSheds</b>	Peter Curran	Eversheds is a major commercial legal practice, with particular experience and expertise in the area of Public Procurement law. Peter Curran has a particular interest in the legal issues and challenges of fostering innovation through public procurement, and in innovative procurement practices.
<b>NUI Maynooth</b>	Emma McEvoy	Emma McEvoy is a reputed academic in Public Procurement Policy and Law - she has carried out significant research in public procurement legislation and has co-authored a social-enterprise orientated report entitled “How to Engage in the Public Sector Market”.

The panel discussions also involved

- Martin McBride and Elaine Scullion of Envision – who jointly led / facilitated the discussion.
- Eoin Rooney, NICVA who attended the panel discussion as an observer.

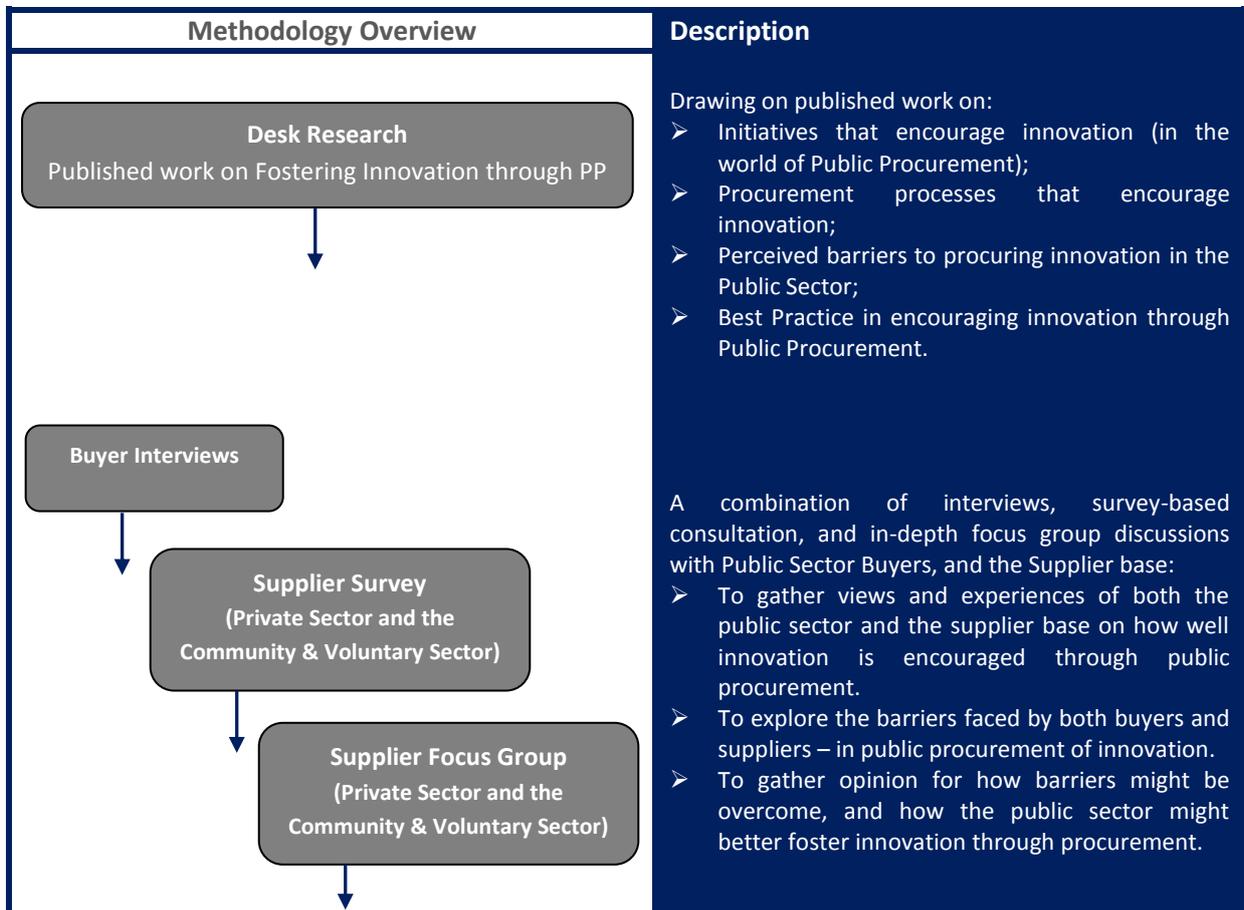
The panel working session / discussion drew on the panel members’ individual expertise to:

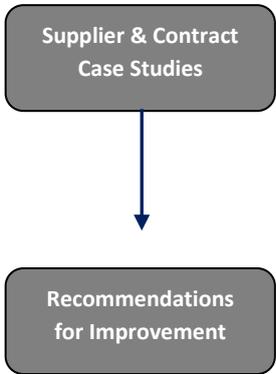
- (i) Define the issues and challenges involved in the ‘fostering of innovation’ through Public Procurement;
- (ii) Identify the issues that should be addressed in the research process – by including them in the research instruments, discussion guides, etc; and
- (iii) Identify other research and informed comment available on the fostering of innovation through Public Procurement.

The outcome of this opening panel discussion fed into the research process, and hence is integral to the findings reported in this document.

### 1.2.2 Overview of the Research Methodology

The research study involved five strands of activity, which fed into the development of clear recommendations. The five strands of activity are briefly described below.



Methodology Overview	Description
 <pre> graph TD     A[Supplier &amp; Contract Case Studies] --&gt; B[Recommendations for Improvement] </pre>	<ul style="list-style-type: none"> <li>➤ The development of individual supplier case studies providing an overview of their specific experiences of supplying innovative products and services into the public sector; and</li> <li>➤ The identification / documentation of public sector contract examples – in which innovation has been encouraged through PP.</li> <li>➤ The development of recommendations on how the Northern Ireland public sector can improve the approach to fostering innovation through public procurement.</li> </ul>

### 1.2.3 Considering the Research Findings

Having developed draft recommendations, the expert panel was re-convened to consider the recommendations and to:

- Debate and refine the recommendations; and
- Consider the initial practical challenges and implications of implementing the proposed recommendations.

The recommendations presented in this report have been presented to the expert panel for review and input.

### 1.3 Procuring Innovation V's Innovative Procurement

Before drawing the reader into the findings of this research study, one point should be explicitly clarified – on the distinction between:

1. Innovative procurement processes: the procurement of products / services / supplies for the public sector – in an innovative way.

and

2. The procurement of innovative products / services / solutions: ie procuring products / services / solutions that are very new and innovative:
  - entirely new and innovative; or
  - new / innovative in the public sector.

and that effect real change on the public sector, and possibly deliver cost savings in the public sector.

This research study is focused on **the procurement of innovation**; and indeed the potential for fostering / stimulating innovation through Public Procurement.

The focus is not on innovative procurement processes. However, it should be noted that discussions on the procurement of innovation (and the fostering of innovation through public procurement) have extended into the issue of innovative procurement processes – in so far as interview respondents have considered there to be some relationship between them.

These links (as commented on by some respondents) are reported on with in the body of the report.

## 2.0 Published Work on Fostering Innovation through Public Procurement

### 2.1 Introduction

The initial phase of the project involved a programme of secondary research to gather existing information on:

- How (or the extent to which) innovation is encouraged in Northern Ireland, in general, and specifically through Public Procurement.
- The procurement processes available to the public sector - which facilitate the procurement of innovative products and services, and how well these are being used In Northern Ireland.

The existing (real and perceived) barriers to encouraging innovation through public procurement.

- Best practice examples of encouraging innovation through public procurement – in Northern Ireland, in the wider UK, and / or internationally.

#### 2.1.1 Encouraging Innovation in Northern Ireland

The research initially looked at how innovation is encouraged in general in Northern Ireland and provides a summary of specific initiatives which have been designed to facilitate this.

#### 2.1.2 Innovate NI

Innovate NI - The innovation strategy for Northern Ireland 2014-2025, published by the Department of Enterprise Trade and Investment, in September 2014 puts forward a vision that:

*'Northern Ireland by 2025, will be recognised as an innovation hub and will be one of the UKs leading high-growth- knowledge – based regions which embraces creativity and innovation at all levels of society'<sup>1</sup>*

Innovation within government is a priority of the strategy as it recognises that:

*'Northern Ireland's public expenditure environment is expected to remain constrained in the short to medium term. Coupled with increasing demands for public services and understandable expectations of ongoing service improvements, this means that it will simply not be possible for the public sector in Northern Ireland to continue providing services in the manners it does currently'.<sup>2</sup>*

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<sup>1</sup> The Northern Ireland Executive. (2014). *Innovative NI - Innovation Strategy for Northern Ireland 2014-2025*. Available: [http://www.detini.gov.uk/innovation-strategy-2014-2025\\_2.pdf](http://www.detini.gov.uk/innovation-strategy-2014-2025_2.pdf). Last accessed 21/01/2015.

<sup>2</sup> The Northern Ireland Executive. (2014). *Innovative NI - Innovation Strategy for Northern Ireland 2014-2025*. Available: [http://www.detini.gov.uk/innovation-strategy-2014-2025\\_2.pdf](http://www.detini.gov.uk/innovation-strategy-2014-2025_2.pdf). Last accessed 21/01/2015.

One of the aims of the strategy is that public procurement is used to drive innovation and the planned activity to achieve this is to increase investment in the Small Business Research Initiative (SBRI) to drive innovation through pre-commercial procurement (of Research & Development, and of innovative solutions).

The Small Business Research Initiative (SBRI) is an initiative that is designed to connect public sector challenges with innovative ideas from industry, supporting companies to generate economic growth and enabling improvement in achieving government objectives.

The Northern Ireland innovation strategy aims to:

*'..provide further investment into the SBRI model and investigate the development of a central fund, to co-fund SBRI projects across public sector organisations.'*<sup>3</sup>

The strategy also recognises that a more balanced approach to risk taking and regulation is required:

*Risk aversion rather than risk management is one of the greatest threats to innovation. One key sign that the NI public sector is embracing innovation would be by addressing the perception that 'trying to avoid risk by doing nothing' is better than 'trying to do the right thing and failing'.*<sup>4</sup>

In response the strategy aims to:

*'Explore new portfolio models to support innovation and to manage higher levels of risk in return for higher returns to the economy'*<sup>5</sup>

While the strategy does not offer any specific information on what these new portfolio models might be, the recognition that risk aversion is a key barrier to driving innovation through public procurement is encouraging. This focus on the mitigation of risk is supported by findings from **all** aspects of this research study.

There are a number of existing initiatives that do currently (or have the potential to) encourage innovation in Northern Ireland. These initiatives are a combination of:

- Funded R&D support,
- Collaborations between industry and academia,
- Government reform initiatives; and
- Funding for change.

A summary of these is provided in the following sections.

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<sup>3</sup> The Northern Ireland Executive. (2014). *Innovative NI - Innovation Strategy for Northern Ireland 2014-2025*. Available: [http://www.detini.gov.uk/innovation-strategy-2014-2025\\_2.pdf](http://www.detini.gov.uk/innovation-strategy-2014-2025_2.pdf). Last accessed 21/01/2015.

<sup>4</sup> The Northern Ireland Executive. (2014). *Innovative NI - Innovation Strategy for Northern Ireland 2014-2025*. Available: [http://www.detini.gov.uk/innovation-strategy-2014-2025\\_2.pdf](http://www.detini.gov.uk/innovation-strategy-2014-2025_2.pdf). Last accessed 21/01/2015.

<sup>5</sup> The Northern Ireland Executive. (2014). *Innovative NI - Innovation Strategy for Northern Ireland 2014-2025*. Available: [http://www.detini.gov.uk/innovation-strategy-2014-2025\\_2.pdf](http://www.detini.gov.uk/innovation-strategy-2014-2025_2.pdf). Last accessed 21/01/2015.

### 2.1.3 Small Business Research Initiative (SBRI)

The SBRI programme is a two stage pre-commercial procurement scheme championed by the Technology Strategy Board. It is aimed at procuring the development of products and services to address problems or help to achieve required policy outcomes where appropriate solutions are not available currently in the market.

The key benefits are that SBRI provides a risk managed environment for the public sector to incentivise the development of products and services to meet policy and service priorities. At the same time it enables and provides funding to businesses, and in particular SMEs to research and develop their ideas and to identify potential new applications and market opportunities for the technologies they are developing.

The SBRI Programme is a key plank in UK Government's efforts to encourage greater innovation in the economy. It is run across the UK by the Technology Strategy Board, which provides an expert team of SBRI advisors and also a wide network of technologists and technical assessors covering most technology areas.<sup>6</sup>

To date Northern Ireland has sponsored 4 SBRI competitions:

- **Tourist Information Apps - Northern Ireland Tourist Board**  
Competition for the provision and maintenance of Tourist Information Apps. The outcome was that 4 winning SMEs (two from Northern Ireland) which developed products, met the NITB policy need without the need for further investment. One of the NI based winners is now competing in international markets.
- **Sustainable Utilisation of Poultry Litter - Department of Enterprise Trade & Investment and the Department of Agriculture & Rural Development**  
Applications were invited for an SBRI Competition to develop innovative solutions that would present the Northern Ireland poultry industry with practical, economic and sustainable ways of reducing the phosphorus surpluses that currently arise as a result of the application of poultry litter to land. The project has now progressed to a commercial loan fund - to support participating businesses into full commercial operation.
- **Medicines Optimisation – Department of Health, Social Services & Public Safety, Department of Enterprise Trade & Investment and Invest NI.**  
In March 2014 a Small Business Research Initiative (SBRI) Competition was launched to stimulate the development of innovative technology solutions to optimise patient health and social care outcomes through improved medicines adherence. Phase one has now commenced.

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<sup>6</sup> SBRI. (2013). *Supporting Evidence/Research Paper for the Draft Innovation Strategy for Northern Ireland 2013 - 2025*. Available: [http://www.detini.gov.uk/dt1\\_13\\_0160607\\_\\_\\_sbri\\_-\\_evidence\\_pack\\_-\\_final.pdf](http://www.detini.gov.uk/dt1_13_0160607___sbri_-_evidence_pack_-_final.pdf). Last accessed 21/01/2015.

- **Electric Days Out – Department of Regional Development, Department of Enterprise Trade & Investment and Department of the Environment.**

A sponsored micro SBRI project focused on the development of apps, that in turn are designed to encourage greater use of electric vehicles **and** specifically the use of these vehicles to explore Northern Ireland. Phase 1 contracts have been completed – and options for progression to phase 2 are under consideration.

The SBRI publication ‘Supporting Evidence / Research Paper for the Draft Innovation Strategy for Northern Ireland 2013-2015’ states that:

*‘If the Northern Ireland public sector is to be the leading practitioner of SBRI in the UK and EU we will need to see a minimum of 10-15 SBRI competitions in NI per annum’<sup>7</sup>*

The additional investment promised in the Northern Ireland innovation strategy will go some way to supporting this aim.

#### 2.1.4 *The Department of Finance and Personnel – Public Sector Reform Division*

The Public Sector Reform Division’s aim is to provide support to Northern Ireland departments in the implementation of reform across the public sector and to encourage innovation in service delivery by identifying and sharing best practice. The specific objectives of the division are to:

- Explore opportunities and disseminate best practice reform lessons across NI Executive departments, arms length bodies and local authorities.
- Develop and implement innovative solutions that generate more efficient and effective outcomes in NI executive departments, arms length bodies and the local authorities.
- Work co-operatively with departments to support and enable the improvement of services for our citizens.
- Manage, monitor and report on the implementation of public sector reform.<sup>8</sup>

One aspect of the divisions work is the establishment of an Innovation Lab for the Northern Ireland public sector. Innovation Labs are now a feature of many public sector landscapes - some examine social issues of strategic and national importance, while others concentrate on tactical solutions to more localised challenges. Some are subject specific, while others are broadly based.

The Innovation Lab differs from traditional ways of problem solving. It involves up-front research followed by a concentrated session - over a number of consecutive days - when carefully selected individuals focus their collective experience and energy on developing and working towards an agreed solution.

<sup>7</sup> SBRI. (2013). *Supporting Evidence/Research Paper for the Draft Innovation Strategy for Northern Ireland 2013 - 2025*. Available: [http://www.detini.gov.uk/dt1\\_13\\_0160607\\_\\_\\_sbri\\_-\\_evidence\\_pack\\_-\\_final.pdf](http://www.detini.gov.uk/dt1_13_0160607___sbri_-_evidence_pack_-_final.pdf). Last accessed 21/01/2015.

<sup>8</sup> The Department of Finance and Personnel. (2014). *Strategic Policy & Reform Directorate*. Available: <http://www.dfpni.gov.uk/index/about-dfp/strategic-policy-and-reform-directorate.htm>. Last accessed 21/01/2015.

This methodology has the potential to deliver higher quality solutions over a short time period, and at less cost than alternative methods. The Innovation Lab has just started its programme of work and has looked at the issues of regulatory impact assessments, procurement, and reward and recognition.

A written report detailing the lab's findings will be submitted to the department in the coming months.

#### 2.1.5 Northern Ireland Connected Health Innovation Centre

The Connected Health Innovation Centre (CHIC) is focused on business led research in the area of connected health. CHIC seeks to lead transformational research which aligns care needs with technology providers, researchers and clinical experience.

CHIC targets research in areas such as e-Health, digital health, tele-health, tele-monitoring, disease management, and home based care. Key focuses for the research are Vital Signs Sensing Development, Integrated Care, Assisted Living and Point of Care Diagnostics.

The centre is based at the University of Ulster and builds on advanced engineering capability in - sensors, tissue engineering, advanced materials, advanced computing, and other Smart technology applications. These technologies are being focused on areas such as rehabilitation, enablement and self-management.

There are also a number of other health related research centres in Northern Ireland connected with both the University of Ulster and Queen's University which are encouraging innovation through research collaboration with industry.

#### 2.1.6 The Change Fund

The Northern Ireland budget for 2015/2016<sup>9</sup> agreed on the 15<sup>th</sup> January 2015 includes a commitment to a £30m Change Fund.

The Fund is available to finance upfront investment in cross-cutting reform initiatives and preventative measures that are expected to generate savings in the longer term. Its aim is to assist transformation and change in the public sector through the introduction of new innovative ways of working.

Departments were asked to submit bids to access the Change Fund in advance of the final Budget and proposals were brought to the Executive at that time. To be able to access the Change Fund for specific projects, departments had to meet *one* (and preferably more) of the following criteria:

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<sup>9</sup> The Northern Ireland Executive. (2015). *Budget 2015-16*. Available: <http://www.northernireland.gov.uk/budget>. Last accessed 21/01/2015.

- The project is reform-orientated and innovative;
- It includes collaboration between government departments and their agencies with the private, community and voluntary sectors;
- It takes a preventative approach in targeting problem causes.

Additionally, these projects are required to improve public service delivery and be achievable in the draft budget period.<sup>10</sup>

While the Change Fund is an important development in supporting the Northern Ireland public sector to embrace change through innovation, the time frame for implementation may restrict its use for some projects.

Three common themes that run through all of these initiatives are:

- Funding,
- Research / Knowledge, and
- Collaboration.

These successful initiatives are encouraging (and will continue to encourage) innovation in general in Northern Ireland - but in relation to challenge of encouraging innovation through **public procurement** it is important to consider the processes through which this may be achievable.

## 2.2 Procurement Processes That Encourage Innovation

There are a number of procurement processes available to the Northern Ireland public sector, under the EU Procurement Directive, which can facilitate the procurement of innovative products and services.

### Competitive Dialogue & Competitive Negotiated Procedures

The *Competitive Dialogue Procedure*<sup>11</sup> is a flexible procedure, suitable for complex projects where there is a need for authorities to discuss aspects of the proposed contract with candidates. For example, the procedure can be used where authorities cannot define clearly in advance the technical means capable of satisfying their needs or objectives, or where there is a range of options for the legal and / or financial structure of a project.

<sup>10</sup> NICVA. (2014). *The Change Fund (Draft Budget 2015-16)*. Available: <http://www.nicva.org/article/change-fund-budget-2014>. Last accessed 21/01/2015

<sup>11</sup> European Commission. (2014). *Practical Guide to Contract Procedures*. Available: <http://ec.europa.eu/europeaid/prag/document.do?chapterId=2.4.7.&id=221>. Last accessed 21/01/2015.

Under competitive dialogue, a similar pre-selection procedure is undertaken to that used for the restricted procedure. However shortlisted parties are **then** invited to participate in a dialogue process, which may have several stages.

This helps to refine the requirement through supplier input and gives the opportunity for meaningful negotiations. Once this stage is concluded, suppliers are invited to submit a final tender. There is only one provision for the contracting authority to ask bidders to “clarify, specify and fine-tune” their final bids before a preferred bidder is chosen.

The *Competitive Negotiated Procedure*, in the new EU directive has been replaced by the *Competitive Procedure with Negotiation*. In competitive procedures with negotiation, any economic operator may submit a request to participate in response to a call for competition by providing the information for qualitative selection that is requested by the contracting authority.

Only those economic operators invited by the contracting authority following its assessment of the information provided may submit an initial tender which shall be the basis for the subsequent negotiations.

Contracting authorities can negotiate with tenderers on the initial and all subsequent tenders submitted by them, except for the final tenders.

While there are examples of these procurement processes being used by Northern Ireland central and local government organisations, it is exclusively for larger value, more complex projects as these processes can be both time intensive and costly. For example, in the last 12 months the Central Procurement Directorate have published 7 Competitive Dialogues and 72 Negotiated Procedures. If we consider that in 2012-13 CPD awarded 2,966 contracts it is apparent that the procedures are not in widespread use (in terms of the proportion of all contract awards).

#### Forward Commitment Procurement

Forward Commitment Procurement provides the supply chain with information on specific unmet needs and, critically, with the incentive of a Forward Commitment: a commitment to purchase a product or service that currently may not exist, at a specified future date, providing it can be delivered to agreed performance levels and costs. FCP provides the incentive, confidence and momentum for suppliers to invest and deliver innovative solutions.

There are three key steps involved in Forward Commitment Procurement and these are summarised below:

### 1. Identification

- Recognise problem / unmet needs.
- Define an outcome based requirement.
- Prepare an FCP project outline business case.
- Project approval and sign off.

### 2. Market Engagement

- Market sounding.
- Market sounding review and analysis.
- Supply chain feedback.
- Market consultation.
- Market consultation report.

### 3. Procurement

- Develop a pro-innovation procurement strategy.
- Feedback to the supply chain and stakeholders.
- Implement procurement strategy.
- Negotiate procurement contract.

There are no examples of this process being used in Northern Ireland and only a few examples in the UK as whole. There are no documented reasons for the apparent underuse of this process in Northern Ireland but it may mirror the factors noted above re other procedures - the length of the process, cost (in comparison with traditional procurement processes).

The small number of examples of Forward Commitment Procurement in the UK market have been successful in purchasing innovative solutions to solve public sector problems. A few of these examples are detailed in the following section (S2.4) - best practice.

#### Pre- Commercial Procurement

Public procurement of innovation (PPI) occurs when public authorities act as a **launch-customer** for innovative goods or services. These are typically not yet available on a large-scale commercial basis and may include conformance testing.

Pre-commercial procurement (PCP) is an approach within the public procurement of innovation, developed specifically for the procurement of R&D services rather than actual goods and services; if the goods or services developed during the R&D phase are to be procured, this would then be based on a separate procurement process.

PCP involves different suppliers competing through different phases of development. The risks and benefits are shared between the procurers and the suppliers under market conditions.

For PCPs, risk-benefit sharing under market conditions means that procurers share the benefits and risks related to the IPRs resulting from the research and development (R&D) with suppliers at market price.

Competitive development in phases, is the competitive approach used in PCP by procurers to buy the R&D from several competing R&D providers in parallel, and then compare and identify the best value for money solutions available to address the PCP challenges.

R&D is split into phases (solution design, prototyping, original development and validation / testing of the first products) with the number of competing R&D providers being reduced after each evaluation phase.

In Northern Ireland the most prevalent example of pre-commercial procurement is the Small Business Research Initiative which, as mentioned previously, is aimed at procuring the development of products and services to address problems or help to achieve required policy outcomes where appropriate solutions are not available currently in the market.

Another example of this is Horizon 2020 which can provide funding for groups of public procurers to work together on joint Pre-Commercial Procurements. While there are no examples to date of this in Northern Ireland there are two applications in development, in preparation for the next call.

While the SBRI and Horizon 2020 are and will continue to encourage the development of new and innovative products and services by Northern Ireland companies, the specific procurement processes available under the EU directive to procure innovative products and services for the public sector, are not being widely used.

Review of the existing literature has highlighted the fact that there are a **significant number of barriers** to procuring (from the buyer perspective) and supplying (from the supplier perspective) innovative products and services in the public sector. These are detailed in section 2.3 below.

### **2.3 Existing or Perceived Barriers to Encouraging Innovation through Public Procurement**

Despite the fact that EU procurement regulations ostensibly facilitate the procurement of innovative products and services, and despite the existence of recognised initiatives to promote the practice, there continue to be several barriers / perceived barriers that inhibit / stifle the use of public procurement to drive innovation.

There have been a number of publications across UK and Europe which detail the barriers / perceived barriers faced by both suppliers to and buyers in the public sector. These same barriers have been reported over the last 10 years with little evidence of real change.

The supplier survey, and the public sector buyer interviews – both carried out as part of this research study, address these barriers from a Northern Ireland perspective, but it is clear that these barriers are experienced across the UK and Europe as a whole.

#### Risk Aversion/Poor Risk Management

From a public sector buyer perspective a number of barriers have been reported but the most reported is the risk associated with the adoption of new / innovative products and services. A 2004 publication from the Office of Government Commerce, 'Capturing Innovation', reports that in the UK public sector market:

*'There is a tendency to opt for low-risk solutions, low margin players and mature technology'.<sup>12</sup>*

A later report (2009) from The Office of Government Commerce publication 'Driving Innovation through Public procurement' states that:

*'The public sector may seek to stimulate supplier innovation through short terms pilot projects but often does not carry through ideas into longer term procurement. Innovation is not consistently welcomed or rewarded'<sup>13</sup>*

In a 2005 publication by the Franholfer Institute for Systems and Innovation Research in Germany, an examination of individual procurement events (case studies) across a number of countries showed that:

*'It is necessary to think about risk management to deal with the uncertainty involved in buying innovative products and services'<sup>14</sup>*

This sentiment is echoed in a recent Department of Enterprise, Trade & Employment (Ireland) publication 'Buying Innovation – The 10 Step Guide':

*'Innovation can involve a higher degree of risk, but the right response to this is for public procurers to become better at assessing and managing risk, not avoiding it'<sup>15</sup>*

Poor management of risk is still a barrier in 2014 as reported in a Manchester Institute of Innovation Research report 'Barriers to Innovation through Public Procurement – A Suppliers Perspective'. In a 2011 survey of 800 UK suppliers 33% reported that poor management of risk by the public sector was a very significant barrier to innovation and a further 39% reported that it was a moderately significant barrier.

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<sup>12</sup> The Office of Government Commerce. (2004). *Capturing Innovation*. Available: [http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/pp-innovation/ogc-\\_capturing\\_innovation.pdf](http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/pp-innovation/ogc-_capturing_innovation.pdf). Last accessed 21/01/2015.

<sup>13</sup> The Office of Government Commerce. (2009). *Driving Innovation Through Public Procurement*. Available: [http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/pp-innovation/ogc09-0679\\_innovationbrochure.pdf](http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/pp-innovation/ogc09-0679_innovationbrochure.pdf). Last accessed 21/01/2015.

<sup>14</sup> Edler, J.; Ruhland, S.; Hafner, S.; Rigby, J.; Georghiou, L.; Hommen, L.; Rolfstam, M.; Edquist, C.; Tsipouri, L.; Papadakou, M (2005). *Innovation and Public Procurement - A Review of Issues at Stake*. Germany: Fraunhofer. 1-5.

<sup>15</sup> Department of Enterprise Trade and Employment. (2010). *Buying Innovation - The 10 Step Guide*. Available: <http://etenders.gov.ie/Media/Default/SiteContent/LegislationGuides/25.%20Buying%20Innovation%2010%20Step%20Guide.pdf>. Last accessed 21/01/2015.

### Lack of Demand for Innovation

Another commonly reported barrier to innovation is a lack of demand for innovation within the public sector market, borne out of a reluctance to change. A 2011 report commissioned by the House of Lords ‘Public Procurement as a Tool to Stimulate Innovation’ reports:

*‘We have been left with the strong impression that the overarching problem lies at the very heart of government. Despite the efforts that have been made to make government procurement more effective, there remains a culture within government departments and other public sector organisations which inhibits—and may even be antithetical to—the adoption of innovative solutions.’<sup>16</sup>*

This potential barrier of ‘lack of demand’ is being challenged in Northern Ireland – based on the reality, quoted in 2.1.2 above, that *it will simply not be possible for the public sector in Northern Ireland to continue providing services in the manners it does currently’*. Hence, the critical need to embrace (and create a demand for) innovation in the NI Public Sector.

However this acknowledgement of the need to change and innovate, is balanced in 2014 by the findings of the Manchester Institute for Innovation ‘Barriers to Innovation through Public Procurement – A Suppliers Perspective’:

*Interaction with final users is often hindered by lack of communication within organisations between the procurement function and operational or service areas that are closer to end users’ needs. Centralised procurement functions with organisations and / or a lack of cross-functional team working in procurement can thus lead to a structural disconnect between potential suppliers, users and buyers.’<sup>17</sup>*

### Restrictive Specifications

This results in tender specifications that favour tried and tested products / services and this in turn creates a barrier for suppliers keen to introduce new and innovative products and services. This is evidenced in a 2007 publication from Jacob Elder and Luke Georghiou where a Department of Trade and Industry report was quoted:

*‘In the environmental sector in the UK, for example, 66% of companies in a recent survey stated that public procurement was a major hindrance as the tender specification locked suppliers into traditional technologies not allowing for scaling up to radical innovation.’<sup>18</sup>*

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<sup>16</sup> House of Lords. (2011). *Public Procurement as a Tool to Stimulate Innovation*. Available: <http://www.publications.parliament.uk/pa/ld201012/ldselect/ldsctech/148/14802.htm>. Last accessed 21/01/2015

<sup>17</sup> Elvira Uyarraa, . (2014). *Barriers to innovation through public procurement: A supplier perspective*. Available: <http://www.sciencedirect.com/science/article/pii/S0166497214000388>. Last accessed 21/01/2015.

<sup>18</sup> Jakob Edler , Luke Georghiou. (2007). *Public procurement and innovation—Resurrecting the demand side*. Available: [http://dimetic.dime-eu.org/dimetic\\_files/EdlerGeorghiou2007.pdf](http://dimetic.dime-eu.org/dimetic_files/EdlerGeorghiou2007.pdf). Last accessed 21/01/2015.

Another Office of Government commerce publication 'Finding and Procuring Innovative Solutions (2007)' reports that:

*'A common complaint from suppliers is that overly prescriptive requirements can stifle their ability to offer innovation'.<sup>19</sup>*

Similar frustrations are reported in the more recent report by the Manchester Institute of Innovation Research 'Barriers to Innovation through Public Procurement – A Suppliers Perspective'. In a survey of 800 UK suppliers 38% reported that specifications being too restrictive was a very significant barrier to innovation and a further 35% reported that it was a moderately significant barrier.

Suppliers reported that they favour **outcome based specifications** as an enabler to the procurement of more innovative products and services by the public sector.

#### Lack of Pre-Procurement Engagement

In 2009 The Office of Government Commerce published a report 'Driving Innovation through Public Procurement'. The report highlights the importance of early consideration of innovation in the procurement process:

*'Once a contract has been let, the scope to accommodate innovation within the contract is governed by the contract itself and the nature of contractual relationship; the potential is greatest if innovation has been considered when the procurement is being planned.'<sup>20</sup>*

One way of considering innovation in the early stages of the procurement process or indeed before the process begins is pre-market engagement with suppliers.

A lack of pre-procurement market engagement has featured as barrier for suppliers offering innovative products and services to the public sector over the last number of years. As reported in the 'Barriers to Innovation through Public Procurement – A Suppliers Perspective' this is still a concern. A total of 46% of the 800 organisations who participated in the survey felt that a lack of interaction with procuring organisations was a very significant barrier to innovation and a further 33% felt that it was moderately significant.

#### Lack of Buyer Market Knowledge and Procurement Skills

In 2011 The Manchester Institute of Innovation research published a background paper 'Procurement and Innovation: Underpinning the Debate'. The paper highlighted that case study evidence shows:

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<sup>19</sup> The Office of Government Commerce. (2007). *Finding and Procuring Innovative Solutions*. Available: [http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/pp-innovation/ogc-finding\\_and\\_procuring\\_innovative\\_solutions\\_\\_3\\_.pdf](http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/pp-innovation/ogc-finding_and_procuring_innovative_solutions__3_.pdf). Last accessed 21/01/2015.

<sup>20</sup> The Office of Government Commerce. (2009). *Driving Innovation Through Public Procurement*. Available: [http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/pp-innovation/ogc09-0679\\_innovationbrochure.pdf](http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/pp-innovation/ogc09-0679_innovationbrochure.pdf). Last accessed 21/01/2015.

*'the lack of market and technical knowledge and the consequences for the lack of innovation are stronger than expected. The perceived lack of technical and market intelligence points towards the need for a general improvement of capabilities within the procurement process.'*<sup>21</sup>

As reported in the more recent 'Barriers to Innovation through Public Procurement – A Suppliers Perspective' this is still a concern:

*'A shortage of commercial skills among procurers has been commonly found to limit engagement with the marketplace and the development of closer supply relations.'*<sup>22</sup>

A review for the UK Cabinet Office by Green (2010) noted that commercial skills were very inconsistent across central government. Skill constraints in turn significantly hinder the adequate use of potentially more 'innovation-friendly' procurement procedures such as competitive dialogue.

The 'Barriers to Innovation through Public Procurement – A Suppliers Perspective' report also touches on this:

*At lower levels of governance and in procurement systems that are decentralised, there may be a shortage of professional procurers and therefore the lack of skills for innovative purchasing becomes an important challenge.*<sup>23</sup>

### Price Vs Whole Life Costs

A 2001 report commissioned by the House of Lords 'Public Procurement as a Tool to Stimulate Innovation' reports:

*Tried and test approach is the default position. No consideration is being given to whether an innovative solution would be preferable, not only in terms of achieving better value for money but also in terms of wider benefits such as the potential to promote economic growth.*<sup>24</sup>

Although this report is somewhat dated, it is reported in further research in 2005, and 2011 that little has changed in relation to this barrier.

In a 2005 publication by the Franholfer Institute for Systems and Innovation Research in Germany, an examination of individual procurement events (case studies) across a number of countries showed that:

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<sup>21</sup> Edler, Jakob; Georghiou, Luke, Uyerra, Elivra; Yeow, Jillian. (2011). *Procurement and Innovation: Underpinning the debate*. Available: <https://www.escholar.manchester.ac.uk/uk-ac-man-scw:145283>. Last accessed 21/01/2015.

<sup>22</sup> Elvira Uyerra, . (2014). *Barriers to innovation through public procurement: A supplier perspective*. Available: <http://www.sciencedirect.com/science/article/pii/S0166497214000388>. Last accessed 21/01/2015.

<sup>23</sup> Elvira Uyerra, . (2014). *Barriers to innovation through public procurement: A supplier perspective*. Available: <http://www.sciencedirect.com/science/article/pii/S0166497214000388>. Last accessed 21/01/2015.

<sup>24</sup> House of Lords. (2011). *Public Procurement as a Tool to Stimulate Innovation*. Available: <http://www.publications.parliament.uk/pa/ld201012/ldselect/ldsctech/148/14802.htm>. Last accessed 21/01/2015

*'One of the most important barriers to innovative procurement is failure to distinguish between direct purchasing cost and overall cost. The best overall value of procurement is realised through calculating life-cycle cost or even through the contribution of innovation to overall economic growth.'*<sup>25</sup>

This barrier continues to be an issue in 2011 - The Manchester Institute of Innovation research published a background paper 'Procurement and Innovation: Underpinning the Debate'. The paper highlighted that case study evidence shows:

*'Overwhelmingly, it is the emphasis on price rather than quality that firms complain most about; 50% of the sample see this as a very significant barrier to innovation.'*<sup>26</sup>

### IPR

The body of published research has also expressed the concern that suppliers harbour about their Intellectual Property Rights when submitting their innovative ideas / products / services to the public sector. A 2004 publication from the Office of Government Commerce, 'Capturing Innovation', reports that a:

*'Recent Office of Government Commerce guidance recommends that intellectual property rights should ultimately rest with the party who is best to exploit it. In any event, public sector organisations must take care not to 'leak' suppliers' IPR that has not been bought by the public sector to other companies, as this is wrong in principle and discourages future innovation.'*<sup>27</sup>

As reported in the 'Barriers to Innovation through Public Procurement – A Suppliers Perspective' (2014) this continues to be reported as a significant concern.

*'In many instances, standard terms and conditions mandated by the government do not contain any provisions covering intellectual property ownership or licensing conditions. Poor management of IPR would be perceived as a strong barrier by suppliers.'*<sup>28</sup>

However in the survey of 800 UK suppliers 14% reported that inadequate management of IPR was a very significant barrier to innovation and a further 30% reported that it was moderately significant.

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<sup>25</sup> Edler, J.; Ruhland, S.; Hafner, S.; Rigby, J.; Georghiou, L.; Hommen, L.; Rolfstam, M.; Edquist, C.; Tsiouri, L.; Papadakou, M (2005). *Innovation and Public Procurement - A Review of Issues at Stake*. Germany: Fraunhofer. 1-5.

<sup>26</sup> Edler, Jakob; Georghiou, Luke, Uyarra, Elvira; Yeow, Jillian. (2011). *Procurement and Innovation: Underpinning the debate*. Available: <https://www.escholar.manchester.ac.uk/uk-ac-man-scw:145283>. Last accessed 21/01/2015.

<sup>27</sup> The Office of Government Commerce. (2004). *Capturing Innovation*. Available: [http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/pp-innovation/ogc-\\_capturing\\_innovation.pdf](http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/pp-innovation/ogc-_capturing_innovation.pdf). Last accessed 21/01/2015.

<sup>28</sup> Elvira Uyarra, . (2014). *Barriers to innovation through public procurement: A supplier perspective*. Available: <http://www.sciencedirect.com/science/article/pii/S0166497214000388>. Last accessed 21/01/2015

**Barriers specific to the Public Sector Buyer side** are explored in a 2013 report ‘Powering European Public Sector Innovation towards a New Architecture’ published by the European Commission. The report identifies a lack of innovation leadership in the public sector as a key barrier. This is based on a number of points:

- *Lack of staff with innovation skills and high innovation capacity.*
- *Restrictive organisational environments and bureaucratic processes.*
- *Discouragement by superior staff.*
- *Lack of dissemination of innovative ideas.*
- *Fear of failure.*

A key objective of this research study is to identify if these barriers also exist in Northern Ireland, and to develop recommendations as to how these barriers might be overcome. This is the focus of sections 3.0 – 8.0.

Initially however, before considering the Northern Ireland situation in 2014-15, it is important to review how governments in other jurisdictions may be encouraging innovation, particularly through public procurement.

## **2.4 Best Practice in Other Jurisdictions**

A number of best practice initiatives, and examples of procurement events where innovation has been encouraged have been identified in other jurisdictions. The following are examples of:

- Successful initiatives designed to encourage innovation.
- Specific examples of where innovation has been encouraged through public procurement.

### *Successful Initiatives to Encourage Innovation.*

There are many examples from across Europe and further afield - of government organisations encouraging innovation, to both boost the private sector economy and to address service delivery issues in the public sector market, through:

- Research;
- Funding; and
- Collaboration ..... and a combination of these.

Examples that have produced successful outcomes are detailed in the following pages:

## Example 1: UK Police Innovation Fund

### *Background*

The Police Innovation Fund is an annual initiative designed to encourage the 43 police forces operating across England and Wales to embrace new technology and ways of working. The fund provides Police and Crime Commissioners with the opportunity to submit bids on initiatives that will promote collaboration with other forces, emergency services, criminal justice agencies and local government bodies to improve their use of digital working and technology in order to deliver sustainable improvements and efficiencies in the way their police force operates in future.

Rather than reflecting a wider central focus to fund a specific technology or solution, the Home Office stated that the fund was allocated based on bids from individual forces to tackle their individual operational needs. As mentioned above, the Police Innovation Fund is in its first full year of operation and up to £50 million will be allocated annually. Focusing the 2014 fund, each of the 43 police forces (in England and Wales) was successful with at least one of the bids they submitted.

### *Outcomes*

Notable projects receiving funding in 2014 year are as follows:

- £6m to the Metropolitan Police Service for mobile IT.
- £2.9m to Nottinghamshire for delivery of a four force interoperable ICT platform for crime, intelligence, case file and custody management.
- £1.8m to South Yorkshire and Humberside police for enhancement of both forces' existing mobile IT infrastructure and capability.
- £544,500 to Surrey for shared Business Intelligence platform with Sussex police to allow local and cross-force data analysis.

### *The Key to Success*

- The fund provides a separate / dedicated source of funding which the police forces can use to identify and implement new technology which will help improve their operations. This reduces risk for:
  - The police forces involved, by facilitating development activity, and field trial / pilot activity, to prove outcomes.
  - The procurement teams – which can prove the technology outside of the procurement process, and then bring the technology into mainstream procurement, when technology has been 'established' and outcomes understood.
- The initiative also encourages police forces to collaborate on projects in order to create greater efficiencies.

## Example 2: Horizon 2020

### *Background*

Horizon 2020 is the biggest EU Research and Innovation programme ever with nearly €80 billion of funding available over 7 years (2014 to 2020) – in addition to the private investment that this money will attract. It promises more breakthroughs, discoveries and world-firsts by taking great ideas from the lab to the market.

Horizon 2020 is the financial instrument implementing the Innovation Union, a Europe 2020 flagship initiative aimed at securing Europe's global competitiveness.

Seen as a means to drive economic growth and create jobs, Horizon 2020 has the political backing of Europe's leaders and the Members of the European Parliament. They agreed that research is an investment in our future and so put it at the heart of the EU's blueprint for smart, sustainable and inclusive growth and jobs.

By coupling research and innovation, Horizon 2020 is helping to achieve this with its emphasis on excellent science, industrial leadership and tackling societal challenges. The goal is to ensure Europe produces world-class science, removes barriers to innovation and makes it easier for the public and private sectors to work together in delivering innovation.

### *Outcomes*

Some notable new technologies which have been developed through the process are as follows:

- Spider web to be used to repair human joints.  
*(Collaborating Countries: Germany, Netherlands Sweden UK)*
- New laser engraving technique to combat against counterfeit drugs.  
*(Collaborating Countries: Belgium, France, Italy, UK)*
- Breath-test to diagnose cancer.  
*(Israel)*
- *Firerob* – Unique firefighting robot.  
*(Collaborating Countries: Greece, Croatia, UK, Spain)*
- Living heart valves  
*(Collaborating Countries: Hungary, Netherlands, Switzerland, Germany, Holland)*

While Horizon 2020 funding is available to organisations in Northern Ireland there is scope for greater engagement with H2020 in N Ireland, and for greater use of H2020 funding to address the development of new innovative solutions for the Public Sector (possibly through pre commercial procurement processes).

### *The Key to Success*

- The initiative encourages innovation through collaboration between participating companies.
- Funding is made available for research - which is a critical aspect of driving innovation.

## Example 3: Barcelona Urban Lab

### *Background*

Urban Lab is an initiative that facilitates the use of public spaces in the city of Barcelona to carry out tests and pilot programs on products and services with an urban impact. The products are in the pre-market stage and are in line with the Barcelona City Council's aims, priorities and action plans.

The idea is to use the city as an urban laboratory, in that

- Urban Lab:
  - Acts as a gateway to the City Council for companies – it facilitates the piloting of new products and solutions in a low-risk manner.
  - Facilitates internal coordination / communication between different areas / functions within Council: The application form detailing the pilot proposal is presented to the Urban Lab Board, which is drawn from across all areas of action in the Council (such as urban-planning, mobility, environment, etc.).
- Urban Lab allows for the creation of pilot programs but is not a tool to sell products that already exist on the market. In fact, the pilot programs are funded by the companies themselves, so hence it is not a funding tool for innovative projects. Furthermore, carrying out a pilot program doesn't imply any commitment on behalf of the Barcelona City Council to implement the solution tested in the long term.
- The pilot programs must demonstrate an express need to use public spaces - the city streets.
- The project seeks out innovative solutions to unresolved needs.
- The pilot programs must meet the Barcelona City Council's real needs and must have a direct impact on the functioning of the city or on the services provided by the City Council itself, benefiting residents.

### *Outcomes*

To date, the Urban Lab has helped to launch 16 pilots. Some examples of the pilot programmes can be found here <http://www.22barcelona.com/content/view/724/898/lang,en/>

Of those, Barcelona's Office for Economic Growth estimates that in 90 per cent of pilots, companies have gone on to develop a business based on their pilot project.

### *The Key to Success*

- The scheme involves piloting newly developed solutions which could improve the service Council provides to its residents.
- It insulates Council, and buyers within Council from the risks associated with buying innovation.

## Example 4: Mind Lab - Denmark

### *Background*

Based in the Danish Central Government, MindLab is tasked with bringing a human-centred design approach to public sector challenges. MindLab draws on the perspectives of citizens, businesses and government staff to redesign services around their experiences.

MindLab which is owned by the Danish Ministries of Business and Growth, Education, and Employment – as well as Odense Municipality - provides an innovation lab function for government.

MindLab has three strategic objectives:

#### *1 Public sector innovation*

*MindLab will strengthen the outcomes of public policies through systematic insight into the perspective of citizens and businesses, and active involvement of the stakeholders which can turn new ideas into practice.*

#### *2 Change capacity*

*MindLab will build knowledge about new approaches to public problems. This knowledge shall enhance the owners' competencies to take courageous change initiatives.*

#### *3 Visibility and legitimacy*

*MindLab will work actively to qualify the public sector innovation agenda and to share the owners' role as co-creators of one of the world's leading innovation environments.*

To meet these objectives, MindLab develops projects and change programmes in collaboration with each of its government owners. Human-centred design methodologies, and an ethos of listening to and learning from users, are the central elements of MindLab's work.

MindLab's work is largely funded by the Danish Government.

### *Outcomes*

One project involved MindLab working with the Danish Business Authority to help businesses navigate the "labyrinth" of bureaucracy when trying to register their industry code. Too often, start-ups registered incorrectly, resulting in statistical errors, taking up government time to resolve, and leading to erroneous company inspections. As a result of the collaboration, the Business Authority launched a new website to simplify this process. This project resulted in a 21:1 return on investment.

### *The Key to Success*

- Mind lab projects engage with end users to inform the design of innovative new ways to deliver public services.

The examples detailed above have a number of common themes which are key to the success of the individual Initiatives. These are detailed below:

- **Market Engagement** – Engaging with the market to increase understanding of what is available.
- **Piloting / Testing** – Piloting the new products / solutions to test their ability to deliver against the requirement.
- **Funding** – Dedicated / ring-fenced funding has been available in most cases to help finance the research and market engagement phases.
- **Collaboration** – All the above examples involve some degree of collaboration. Either between private sector and public sector or between a public sector organisations.
- **End User Engagement** – In addition to consultation with the market the Mind Lab initiative engages with the end user to inform the design process.

These may be key indicators of success for any measures to be put in place, in Northern Ireland, to help foster innovation through Public Procurement.

#### Procuring Innovative Products / Solutions

With regards to **innovation being encouraged through public procurement specifically**, there are also a number of key examples to draw from:

#### **Example 1: G-Cloud - UK**

The G-Cloud framework agreement(s) allows public sector customers to buy pay-as-you go commoditised cloud based solutions through an agreement that is compliant, regulated and refreshed. There are over 16,000 up-to-date innovative cloud solutions available across two iterations of the framework. These services are split into four lots. There are over 1,500 suppliers (88% of these are SMEs) offering these services through G-Cloud.

All services within these framework(s) are visible via an online catalogue, called the Digital Marketplace.

In order for Public Sector customers to buy from this framework, they simply need to follow the G-Cloud buying process.

#### ***Outcomes***

One example of the success of the framework is with East Hampshire District Council and Havant Borough Council who had staff based across two council areas. They were keen to deploy a shared collaborative extranet resource, initially for the extended management and business improvement teams of project and IT professionals. The extranet provided a private virtual space where the two councils could securely collaborate, share information and integrate operations.

The goal was to enable sharing, increase productivity and reduce the confusion caused by duplicated document stores and email attachments. It was also considered necessary that the new service should support mobile working and help save money by reducing the need to travel.

With a requirement for just 50 user licenses initially, the councils wanted to avoid a lengthy and costly procurement exercise. The opportunity to select from a list of suppliers with try-before-you-buy software trials via G-Cloud was very attractive given the need to deploy relatively quickly.

After a screening and selection process the councils placed an order for 50 user licences with one supplier. The council has now increased this to 150 licences because the system has worked so well.

While the G Cloud is available to the Northern Ireland public sector there has been limited use of it to date.

#### ***The Key to Success***

- The framework allows government departments to have access to innovative solutions without the need for lengthy and costly procurement processes and expensive long term contracts.
- The framework is refreshed every 6 months to allow additional suppliers to apply.

### **Example 2: Zero Waste Mattress Solution for UK Prisons**

Historically, the majority of waste mattresses and pillows from Her Majesty's Prison Service (HMPS) were sent to landfill or incinerated as clinical waste. The increasing costs of disposal together with a drive to reduce volumes of waste to landfill driven by the SOGE (Sustainable Operations on the Government Estate) targets brought this problem into focus. HMPS worked with the DTI/DEFRA Environmental Innovations Advisory Group and OGC in the first Forward Commitment Procurement (FCP) demonstration project to deliver an innovative solution to this problem.

In line with the principles of Forward Commitment Procurement, HMPS identified their unmet need and consulted with the market to find a way to deliver their requirement in a cost effective way. This led to a fundamental shift in the procurement approach and, after trials, the procurement in March 2009 of a fully managed Zero Waste Mattress system.

#### ***Outcome***

Innovative new covers will reduce turnover, and all but eliminate the need for clinical waste disposal; no end-of-life mattresses will be sent to landfill, but instead will be recycled into useful products. The zero waste mattress and pillows solution resulted in significant cost savings – estimated to be in the region of £5 million over the life of the contract.

#### ***The Key to Success***

- Market consultation was used to gain a greater understanding of what the market had to offer.
- Trials / pilots were conducted to test the solutions.

### **Example 3: Erasmus University Medical Centre, Rotterdam**

Erasmus University Medical Center initiated the procurement of a 'Robotic Bedwashing Facility'. In this procurement the Erasmus University Medical Center asked the market to design a more cost efficient solution to disinfect the hospital's 70,000 beds and mattresses, which also used less energy and water.

Erasmus University Medical Center used the Forward Commitment Procurement principles that included a series of market soundings that stimulated cross supply chain interaction, a competitive dialogue and outcome based requirements.

#### ***Outcome***

The contract was won by IMS Medical (<http://www.imsmedical.nl>). This company offered a robotic solution that include high precision cleaning robots from the automotive industry. The cost per bed was 35% lower than the existing solution and the CO2 footprint was lowered by 65%. Furthermore, the cleaning quality was more consistent.

The budget for the procurement was €1,000,000. Erasmus University Medical Center conducted this procurement with support of European funds via the LCB Healthcare and EcoQuip project.

On the basis of winning this procurement contract, IMS Medical was able to increase its staff by 25%. Furthermore, 5 additional jobs were created at the company's premises. IMS Medical is an SME from Grootebroek, a small town in the Dutch province of North Holland.

#### ***The Key to Success***

- Market consultation was critical to the success of this procurement event.
- Outcome based specifications were used to encourage innovation.

### **Example 4: Omsorg + Kampen, Oslo**

The housing residence Omsorg+Kampen in Oslo has a total of 91 apartments with 102 elderly residents. The organisation initiated a procurement event to procure a 'smart house platform'. The market was consulted about a technology that enables the residents to communicate with relatives, friends and health personnel, as well as carrying out everyday activities - such as ordering food from the restaurant. Based on these activities, a functional specification was developed for the tender.

In January 2011, the City of Oslo invited potential suppliers to a dialogue conference. The purpose of the event was to present the procurement plans, and to receive information on what smart house solutions were available. This was followed up by a workshop with one-to-one meetings with different potential suppliers. At the same time, Oslo Medtech, a Norwegian Medtech cluster of companies arranged a meeting in order to bring the industry together. Two reference groups were established to test potential solutions.

### ***Outcome***

The contract was ultimately awarded to Hospital IT (<http://www.hospitality.no/>). It delivered a platform that consists of a Central Device Platform, tablet computers and a safety alarm system with a tracking solution (GPS). The platform is energy efficient and is based on an open standard which will make it possible to build on the system and to develop additional new services for the residents.

### ***The Key to Success***

- Market consultation again was critical to the success of this process.
- Piloting / testing solutions was also central to the approach.

Again a number of common themes emerge from these procurement events, which were major contributors to their success:

- **Market Engagement** – the public sector bodies engaged with the market to get an understanding of what was available.
- **Outcome Based Specifications** – Outcomes based specifications were used to encourage a more innovative approach.
- **Piloting / Testing** – The new solutions were piloted/tested to assess their ability to meet the requirement.
- **Collaboration** – The examples presented above are based on sound collaborations between the public and private sector aimed at improving public sector service delivery.
- **Speed** – The G-Cloud framework allows for fast adoption of new technologies which is an important aspect of encouraging innovative, particularly in high development sectors.

These key themes appear throughout the research findings and are critical to encouraging innovation through public procurement.

## 2.5 Encouraging Developments– The UK Crown Commercial Service

There are encouraging developments within the UK Government with regards to driving innovation through public procurement. The Crown Commercial Service (CCS) is an executive agency of the UK Cabinet Office and is the new commercial and procurement function of the UK Government. It is responsible for procurement policy and provides expert commercial services and advice.<sup>29</sup>

It brings together:

- The commercial function of the Cabinet Office, including Government Procurement Policy.
- The Government Procurement Service (GPS).

The new organisation offers a fully managed, end to end commercial procurement service and an expert commercial advisory service.

While the CCS activities do not directly drive innovation through public procurement they do support some of the themes, as detailed in the best practice examples above, which encourage innovation in public procurement.

The CCS are focusing on some small but effective ways to change how public sector organisations approach procurement and delivery of their contracts. In what is called *'The New DNA for Commercial Activities'* the CCS suggest that public procurement needs to concentrate more of its attention on:

- Engaging with the supplier before the formal procurement process; and
- The management of contract delivery after the formal procurement process.

Presently in public procurement the majority of the effort is expended during the procurement process. In line with a more commercial focus to public procurement and the commitment to building commercial skills within the public sector, the CCS is offering commercial training to public sector staff to include

- Developing commercial awareness
- Effective commercial planning and
- Contracting and achieving supplier engagement.<sup>30</sup>

A greater focus on pre - procurement market engagement and a public sector with a solid commercial skills base are critical to encouraging innovation through public procurement and the CCS approach provides an excellent example of best practice.

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<sup>29</sup> Crown Commercial Services. (2014). *Compliance with European Union Laws and Regulation* . Available: Compliance with European Union laws and regulation . Last accessed 21/01/2015.

<sup>30</sup> Crown Commercial Services. (2014). *Buying and managing government goods and services more efficiently and effectively* . Available: <https://www.gov.uk/commercial-and-procurement-training> . Last accessed 21/01/2015.

## 2.6 *Summary of Desk Research Findings*

Review of the published literature confirms that there is a clear commitment to encouraging innovation in Government, and in fostering innovation through Public Procurement, in

- Europe – EU wide
- The UK; and
- Specifically in Northern Ireland.

The review of the UK and European research on the procurement of innovation has identified a number of barriers to innovation, experienced in those jurisdictions.

However, the UK and European literature also suggests that there are significant barriers to innovation in Government, to the procurement of innovation, and to the fostering of innovation through Public Procurement.

Governments and agencies have been applying their minds to the development of initiatives and processes to facilitate:

- The identification and fostering of innovation, at pre-procurement stage; and
- The procurement of innovative solutions.

Many positive examples exist (some of which have been recounted here) all of which have had positive benefits in relation to the fostering of innovation.

UK Government is also addressing this challenge directly through the Crown Commercial Service, which is:

- (i) Implementing new processes – on supplier engagement, and contract management; and
- (ii) Supporting the development of new skills – commercial awareness, planning, and supplier engagement.

This creates a very positive context for Northern Ireland.

The subsequent phases of this research assignment address:

- The barriers to the procurement of innovation (and the fostering of innovation through PP) that are experienced by buyers and suppliers in Northern Ireland – and the extent to which they parallel the barriers reported in the literature.
- The extent to which processes that already exist – to foster the procurement of innovation – are being used in N Ireland.
- Further measures that are proposed by various stakeholders – to foster innovation through public procurement (in the form of recommendations that are set out in section 8).

### 3.0 Public Sector Buyer Opinion

A critical objective of the research was to get an understanding of the public sector’s perspective on procuring innovative products and services. The research was conducted through interviews with 14 public sector buyers. Interviews were carried out with the Central Procurement Directorate, Centres of Procurement Expertise and local councils.

The interviews focused on their experience of driving innovation through public procurement, within their organisations - specifically the following themes:

- *Procuring Innovation – a priority?*
- *Pre-Procurement Market Engagement*
- *Variant Bids*
- *Scoring Innovation*
- *Contract Pricing*
- *Procurement Processes*
- *Barriers to Procuring Innovative products/services*
- *Enablers to Procuring Innovative Products/services*
- *Key Innovative Sectors*

#### 3.1 Procuring Innovation – A Priority?

The buyers were asked if buying innovative products/services was a priority within their organisation. Their responses were as follows:

Yes	No
3	11

3 of the buyers reported that procuring innovative products and services was a priority within their organisation.

Some of the activities these organisations carry out which encourages innovation are as follows:

- *‘Engaging with suppliers in advance of a procurement process to get a better understanding of what is in the market.’*
- *‘Issuing Requests for Information in advance of a procurement process.’*
- *‘Within framework agreements – companies are asked to look at developing or enhancing products which will meet our requirement.’*
- *‘We welcome suppliers with new products/services to carry out pilots with us.’*
- *‘The use of outcome based specifications.’*
- *‘The use of variant bids.’*

While the majority of buyers reported that procuring innovation was not necessarily a priority they did report that they do encourage innovation in the following ways:

- *Market sounding exercises.*
- *Early contractor involvement.*
- *Outcome based specifications*

**Note:** 80% of surveyed suppliers reported that they believe the public sector in Northern Ireland does not encourage innovation at all, or not very well.

The findings indicate that while the majority of buyers interviewed do not see the procurement of innovative products and services as a priority within their organisations they do, in general, seek to implement practices which encourage innovation.

While activities reported by the buyers are encouraging as pre- procurement market engagement and outcome based specifications are critical aspects of encouraging innovation through public procurement, suppliers clearly believe there is significant room for improvement.

The following sections explore these activities more fully to establish how extensively the buyers use them.

### 3.2 Pre- Procurement Market Engagement

Respondents were asked if their organisation use pre-procurement market engagement processes to identify new innovative products /solutions in advance of a tendering process for a contract. Their responses were as follows:

Yes	No
10	4

A total of 4 buyers reported that they do not use pre-procurement market engagement processes. Their reasons for this are summarised below:

- *‘For construction projects the building is either designed before the tender is published or an outline design is provided giving the supplier scope to provide innovative solutions to meet that, therefore there isn’t always the need for prior market engagement.’*
- *‘As an intelligent purchaser we know what we want before we go to the market for it.’*
- *‘Not formally but we do listen to suppliers who approach us with new products.’*

3 of the buyers who reported that they do not use pre-procurement market engagement processes did report that it is something that they may use in the future if deemed relevant.

A total of 10 of the 14 buyers reported that they do use pre-procurement market engagement processes for some contracts.

While this activity may only be relevant to some contracts and the buyer findings support this, the suppliers did report that more pre-market engagement with buyers would encourage more innovation through public procurement.

***In contrast:*** The majority (75%) of suppliers reported that they have had no experience of pre-procurement market engagements.

The following provides examples of the types of contracts the public sector buyers have used pre-procurement market engagement for:

- *A hybrid bus contract.*
- *A bus rapid transit system contract.*
- *A waste management contract.*
- *A cleaning products contract.*
- *Replacing Laboratory systems.*
- *The design of a new sports facility.*
- *A lift maintenance contract.*
- *A poultry litter disposal solution.*

In all cases with the exception of the poultry litter project (an SBRI competition) the products/solution was already developed but had not been used in the organisation previously.

The pre-market engagement process has been used for both the procurement of supplies and services contracts.

*Success of the Pre-procurement Market Engagement Process.*

The 10 buyers who had reported using a pre-procurement market engagement process were asked how successful the process was. Their responses were as follows:

Yes	No
9	1

One buyer reported that the process was not successful because the innovative solutions identified through the process were not adopted by the organisation in favour of a safer option. This is therefore not a criticism of the process as it did identify innovative solutions which met the requirement.

The 9 buyers who reported that the process was successful provided further details as to how it was successful. These are summarised below:

- ‘It ensured that every possible solution was explored.’
- ‘It identified the best possible solution for the job.’
- ‘The new solution met the need better than the previous solution.’
- ‘The new solution boosted cost efficiencies and resulted in a new way of doing things.’

Importantly the majority of suppliers who reported that the pre-procurement market engagement process was beneficial had a tender success rate of 40+%. This highlights the importance of the pre-procurement market engagement process and its Impact on an organisation’s tender success rate.

*In support:* 76% of supplier respondents who had experience of pre-procurement market engagement reported that it was either beneficial or very beneficial.

Issues Experienced During the Pre-procurement Market Engagement Process

Buyers were then asked if they had experienced any issues during the pre-procurement market engagement process. Their responses were as follows:

Yes	No
5	5

A total of 5 buyers reported that they had experienced some issues during the market engagement process. These are summarised below:

- ‘One concern was that we had to make sure all companies who could respond to the Request for Information saw it when it was published.’
- ‘The supplier base isn’t always capable of supplying what we need – some markets aren’t as mature as others.’
- ‘One competition had to be ‘stood down’ as one company/potential supplier was not invited to attend.’
- ‘Confidentiality is an issue. It is important that you have the trust of all the suppliers.’

The 10 buyers who use/have used pre-procurement market engagement reported that this is only on some specific contracts where they felt it would be relevant.

While the majority of buyers have used pre- procurement market engagement in the past it is clear that this has only been on specific contracts. There is evident scope for more use of pre- procurement market engagement to encourage the procurement of innovative products and service, across all buyers interviewed.

In support of this the suppliers who responded to the supplier survey reported that more pre- procurement market engagement with suppliers would encourage innovation through public procurement.

**3.3 Variant Bids**

The 14 buyers were asked if their organisation include the acceptance of variant bids in contract terms of reference to encourage innovative alternative approaches /solutions. Their responses were as follows:

Yes	No
5	9

*In support: 89% of surveyed suppliers had never seen the acceptance of a variant bid in a set of Terms of Reference issued by a Northern Ireland public sector body.*

A total of 9 buyers reported that they do not provide for the acceptance of variant bids. Their reasons for this are summarised below:

- *‘Not so relevant for construction projects - the building is either designed before the tender is published or an outline design is provided giving the supplier scope to provide innovative solutions to meet that. No need for a variant bid.’*
- *‘Evaluating a variant bid is more difficult and can leave a public sector body open to challenge. You have two bids which meet the requirement in very different ways – difficult to decide which to go for.’*
- *‘If we do the design in house we know what we want and so don’t feel a variant bid is necessary. If we go out to the market for design and build the bids are all different anyway – again no need.’*

A total of 5 of the 14 buyers reported that they do accept variant bids for some contracts. The following provides a summary of the types of contracts these organisations use it for:

- *A contract to replace railway lines.*
- *A range of service contracts.*
- *A contract for bin lifts*
- *A contract for river dredging.*

Success of the Variant Bid process.

The 5 buyers who had reported experience of variant bids were asked how successful the process was. Their responses were as follows:

Yes	No
3	2

One buyer reported that the process was not successful because the variant bids didn’t really offer much more benefits as suppliers struggled to demonstrate how the alternative would be of benefit.

The 3 buyers who reported that the process was successful provided further details as to how it was successful. These are summarised below:

- *‘It ensured we got an approach that fitted well.’*
- *‘The variant bid put forward was hugely successfully.’*
- *‘Demonstrated that the supplier knows better.’*

On the supplier side there are also mixed responses on the success of the variant bid processes they had been involved in. A total of 33% felt that it had been successful as it offered the public sector a more tailored option. A further 33% reported that it was unsuccessful or very unsuccessful because the public sector body ended up choosing the cheapest option/ better known option, which was not the variant bid.

Issues Experienced During the Variant Bid Process

The 5 buyers who reported using variant bids were then asked if they had experienced any issues during process. Their responses were as follows:

Yes	No
3	2

A total of 3 buyers reported that they had experienced some issues during the variant bid process. These are summarised below:

- *‘A variant bid is much more difficult to evaluate and can leave us open to challenge.’*
- *‘Introducing change can be difficult in an organisation.’*
- *‘The time required to assess a variant bid can be an issue.’*
- *‘Evaluating innovation can bring about issues of subjectivity that can lead to challenges from suppliers.’*

While the acceptance of variant bids can encourage suppliers to offer more innovative products and services, the findings indicate that the majority of buyers do not accept variant bids for a range of reasons but in most cases this is due to variant bids being more difficult to evaluate.

There is limited experience of requesting and submitting variant bids in the Northern Ireland public sector market which would suggest that as the process currently stands it is not successful at encouraging innovation.

**3.4 Scoring Innovation**

The 14 buyers were asked if they had included innovation in the scoring criteria for any of their contracts. Their responses were as follows:

Yes	No
5	9

A total of 9 buyers reported that they have not included innovation in the scoring criteria for any of their contracts. Their reasons for this are summarised below:

- *'Innovation is scored within the methodology, not separately.'*
- *'We would score added value rather than innovation as innovation has so many different interpretations and is difficult to define scoring criteria for it.'*
- *'Innovation is too difficult to evaluate.'*

**In support:** 75% of suppliers reported that a key barrier to supplying innovation is that the public sector does not have the skills to score innovation correctly.

5 of the 14 buyers reported that they have included innovation in the scoring criteria. The following provides a summary of the types of contracts these organisations use it for:

- *A call out maintenance contract – where a new electronic planning system was introduced.*
- *A number of business development programmes.*
- *Some supplies and services contracts.*
- *A vehicle contract*
- *A software contract.*

These 5 buyers were then asked what typical percentage weighting they attributed to innovation in these contracts. Their responses were as follows:

Weighting	No. of Buyers
>Less the 4%	1
>Less than 5%	3
Between 5-10%	1

The weighting attributed to innovation in those Terms of References which included it, was relatively low in all cases. This low percentage does not necessarily mean that buyers do not place importance on innovation but is more likely that buyers find it difficult to score and therefore are reluctant to put too heavy a weighting on it.

### Success of Scoring Innovation

The 5 buyers who had attributed a weighting to innovation in the scoring criteria were asked if this resulted in the procurement of an innovative product/service. Their responses were as follows:

Yes	No
1	4

One buyer reported that attributing a weighting to innovation was successful in procuring an innovative product.

The 4 buyers who reported that attributing weighting to innovation did not necessarily result in the procurement of an innovative product/service provided some additional information on why this was the case. This summarised below:

- *‘We would have received exactly the same bids if we hadn’t scored innovation.’*
- *‘Suppliers misunderstood what we meant by innovation and instead provided us with added value.’*
- *‘There was no clear definition in the bids as to why the innovation was needed and how it would be innovative.’*

With regards to the lack of success of scoring innovation, the buyers reported that the reasons for this largely lay on the supplier side. Essentially, in these instances the submissions did not provide sufficient or the correct type of innovation required.

### Issues Experienced When Evaluating the Innovation

The 5 buyers who reported scoring innovation were then asked if they had experienced any issues during the evaluation process. Their responses were as follows:

Yes	No
2	3

A total of 2 buyers reported that they had experienced some issues during the evaluation process. These are summarised below:

- *‘The score attributed to innovation was the difference between the two top bids. This caused some problems when the decision was made known to the two companies. This delayed the processes somewhat.’*
- *The suppliers had misunderstood what we meant as innovation so it was difficult to score.*

The findings indicate that the majority of buyers do not attribute a weighting to innovation in the scoring criteria for their contracts because in most cases they reported that it is too difficult to score or because they score innovation within the methodology.

The experience of those who have scored innovation, in the main, reported that it was not a successful means of ensuring that that an innovative product or service is procured.

Since innovation can be very subjective, and to specify the type of innovation required would in itself restrict innovation, it may be the case that attributing a separate weighting to innovation in a Terms of Reference is not an effective way of encouraging innovation through public procurement.

### 3.5 Contract Pricing

The 14 buyers were asked if they consider the total life costs of a product/service when setting the weighting for cost in contract evaluation criteria. Their responses were as follows:

Yes	No
13	1

One of the 14 buyers reported that they do not consider lifetime value/total life costs when setting the weighting for a contract. When pressed on this and given the example of purchasing a vehicle(s) the buyer reported that the organisation replaces their vehicles every three years so there is no need to consider total life costs when purchasing them.

The remaining 13 buyers reported that they do consider total life cost when setting the weighting for cost in a contract Terms of Reference.

A total of 5 buyers reported that they do consider total life costs but only on contracts above the EU Threshold level. A further 2 reported that they consider this on contracts of all values.

*In contrast: 75% of suppliers surveyed agreed or strongly agreed that inadequate consideration of total life cost when setting the weighting of cost in a tender was a significant barrier to innovation.*

The remaining 6 reported that they consider total life costs on particular contracts such as:

- Vehicles
- Maintenance Contracts
- Confidential waste

The majority of buyers interviewed reported that they consider total life cost when setting the weighting for cost in a contract Terms of Reference. This is in stark contrast to the findings from the supplier survey findings.

This contrast in views would suggest that if the public sector do consider total life costs when setting the weighting for cost in the evaluation criteria, either this is not explicit in the tender documentation or perhaps is not given sufficient consideration.

### 3.6 Procurement Processes

Buyers were asked if innovative procurement processes are required to procure innovative products and services. Their responses were as follows:

Yes	No
3	11

A total of 3 buyers felt that an innovative process is required to procure innovative products and services. The following summarises the reasons why they feel this:

- *'The innovation partnership is an innovative procurement process which is due to come in and this will be important for procuring innovative products and services.'*
- *'We need the processes to take into account the legal challenge culture in Northern Ireland so that innovation can be procured without that risk.'*
- *'The processes need to allow time for investment innovation so that companies have better opportunities to innovate.'*

A total of 11 buyers felt that the procurement processes and procedures available sufficiently permit the procurement of innovative products and services. These companies were asked which procurement process in particular lend themselves to encouraging innovation. The following provides a summary of their Responses:

- *Negotiated procedure*
- *Competitive dialogue*
- *Innovation partnership*
- *Open procedures*

The majority of buyers therefore believe that the current and new procurement processes (innovation partnership) available to the public sector can facilitate the procurement of innovative products and services. Buyers did report, however, that the competitive dialogue and negotiated procedures are for more complex projects and are not widely used as they can be expensive, take longer than other procurement processes and can leave them more open to legal challenge.

So, while buyers report that the current procurement processes do facilitate the procurement of innovative products and services they do not use these very often. Some other reasons for this are explored in the following section.

**3.7 Barriers to Innovation**

Buyers were asked to identify any additional barriers they face when trying to procure innovative products and services. The following is a summary of the barriers discussed:

- *‘In the public sector there is a lack of courage to push the boundaries for fear of recriminations from higher up the chain.’*
- *‘Innovation is very difficult to evaluate, leaving the public sector open to legal challenge.’*
- *‘There is lack of buy in at the commissioner level to try something new.’*
- *‘The claim culture in Northern Ireland is a key barrier. Suppliers often submit a legal challenge of they are unsuccessful’*
- *‘There is a lack of understanding in the public sector about what processes are available to us to procure innovative products/services.’*
- *‘Organisation culture can be a barrier in general – resistant to change.’*
- *‘Not enough engagement with suppliers in advance of a procurement event because of the additional cost this incurs and the delay to the contract timeframe.’*
- *‘In general the public sector aren’t innovative thinkers.’*

Those buyers who identified barriers were then asked if they had experienced these barriers to a similar degree for above and below the European value threshold. Their responses are presented in the following table:

Response	No. of Buyers
Similar Barriers for Above and Below Threshold	6
More in Above Threshold Contracts	3
More in Below Threshold Contracts	0

The majority of buyers who answered this question felt that the barriers were the same on both above and below threshold contracts.

Buyers are experiencing similar barriers to procuring innovation and these can be grouped around the following themes:

- *The fear of legal challenge.*
- *Organisational Culture.*
- *Knowledge and understanding of the Procurement processes which facilitate procuring Innovation.*
- ***Insufficient use of the pre-market engagement process***
- *The difficulty in evaluating innovation.*

*83% of suppliers surveyed reported that a lack of pre-procurement market engagement was a significant barrier to innovation.*

One of the common barriers experienced by both buyers and suppliers is the lack of pre-procurement market engagement. While buyers did report that they do some pre-procurement market engagement there is scope for greater use if this to encourage innovation.

### Overcoming Barriers

Buyers were then asked if they had any suggestions as to how these barriers might be overcome. Their responses are summarised below:

- *'Having a better understanding of how the Innovation Partnership will work and how we can use it to buy innovative products and services would help.'*
- *'Public sector organisations and commissioners need to be more open to change.'*
- *'More promotion of the pre-market engagement process at the commissioning level would encourage innovation.'*
- *'Proper innovation should be set aside from procurement. The innovation partnership will facilitate this as the initial stage supports development.'*

Notably buyers were unable to provide suggestions for overcoming the risk of legal challenge in the procurement of innovative products and services.

### **3.8 Enablers to Innovation & Overcoming Barriers**

The buyers were then asked to identify any enablers to procuring innovative products and services. The following is a summary of the enablers discussed:

- ***Outcome based specifications.***
- *Supplier collaboration on contracts.*
- *Broaden the legislation for a single tender action.*
- ***Communication between buyers and suppliers in advance of a procurement process.***

*83% of suppliers surveyed reported restrictive tender specifications are a significant barrier to supplying innovative products and services to the public sector.*

- **Better informed commissioners.**
- **Category managers with specific market knowledge.**
- *Buyer knowledge and understanding of the procurement processes available.*
- *Public sector organisations open to change.*
- *The facilitation of pilots for new products and services.*

*-83% of suppliers surveyed reported that a lack of pre-procurement market engagement was a significant barrier to innovation.*

*-82% of suppliers surveyed reported that the public sector lack of knowledge on specific industries was a significant barrier to supplying innovative products and services.*

There are clearly common trends emerging from both buyers and suppliers as to the key barriers faced when encouraging innovation through and supplying innovative products and services to the public sector.

### What can Suppliers Do?

Buyers were asked what suppliers could do to be more innovative in their approach to tendering for public sector work. Their responses are summarised below:

- *Access funding to improve their products and services.*
- *Greater collaboration between suppliers – able to offer a more innovative complete solution.*
- *Be committed to educating the public sector about their new products/services.*
- *Re-think the legal challenge route. This culture is what is making the public sector resistant to buying innovative products and services.*
- *Find out their customers' needs and wants.*

Form the buyer perspective there are changes in behaviour required from both suppliers and buyers alike in order to encourage innovation through public procurement.

### **3.9 Key Innovative Sectors**

Finally the buyers were asked to identify those industry sectors where they felt innovation should, in particular, be driven through public procurement. Their responses are summarised below:

- *ICT*
- *Technology*
- *Waste management*
- *Fleet management*
- *Health*
- *Environmental Sectors*

Buyers felt that these sectors/markets were fast moving and are constantly producing new innovative products/solutions which would be relevant to the public sector.

### 3.10 Public Sector Buyer Research Summary

A number of key findings have emerged from the buyer interviews. These are summarised below:

- While public sector buyers do engage in activities which can encourage innovation through public procurement, such as pre- procurement market engagement, in the main procuring innovative products and services is not necessarily a priority. This supports the supplier research which found that a lack of demand for innovation in the public sector market was a barrier to innovation.
- The majority of buyers have used pre- procurement market engagement as a means of engaging with suppliers prior to a formal procurement process, however this has only been for certain contracts. The supplier findings would corroborate this. Both suppliers and some buyers believe that there is a need to engage more with the market to encourage innovation.
- Variant bids are rarely used by buyers, unless when compulsory under EU legislation, and the supplier's experience would support this. There is evident dissatisfaction on both the buyer and supplier side with regards to the success of the variant bid process in procuring innovative products and services.
- With regards to the consideration of total life costs when setting the weighting for cost in the evaluation criteria, there is a stark comparison between buyers interviewed and suppliers surveyed. All buyers reported that they consider total life costs while the majority of suppliers see the inadequate consideration of total life costs as a significant barrier to innovation. It may be the case that there should be greater visibility in the terms of reference as to how this was considered or perhaps buyers are not giving this adequate consideration.
- There are number of barriers faced by buyers when trying to procure innovative products and services. These are as follows:
  - ✓ *The fear of legal challenge.*
  - ✓ *Organisational Culture.*
  - ✓ *Knowledge and understanding of the*
    - *Procurement processes which facilitate procuring*
    - *Innovation.*
  - ✓ *Insufficient use of the pre-market engagement process*
  - ✓ *The difficulty in evaluating innovation*

Some of these barriers are similar to those identified through the desk research and mirror the barriers faced by suppliers e.g. Lack of pre- procurement market engagement.

The buyer interview findings demonstrate that while procuring innovative products and services is not necessarily a key priority for the Northern Ireland public sector bodies, there is evidence of some activities which encourage innovation being implemented. Having said this there are also a number of barriers faced by buyers which are restricting their ability to further encourage innovation.

Suggestions as to how some of these barriers can be overcome are detailed in the recommendations.

One of the aims of the research was to identify a number of contract case studies where innovative products/services were procured by a Northern Ireland public sector organisation successfully. While the buyer research did identify a small number of potential case studies, the buyers were reluctant to permit the use of these in the report. Some of the reasons for this are as follows:

- The tender processes was still ongoing or had been delayed.
- The risk of legal challenge, even in instance where a contract has been awarded, was still a real concern for a number of buyers.

These reasons are reflective of the general barriers faced by buyers and support the overall findings from the buyer research.

As with the desk research some common themes are emerging from the buyer findings in terms of what is required to successfully encourage innovation through public procurement:

- Communication – pre procurement market engagement with suppliers
- Risk management
- Knowledge – better market knowledge
- Piloting/testing.

These key themes have helped inform the recommendations detailed in section 8.0.

## 4.0 Establishing Supplier Opinion – the Supplier Survey

The objective of the supplier survey was to gather the views of Northern Ireland suppliers on innovation and their experiences of how the public sector encourage innovation.

### 4.1 Respondent Sample

A total of 265 companies responded to the online survey. Of this a total of 221 completed profiling information. The respondents represented a range of organisation size, type and sector. The table below presents a breakdown of the respondent group.

#### Organisation Size

Organisation Size – Sample Breakdown	
50 or less Employees	83%
51 + Employees	17%
Total	100%

(No. of respondents: 221)

#### Organisation Type

Organisation Type– Sample Breakdown	
Private Sector	76%
Voluntary & Community & Social Enterprise	24%
Total	100%

(No. of respondents: 221)

#### Organisation Sector

Organisation Sector– Sample Breakdown**	
Tradable Services	55%
Not for Profit & Other Community Development	18%
Construction & Related Products and Services	17%
Manufacturing & Processing	6%
Professional Services	4%
Total	100%

(No. of respondents: 221)

\*Please note that any cross analysis of responses with regards to profiling information such as organisations type, size or sector is only possible with these 221 organisations who have provided this information.

\*\*Respondent sectoral breakdown is broadly reflective of the breakdown of contract types awarded by the Northern Ireland public sector annually, with supplies and services representing two thirds of contracts awarded and construction contracts representing one third.

## 4.2 Topics

The questionnaire was designed around the following broad themes gathering supplier experience on innovation in general and innovation in public procurement:

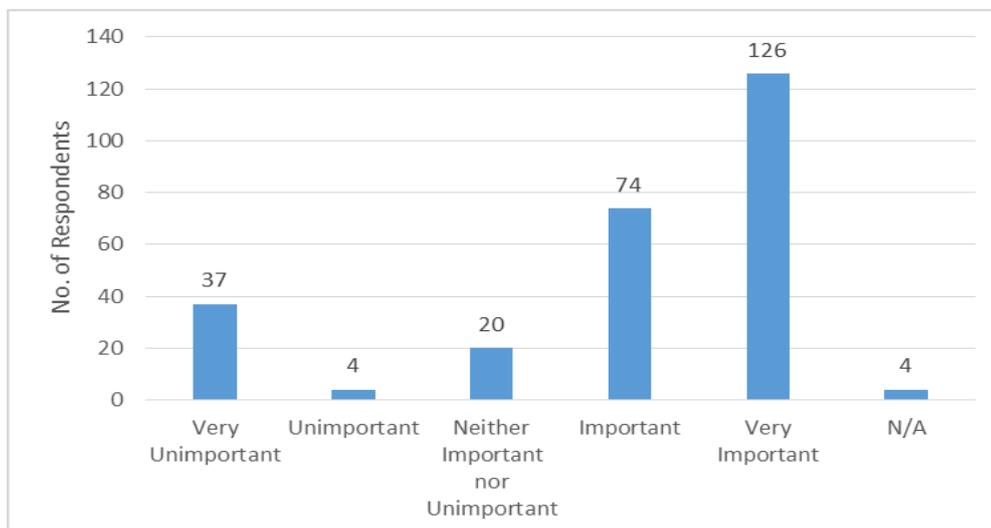
- *Innovation in Your Organisation*
- *Public Procurement and Innovation in General*
- *Barriers to Innovation in Procurement*
- *Pre-Procurement Market Engagement Experience*
- *Variant Bid Experience*
- *Examples of innovation in Public Procurement*
- *Interest in Initiatives which Encourage Innovation*
- *Suggestions to Encourage Innovation in Public Procurement*

The following sections present the findings from the supplier survey.

## 4.3 Innovation in Your Organisation

It was initially important to get a sense of how important innovation was within the respondent organisations to facilitate a comparison with the buyer findings. The respondents were asked:

***To what extent is supplying innovative products and services a priority within your organisation?***



(Total No. of respondents: 265)

- The majority (76%) of respondents reported that Supplying innovative products and services is an important or very important priority within their organisation.
- A total of 16% felt that it was unimportant or very unimportant and the remainder reported that it was neither important nor unimportant.

*In contrast a total of 3 out of 14 buyers interviewed reported that procuring innovation is a priority within their organisation.*

This demonstrates that on the whole innovation is an important focus for the respondent organisations. However there is perhaps a lack of demand for innovative products and services within the public sector market.

#### Analysis by Organisation Type & Size

When the responses are analysed by organisation type (private sector and community and voluntary/social enterprise) the breakdown is largely similar with 77% of private sector and 76% of VCS/SEE respondents reporting that supplying innovative products and services was important or very important.

Similarly, a total of 77% of organisations with less than 50 employees reported that supplying innovative products and services was important or very important while 76% of organisations with 50+ employees reported this. Innovation is clearly a priority across both organisation types and size variants.

#### Analysis by Sector

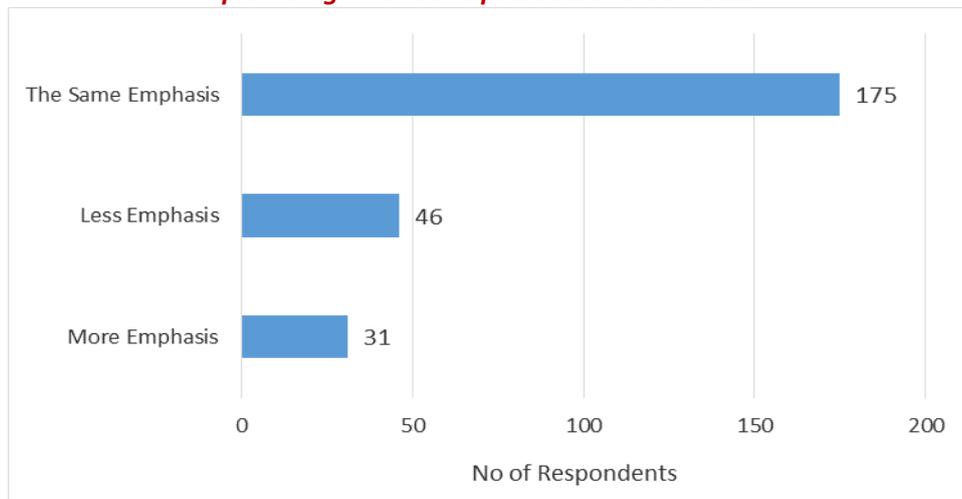
When analysed by sector it a higher percentage of the respondents (84%) from construction related products and services sector reported that innovation is an important priority for their business.

Innovation is clearly a priority for the majority of the respondent sample irrespective of size or organisation type with the construction related products and services sector demonstrating a slightly higher majority.

#### Approach to the Public & Private Sector Markets

In relation to their approach to the public and private sector the companies were then asked:

***When selling to the public sector do you place more / less / the same emphasis on providing innovative products and services?***



(Total No. of respondents: 265)

Note: Other – 13 respondents)

- The majority (66%) of respondents reported that they place the same emphasis on supplying innovative products and services when selling to the public and private sectors.
- A total of 17% reported that they place less emphasis when selling to the public sector. Their reasons for this can be summarised as follows:
  - ***Innovation is not a priority for the public sector.***
  - *The lowest price is more important than innovation in the public sector.*
  - *The public sector is less open to change.*
  - *The public sector are risk averse*
  - *There is no additional budget allowance to accommodate innovative products and solutions.*
- A further 12% reported that they place more emphasis on providing innovative products and services when selling to the public sector. Their reasons are summarised below:
  - *The competition is greater in the public sector*
  - *The public sector is a harder sell than the private sector.*
  - *The public sector should lead the way on innovation*

*A total of 3 out of 14 buyers interviewed reported that procuring innovation is a priority within their organisation.*

#### Analysis by Organisation Type

When the responses are analysed by organisation type (private sector and community and voluntary/social enterprise) the findings are slightly different.

While the majority in both groups place the same emphasis on providing innovative products and services to the public and private sector, a higher percentage (19%) of the CVS/SEE sectors place more emphasis on providing innovation to the public sector (10%).

Not surprisingly then a higher percentage (24%) of the private sector respondents when compared to the VCS/SEE percentage (6%), place less emphasis on supplying innovative products and services to the public sector. The following is a summary of their reasons for this:

- *Innovation is not a priority for the public sector.*
- *The lowest price is more important than innovation in the public sector.*
- *The public sector is less open to change.*
- *The public sector are risk averse*

#### Analysis by Organisations Size

Again when analysed by organisation size innovation is equally important to the majority of organisations irrespective of size.

A slightly higher percentage (13%) of the organisations with less than 50 employees who responded to the survey place more emphasis on providing innovative products and services to the public sector than the organisations with 50+ employees where only 8% place more emphasis. Their reasons for this reflect the reasons stated for the entire sample i.e. to be more competitive.

#### Analysis by Sector

When analysed by sector it is clear that a higher percentage of the respondents from construction related products and services sector reported that they place more emphasis on innovation when supplying the public sector as detailed in the following table:

Sector	More Emphasis % Respondents	Same Emphasis % Respondents	Less Emphasis % Respondents	Other
<b>Tradable Services</b> (121 Respondents)	11%	65%	22%	2%
<b>Construction Related Products &amp; Services</b> (37 Respondents)	16%	54%	22%	8%
<b>Not for profit &amp; Other Community Development</b> (40 Respondents)	13%	68%	8%	13%
<b>Manufacturing &amp; Processing</b> (14 Respondents)	7%	64%	29%	-
<b>Professional Services</b> (9 Respondents)	11%	67%	22%	-

*\*Note: % may not total 100% due to rounding.  
(Total No. of Respondents 221)*

A higher percentage of organisations from the manufacturing and processing sector reported that they place less emphasis on providing innovative products and services to the public sector than the private sector. Their reasons for this are that the public sector is less open change and use standard specifications which don't allow for innovation.

## Summary

The research has highlighted a number of interesting findings in relation to how much of a priority innovation is within respondent organisations and what emphasis they put on providing innovative products and services, dependent on customer type. These are summarised below:

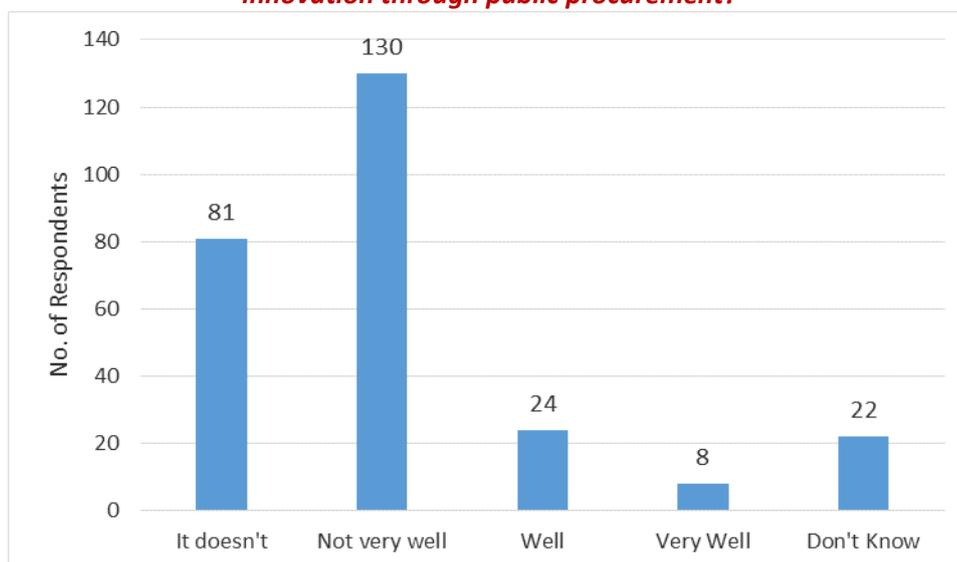
- Supplying innovative products and services is a priority for the majority of respondents and this trend is consistent across both the small and larger organisations and across private sector and voluntary and community/social enterprises. This is in contrast to the findings from the buyer research which found that procuring innovative products and services was a priority in only 3 out of 14 buyer organisations.
- A higher percentage of the private sector organisations reported placing less emphasis on providing innovative products and services when selling to the public sector. Their reasons for this were that they believe innovation is not a priority in the public sector, the public sector is too concerned with cost/price and is less open to change.
- With regards to organisation size, a slightly higher percentage of organisations with 50 or less employees reported that they place more emphasis on innovation when selling to the public sector in order to be more competitive in the tendering process. This is not surprising and may be the result of smaller organisations using innovation as a means of competing with larger companies in the tendering process.

The research findings demonstrate that on the whole, amongst respondent organisations, providing innovative products and services is a priority and the majority place the same emphasis on providing innovative products and services regardless of customer type. This suggests that there is a culture of innovation within the supplier base to the public sector but as the buyer findings suggest there is perhaps a lack of demand in the public sector.

#### **4.4 Public Procurement and Innovation in General**

In order to achieve a general perception from suppliers of how well they believe the public sector encourages innovation through public procurement, respondents were asked:

***In general, how well do you feel the public sector in Northern Ireland encourages innovation through public procurement?***



*(Total No. of respondents: 265)*

- The majority (49%) of respondents reported that the public sector does not encourage innovation very well.
- A further 31% reported that the public sector doesn't encourage innovation through public procurement. Their reasons for this are explored through their responses to further questions reported on later in this section.
- A total of 12% reported that the public sector encourages innovation well or very well through public procurement.

This is again reflective of the buyer findings where only 3 of the 14 buyer organisations reported that procuring innovative products and services was a priority.

**Analysis by Organisation Type**

When the responses are analysed by organisation type (private sector and community and voluntary/social enterprise) the findings are slightly different.

Organisation Type	It Doesn't % Respndts.	Not Very Well % Respndts	Well % Respndts	Very Well % Respndts	Don't Know % Respndts
Private Sector (167 respondents)	34%	47%	10%	2%	7%
CVS& Social Enterprise (54 respondents)	31%	50%	6%	6%	7%

*\*Note: % may not total 100% due to rounding.*

*(Total No. of Respondents 221)*

While the majority in both groups reported that they believe the public sector does not encourage innovation very well, a slightly higher percentage of the private sector organisations felt that it does not encourage innovation at all, when compared with the responses of the community and voluntary sector/social enterprise organisations.

A similar percentage of both groups believed that the public sector encourages innovation well or very well

Analysis by Organisations Size

Again the majority in both groups reported that they believe the public sector does not encourage innovation very well.

A slightly higher percentage of the organisations with 51+ employees (84%) believe that the public sector does not encourage innovation at all or not very well, when compared with the responses from the organisations with 50 employees or less (80%). A similar percentage from both groups believed that the public sector encourages innovation well or very well.

Analysis by Sector

As with the respondent sample as a whole, the majority across all sectors believe that the public sector does not encourage innovation very well. A higher percentage of the professional services organisations reported this when compared with the other sectors.

Sector	It Doesn't % Respndts.	Not Very Well % Respndts	Well % Respndts	Very Well % Respndts	Don't Know % Respndts
<b>Tradable Services</b> <i>(121 Respondents)</i>	35%	46%	11%	4%	5%
<b>Construction Related Products &amp; Services</b> <i>(37 Respondents)</i>	32%	49%	11%	-	8%
<b>Not for profit &amp; Other Community Development</b> <i>(40 Respondents)</i>	35%	50%	3%	3%	10%
<b>Manufacturing &amp; Processing</b> <i>(14 Respondents)</i>	29%	50%	7%	-	14%
<b>Professional Services</b> <i>(9 Respondents)</i>	22%	56%	11%	11%	-

\*Note: % may not total 100% due to rounding.

(Total No. of Respondents 221)

Analysis by Organisations Tender Success Rate

Tender Success Rate (In the last 12 months)	It Doesn't % Respdn'ts.	Not Very Well % Respdn'ts	Well % Respdn'ts	Very Well % Respdn'ts	Don't Know % Respdn'ts
<b>0% Success</b> (38 Respondents)	50%	34%	5%	-	11%
<b>1-40% Success</b> (45 Respondents)	29%	53%	11%	2%	4%
<b>41-100% Success</b> (71 Respondents)	28%	51%	10%	7%	4%
<b>No tenders submitted (12 mths)</b> (67 Respondents)	33%	48%	9%	2%	9%

\*Note: % may not total 100% due to rounding.  
(Total No. of Respondents 221)

A higher percentage of those organisations who have had a 0% success rate on tenders submitted in the last 12 months believe that the public sector does not encourage innovation at all. The reason for this may be that these organisations have tried to introduce innovation, more recently, into their submissions and have not been successful.

When looking at the responses of these organisations to the previous question about the importance of innovation in their organisations, the majority do report that it is either important or very important.

The majority of organisations with higher success rates believe that the public sector does not encourage innovation very well through public procurement. These organisations, while tendering successfully are also experiencing a lack of encouragement for innovation through public procurement.

Summary

The findings highlight a number of important trends with regards to how well the respondent organisations believe the public sector encourages innovation through public procurement. These are summarised below:

- The majority of respondents believe that the public sector either does not encourage innovation at all or not very well.
- However, a slightly higher majority of the private sector organisations believe that the public sector does not encourage innovation when compared to the VCS/SEE respondents.

- A slightly higher percentage of the larger organisations (51+ employees) share the same opinion.

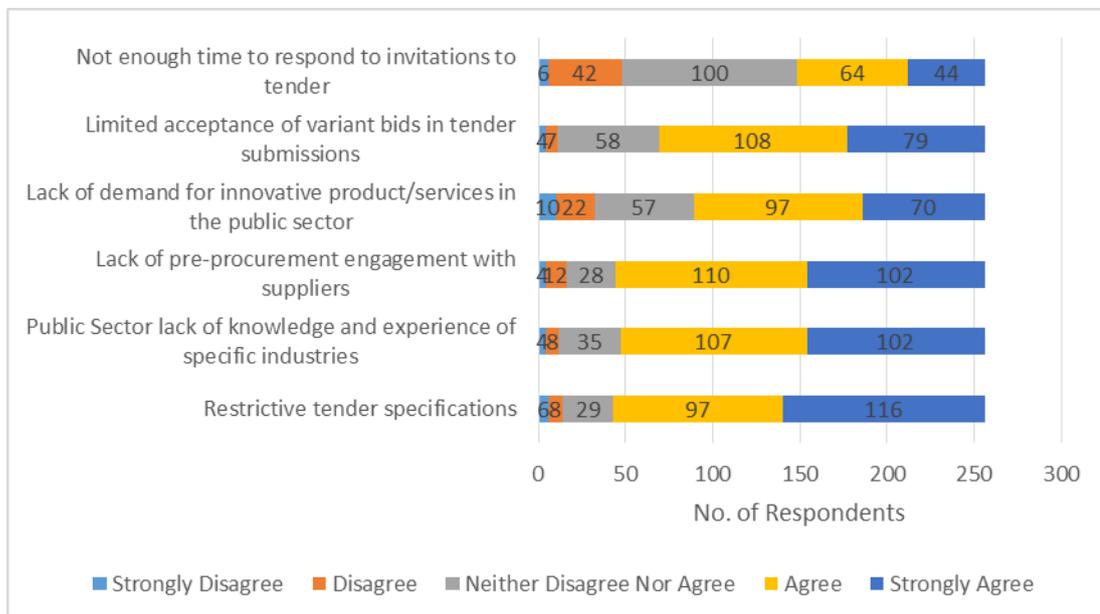
The research findings demonstrate that the majority of respondent organisations believe that the Northern Ireland public sector does not encourage innovation very well or does not encourage it at all, through public procurement.

The reason for this may well be that since procuring innovative products and services is not a priority for the public sector, as demonstrated through the buyer research findings, buyers do not have the required skills to recognise innovation or encourage it effectively through their procurement practices.

#### 4.4 Barriers to Supplying Innovative Products and Services

The desk research identified a significant number of barriers faced by suppliers in other jurisdictions when trying to introduce innovative products and services to the public sector. It was important to explore with the Northern Ireland suppliers to what extent they had experience of these barriers. They were asked the question:

**To what extent do you agree / disagree that the following are barriers to supplying innovative products and services to the public sector?**



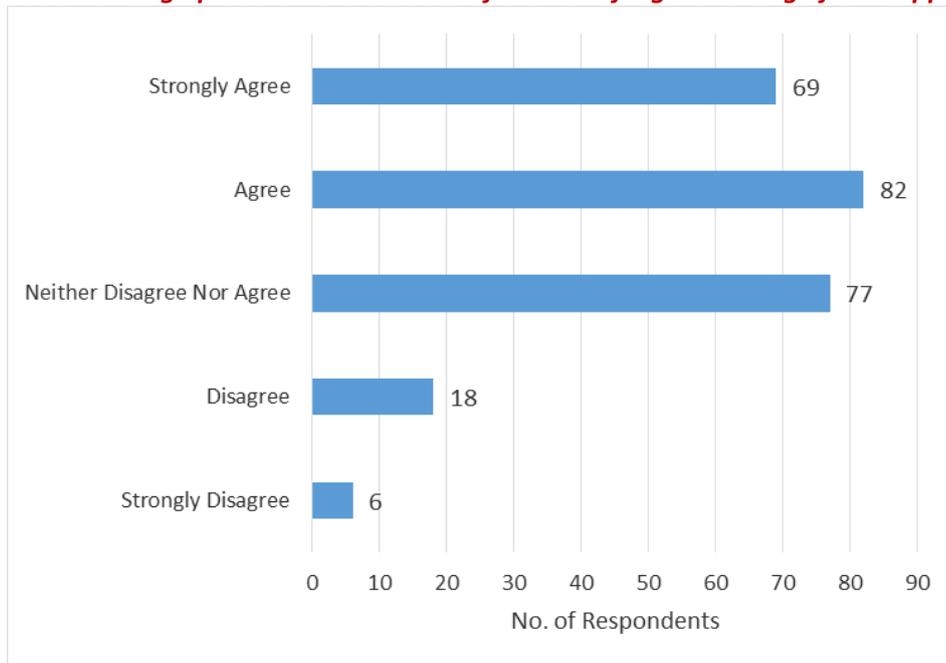
(Total No. of respondents: 256)

- Restrictive tender specifications and lack of pre-procurement market engagement are the top two barriers with 83% of respondents agreeing or strongly agreeing.
- The public sectors lack of knowledge and experience of specific industries was also a key barrier with 82% of respondents either agreeing or strongly agreeing with the statement.
- Limited acceptance of variant bids was also an important barrier with 73% of respondents agreeing or strongly agreeing with the statement.

*While a total of 10 of 14 buyers interviewed reported that they have used pre-procurement market engagement it is clear that this on a select number of contracts only.*

In addition to the barriers detailed above suppliers were also asked:

***To what extent do you agree or disagree that the public sector does not encourage innovation through procurement because of the risk of legal challenge from suppliers?***



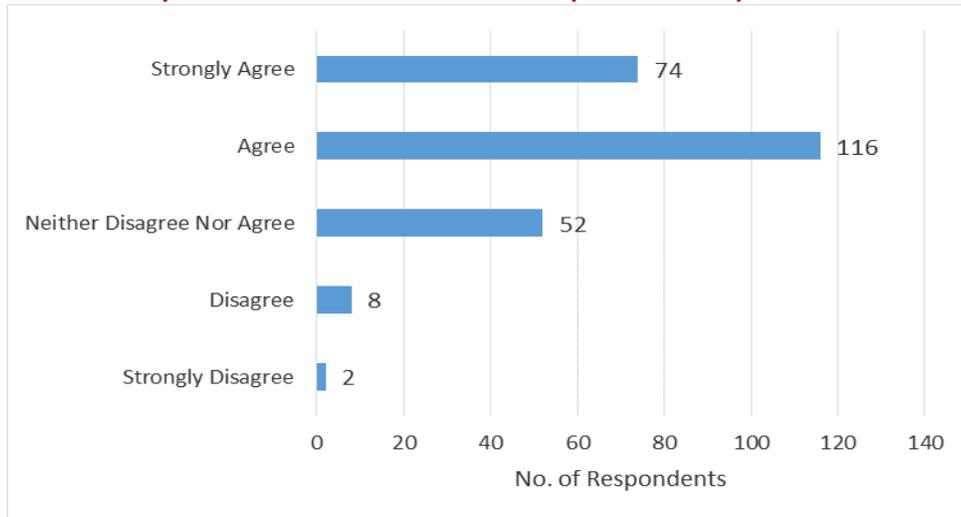
(Total No. of respondents: 252)

- The majority (60%) of respondents agreed or strongly agreed that the public sector does not encourage innovation because of the risk of legal challenge from suppliers.

*Buyers reported that they rarely accept variant bids or score innovation because of the risk of legal challenge from suppliers if they are unsuccessful.*

Another barrier explored was the public sectors ability to score innovation. Respondents were asked:

**To what extent do you agree or disagree that the public sector does not have sufficient expertise to score innovation in the procurement process?**

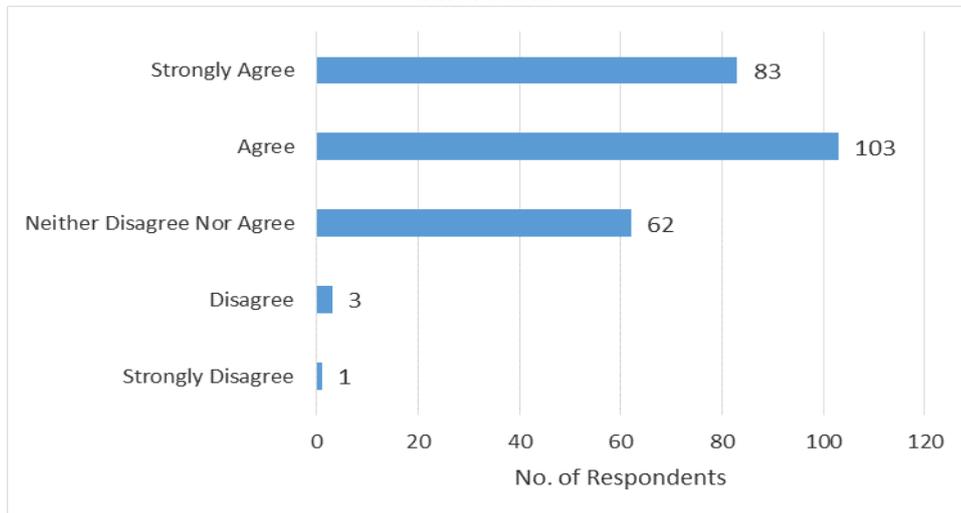


(Total No. of respondents: 252)

- The majority (75%) of respondents agreed or strongly agreed that the public sector do not have sufficient expertise to score innovation in the procurement process.

Another barrier considered was the inadequate consideration of Total Life Cost when setting a weighting for price. Respondents were asked:

**To what extent do you agree or disagree that inadequate consideration of Total Life Cost when setting the weighting for price in a public sector tender, is a barrier to innovation?**



(Total No. of respondents: 252)

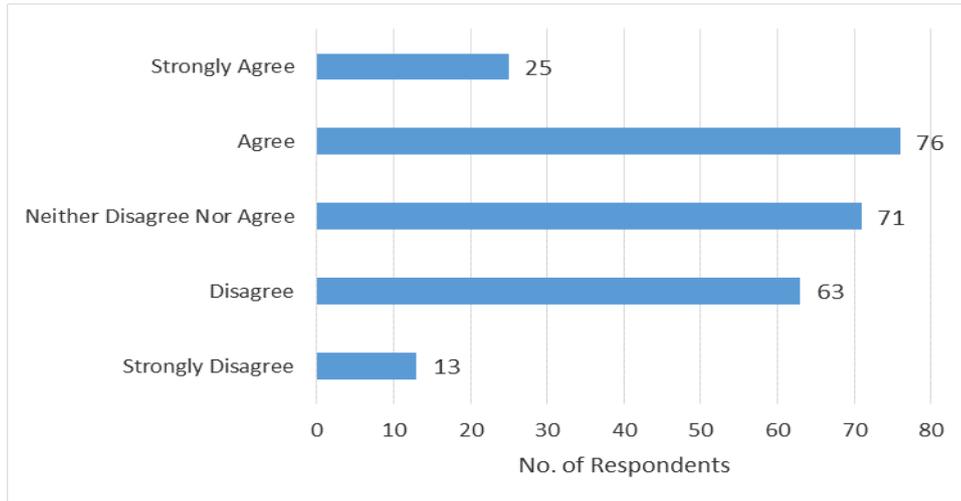
- The majority (74%) of respondents agreed or strongly agreed that the inadequate consideration of Total Life Costs when setting the weighting for price in a public sector tender is a barrier to innovation.

*In contrast 13 of 14 buyers interviewed reported that they do consider total life costs when setting the weighting for cost in the evaluation criteria.*

One explanation for the vast difference between the views of suppliers and buyers on this point may be that while buyers do consider total life costs they may not show this explicitly in the tender documentation or perhaps there is not adequate consideration given to it when setting the weighting for cost.

Contract value and contract size were also considered as barriers. Respondents were asked:

**To what extent do you agree or disagree that if a contract is small in value terms, this could act as a barrier to innovation?**

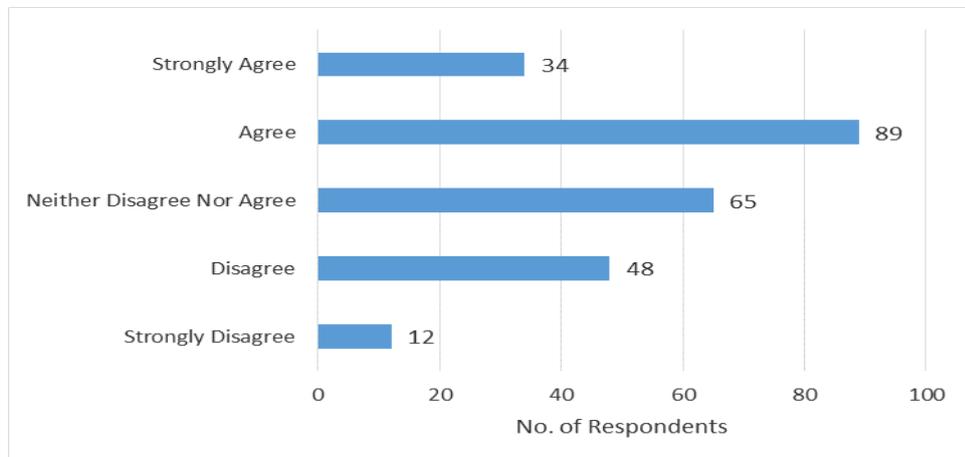


(Total No. of respondents: 248)

- A slight majority (41%) of respondents agreed or strongly agreed that the inadequate the contract size in terms of value can be a barrier to innovation.
- A total of 31% disagreed or strongly disagreed with the statement.
- A total of 27% neither agreed nor disagreed.

Contract length was also considered to be a barrier to innovation in the desk research. Respondents were asked:

**To what extent do you agree or disagree that if a contract is for a short period of time, this could act as a barrier to innovation?**



(Total No. of respondents: 248)

- The majority (50%) of respondents agreed or strongly agreed that if a contract is for a short period of time this could act as a barrier to innovation.
- A total of 24% disagreed or strongly disagreed with the statement.
- A total of 26% neither agreed nor disagreed.

#### Key Barriers by Organisation Type

The top 3 barriers reported by the private sector respondents are as follows:

- *Lack of pre-procurement market engagement.*
- *Restrictive tender specifications.*
- *Public sector lack of knowledge and experience of specific industries.*

The top 3 barriers as reported by the VCS & SEE organisations are as follows:

- *Inadequate consideration of Total Life Costs.*
- *Insufficient expertise to score innovation in the public sector.*
- *Restrictive tender specifications.*

The two groups share one common barrier – restrictive tender specifications but other than that the key barriers they face are very different.

#### Key Barriers by Organisations Size

The top 3 barriers reported by the organisations with less than 50 employees are as follows:

- *Restrictive tender specifications.*
- *Public sector lack of knowledge and experience of specific industries.*
- *Lack of pre-procurement market engagement.*

The top 3 barriers as reported by organisations with more than 50 employees:

- *Public sector lack of knowledge and experience of specific industries.*
- *Restrictive tender specifications.*
- *Inadequate consideration of Total Life Costs.*

Restrictive tender specifications and public sector lack of knowledge and experience of specific industries are key barriers regardless of organisation size.

#### Key Barriers by Sector

Restrictive tender specifications is a common key barrier across all sectors.

Tradable services, construction and the not for profit and other community development sectors share the same top three barriers:

- *Restrictive tender specifications.*
- *Public sector lack of knowledge and experience of specific industries.*
- *Lack of pre-procurement market engagement.*

With the not for profit companies reporting that inadequate consideration of whole life costs are also a key barrier.

### Barriers by Tender Success Rate

The following three barriers are also the most critical to organisations across the whole range of tender success rates:

- *Restrictive tender specifications.*
- *Public sector lack of knowledge and experience of specific industries.*
- *Lack of pre-procurement market engagement.*

This is also the case for those organisations who had not submitted a tender in the last 12 months. An additional key barrier for these organisations was also the public sectors lack of expertise in scoring innovation.

### Summary

In relation to barriers there are a number of key trends emerging:

- Restrictive tender specifications is the key barrier experienced by respondents regardless of organisation type, size or sector.
- There is notable difference between the other key barriers experienced between the private sector companies and the VCS/SEE organisations. The private sector respondents reported that lack of pre-procurement market engagement and lack of public sector knowledge and experience of specific industries were key barriers, while inadequate whole life cost consideration and the public sector lack of expertise in scoring innovation, were reported by the VCS/SEEs as other key barriers.
- In terms of organisation size both restrictive tender specifications and the lack of knowledge and experience of specific industries within the public sector were key barriers regardless of organisation size. Companies with less than 50 employees also reported the lack of pre-procurement market engagement as a key barrier, while a lack of adequate consideration of Total Life Costs was a key barrier for the companies with 51+ employees.
- Across the sectors tradable services, construction and not for profit and other community development respondents share the same key barriers in:
  - Restrictive tender specifications.
  - Public sector lack of knowledge and experience of specific industries.
  - Lack of pre-procurement market engagement.

- In addition to restrictive tendering specifications the manufacturing and processing organisations cited the lack of variant bids and inadequate consideration of whole life costs as other key barriers. While the professional services companies cited the public sectors lack of expertise in scoring innovation and contract length and value as other key barriers.
- When analysed by respondent tender success rate in the last 12 months the three top barriers were the same across the range of tender success rates i.e. restrictive tender specifications, lack of pre- procurement engagement and the public sectors lack of knowledge and experience of specific industries.

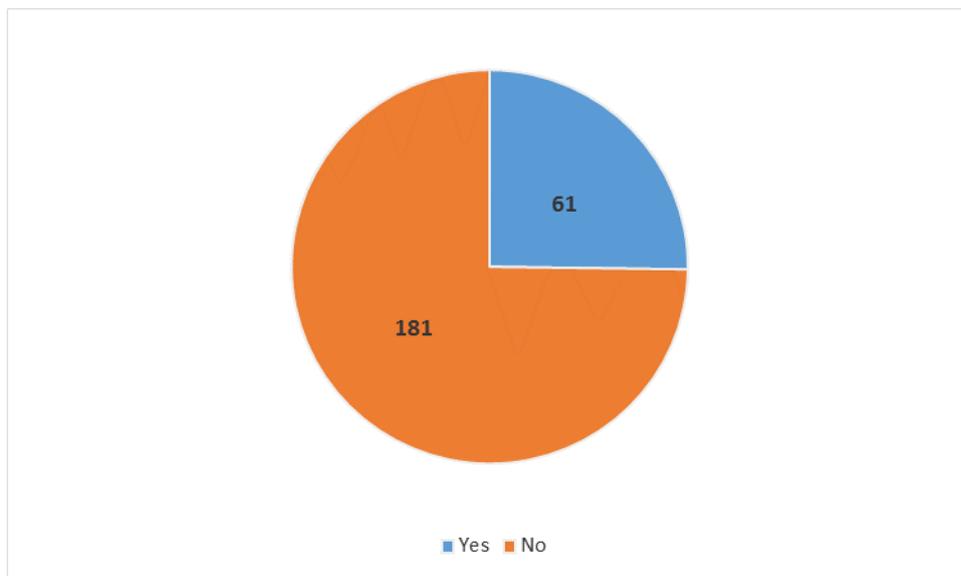
While the respondent organisations had experience of a range of barriers when supplying innovative products and services to the public sector, restrictive tender specifications is a key barrier which is experienced regardless of organisation type, size or sector.

One barrier which is common to both buyers and suppliers is insufficient use of pre-procurement market engagement

#### 4.5 Pre-Procurement Market Engagement

One of the key barriers detailed above was a lack of pre-procurement market engagement. Respondents were asked about their specific experience of pre-market engagement exercises:

***Have you ever had experience of a Northern Ireland public sector organisation engaging with suppliers in advance of a procurement process, to gather information on new products and services in the market?***



(Total No. of respondents: 242)

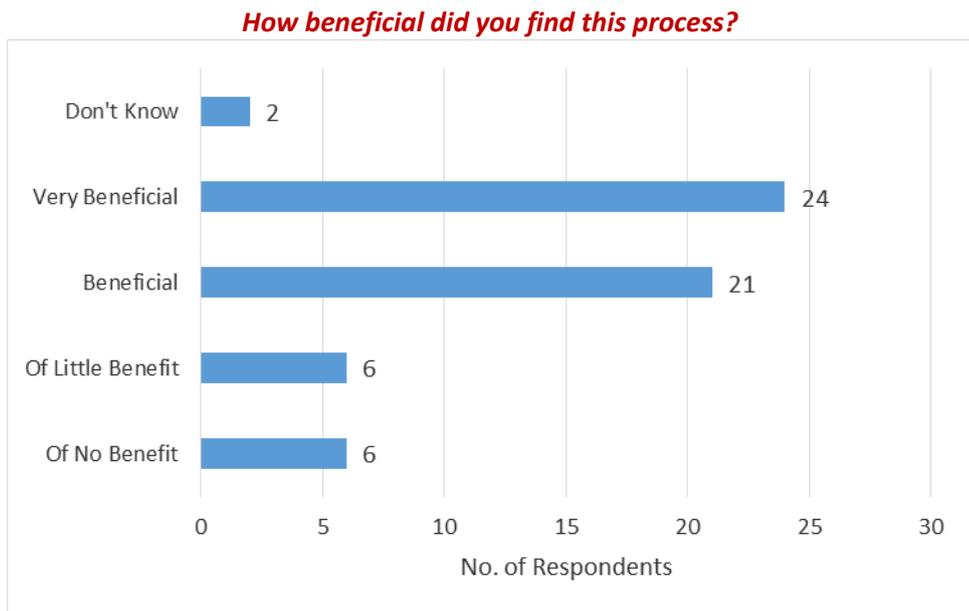
- The majority (75%) of respondents reported that they had no experience of pre- procurement market engagement.
- The remaining 25% (61 respondents) did have experience of pre-procurement market engagement were asked to provide some detail on the organisations who had organised these and the contracts they were related to. A summary of their responses are detailed below:

*While a total of 10 of 14 buyers interviewed reported that they have used pre- procurement market engagement it is clear that this on a select number of contracts only.*

Public Sector Body
<ul style="list-style-type: none"> <li>• Central Procurement Directorate</li> <li>• Department of Agriculture and Rural Development</li> <li>• Department of Employment &amp; Learning</li> <li>• Department of the Environment</li> <li>• Department of Justice</li> <li>• Department of social development</li> <li>• Northern Ireland Housing Executive</li> <li>• Office of the First &amp; Deputy First Minister</li> <li>• Public Health Agency</li> <li>• Northern Ireland Water</li> <li>• Local Council</li> </ul>

Contract/Opportunity
<ul style="list-style-type: none"> <li>• Media monitoring</li> <li>• Health products/services</li> <li>• Employment services</li> <li>• Postal Services</li> <li>• Construction project</li> <li>• Legal services</li> <li>• Maintenance contracts</li> <li>• Digital marketing</li> <li>• Rehabilitation equipment</li> <li>• Salt &amp; Grit Bins</li> <li>• Door supply</li> </ul>

These 61 respondents were then asked how beneficial this process was.



*(Total No. of respondents: 59)*

- 76% (45) of respondents reported that the pre-procurement market engagement was beneficial or very beneficial.
- These respondents were asked to provide a reason why they felt it was beneficial. Their reasons are summarised below:

*A total of 9 of the 10 buyers who had carried out pre- procurement market engagement found it beneficial.*

- *It provided the supplier an opportunity to ask questions and gather information on the buyer requirements.*
- *It provided the supplier with the opportunity to present their products and services to the public sector.*

- The 20% (12) of respondents who reported that the pre- procurement market engagement was of little or no benefit were asked to provide reasons why. Their reasons are summarised below:

- *The new products and services introduced were not ultimately successful in the procurement process.*
- *Resulting tender does not grasp the required timescale or potential costs to implement new product/service.*

- The remaining 4% (2) were unsure if the process had been beneficial or not.

The buyer and supplier research findings support the conclusion that in general pre procurement market engagement processes are beneficial for both parties.

#### Pre-Procurement Market Engagement Experience by Organisation Type

- While the majority of respondents across both organisations types had not had experience of pre-procurement market engagement, a higher percentage (33%) of VCS/SEEs had experience of it compared to 23% of private sector businesses.
- Similarly, a higher percentage 83% of the VCS/SEE respondents who had experience of pre- procurement market engagement reported that it was beneficial or very beneficial compared with 74% of the respondents from the private sector.
- Those private sector organisations who reported that it was of little or no benefit reported that the innovative approaches were not adopted or they felt that the organisation did not listen to their ideas.

#### Pre-Procurement Market Engagement Experience by Organisation Size

- While the majority of respondents across both size variants had not had experience of pre-procurement market engagement, higher percentage of organisations with 51+ employees (37%) had experience of premarket engagement than those with 50 or less (23%).

- Similarly, a higher percentage 86% of the 51+ employee respondents who had experience of pre- procurement market engagement reported that it was beneficial or very beneficial compared with 73% of the respondents with less than 50 employees.

#### Pre-Procurement Market Engagement Experience by Sector

- The majority of respondents across all sectors had not had experience of pre- procurement market engagement. However a higher percentage of respondent organisations from the not for profit and other community development sectors (35%) had experience of pre-procurement market when compared with other sectors.
- Despite not having the highest percentage of organisations who had experienced pre- procurement market engagement, the organisations from the tradable services sector had the highest percentage (81%) of respondents who found the initiative beneficial or very beneficial. A total of 79% of the organisations in the not for profit and other community development sector found the initiatives beneficial or very beneficial.

#### Pre-Procurement Market Engagement Experience by Tender Success Rate

- The majority of respondents across all tender success rates had not had experience of pre-procurement market engagement.
- However a higher percentage (49%) of respondent organisations with a success rate of 41+% had experience of pre-procurement market when compared with other success rates. A total of 22% of organisations with a tender success rate of 1-40% had experience and only 13% of organisations with a 0% success rate had experience of pre-market engagement.
- This is an important finding as it highlights that participation in pre-market engagement initiatives can have a positive impact on an organisations tender success rate.
- Despite not having the highest percentage of organisations who had experienced pre- procurement market engagement, the organisations with a tender success rate of 1-40% had the highest percentage (90%) of respondents who found the initiative beneficial or very beneficial. A total of 83% of the organisations with a tender success rate of 41+% found the initiatives beneficial or very beneficial. 60% of the organisations with a 0% success rate also found the initiatives beneficial or very beneficial.

### Summary

The research clearly shows that there is limited experience of pre-procurement market engagement amongst respondent organisations.

For those organisations who have had experience the majority found it beneficial or very beneficial and this is in line with the buyer findings where 9 out of 10 buyers found it beneficial.

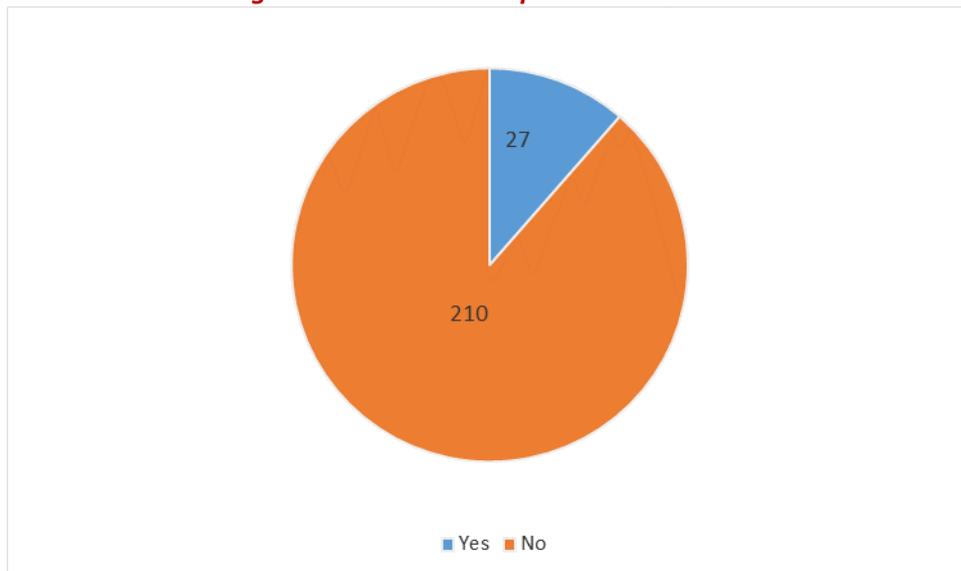
Critically, within the respondent group there is a correlation between organisations with a higher tender success rate and their experience of pre-procurement market engagement.

As is evidenced through the research pre- procurement market engagement is a beneficial process for both buyer and supplier but in different ways. The supplier is provided with the opportunity to show their products and services to the buyer in advance of the procurement process. The buyer gains a greater understanding of the new and innovative products and services available in the market.

#### **4.6 Variant Bid Experience**

The respondents were initially asked:

***Have you ever seen a Terms of reference from and Northern Ireland public sector organisation which accepted a variant bid?***

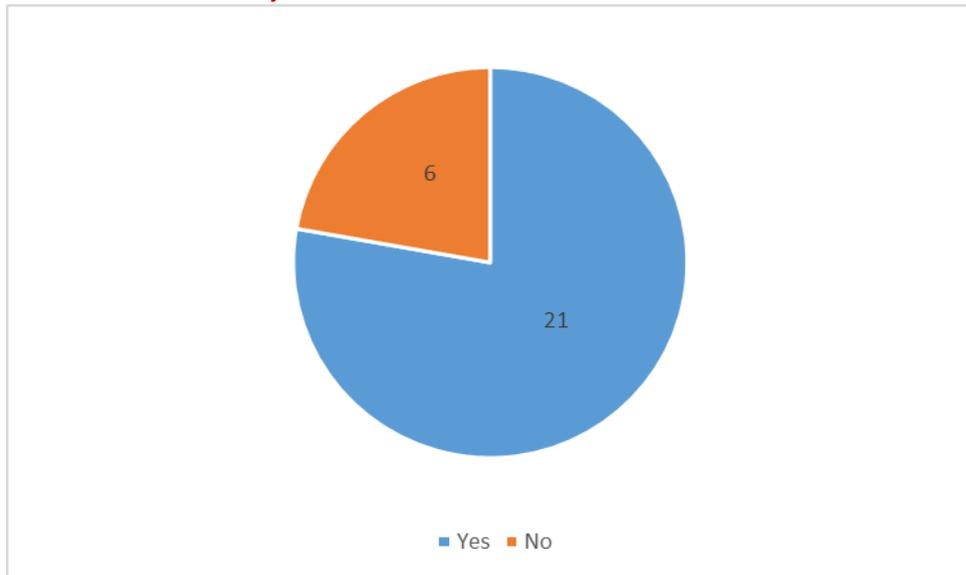


(Total No. of respondents: 237)

- The majority (89.%) of respondents reported that they had not seen a variant bid option in a Terms of Reference from a Northern Ireland public sector body.
- The remaining 11% (27 respondents) reported they have seen a variant bid option in some Northern Ireland public sector Terms of Reference. These 27 organisations were then asked if they had ever submitted a variant bid.

*5 of the 14 buyers reported that they accepted variant bids. This supports the supplier findings here with regards to variant bids.*

**Have you ever submitted a variant bid?**



(Total No. of respondents: 27)

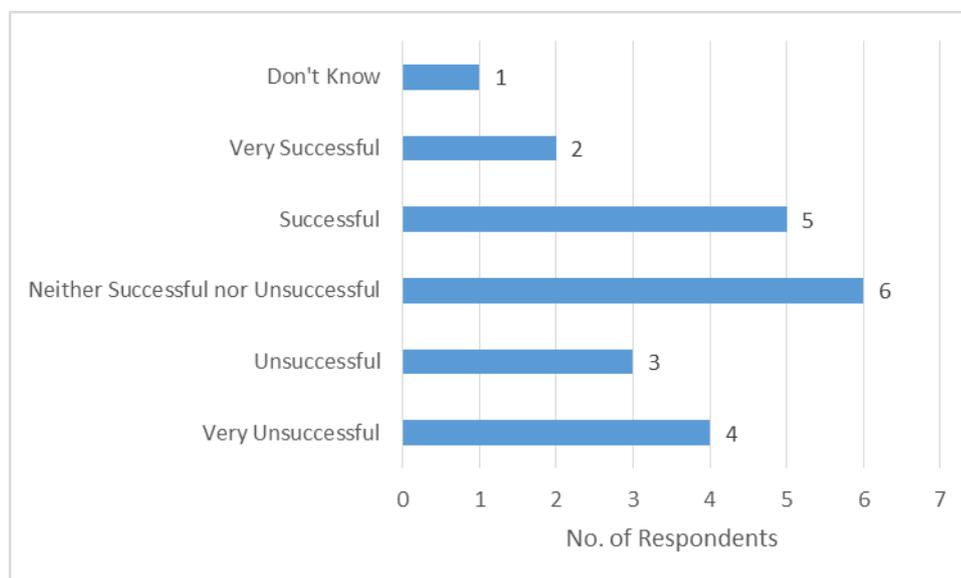
- A total of 21 respondents reported that they had submitted a variant bid. These 21 respondents were asked to provide some detail on the organisations who had organised these and the types of contracts they were for. A summary of their responses are detailed in the table below:

Public Sector Body
<ul style="list-style-type: none"> <li>• Central Government</li> <li>• Education &amp; Library Boards</li> <li>• The Health Trusts/BSO Pals</li> <li>• Local Councils</li> <li>• PSNI</li> <li>• Translink</li> </ul>

Contract/Opportunity
<ul style="list-style-type: none"> <li>• Recycling/environmental management</li> <li>• Medical devices</li> <li>• Solar Photovoltaic Training System</li> <li>• First aid</li> <li>• Weighing equipment</li> </ul>

The 21 respondents who had submitted a variant bid were then asked:

***How successful do you think this process is in procuring innovative products and services?***



*(Total No. of respondents: 21)*

- 7 (33%) respondents reported that the acceptance of variant bids is a very successful or successful way of procuring innovative products and services.
- These respondents were asked to provide a reason why they felt this. They believe, in summary, that it provides the public sector with more tailored options.
- The 7 (33%) respondents who reported that variant are unsuccessful or very unsuccessful in procuring innovative products and services were also asked to explain their responses. Their responses are summarised below:
  - *The public sector still go for the lowest price.*
  - *The public sector will still go with the standard submission instead of the variant bid*
- A total of 6 respondents reported that the variant bid process is neither successful nor unsuccessful in procuring innovative products and services but did not provide a reason for their answer.

The small number of buyers who do accept variant bids, also had mixed views on the success of variant bids.

With such a small number of respondents, trends in relation to organisations size, type, sector and tender experience could be misleading and therefore have not been included here.

## Summary

With regards to variant bids and their use a number of key findings have emerged:

The majority of respondents regardless of organisation type, size, sector or tender experience had not seen a variant bid in a Terms of Reference from a Northern Ireland public sector organisation. This is supported by the buyer research findings where only 5 of the 14 buyers reported accepting variant bids.

There were mixed views amongst both buyers and suppliers about the effectiveness of variant bids in successfully procuring innovative products and services.

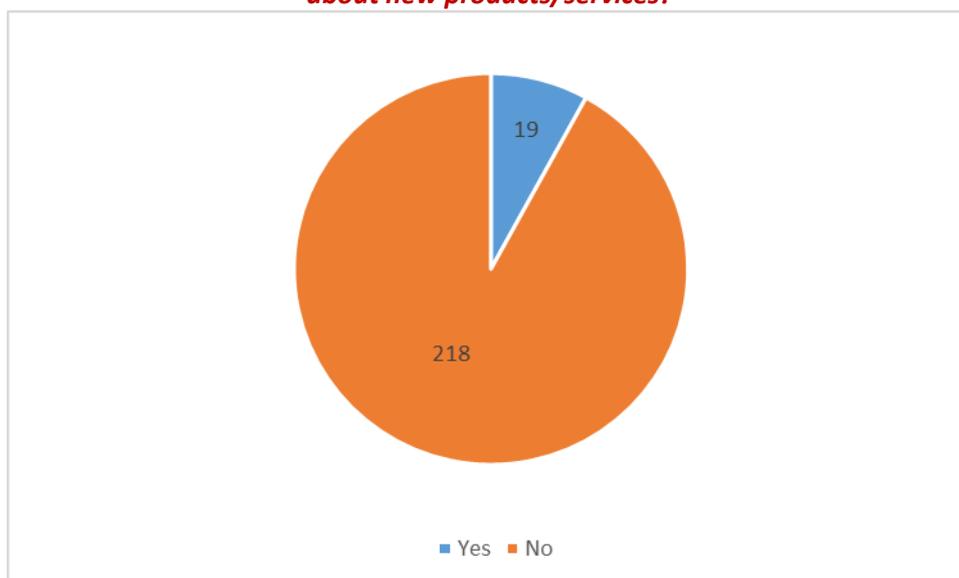
The conclusion here is that the variant bid option as it is currently being used in public procurement is not helping to encourage innovation through public procurement. Buyers are reluctant to accept these due to the fear of legal challenge and respondent suppliers have not had much success in their variant bids being successful.

### **4.7 Examples of Innovation in Public Procurement**

The desk research has indicated that there are some good examples of where innovation has been encouraged in Public sector. It was important to explore this with suppliers and assess their awareness of these.

The suppliers were asked:

***Do you have any knowledge/experience of a public sector department in Northern Ireland setting up an innovation development unit/initiative to engage with suppliers about new products/services?***



(Total No. of respondents: 237)

- A total of 19 (8%) respondents reported having knowledge or experience of a Northern Ireland public sector body setting up an innovation development unit/initiative to engage with suppliers about new products and services.

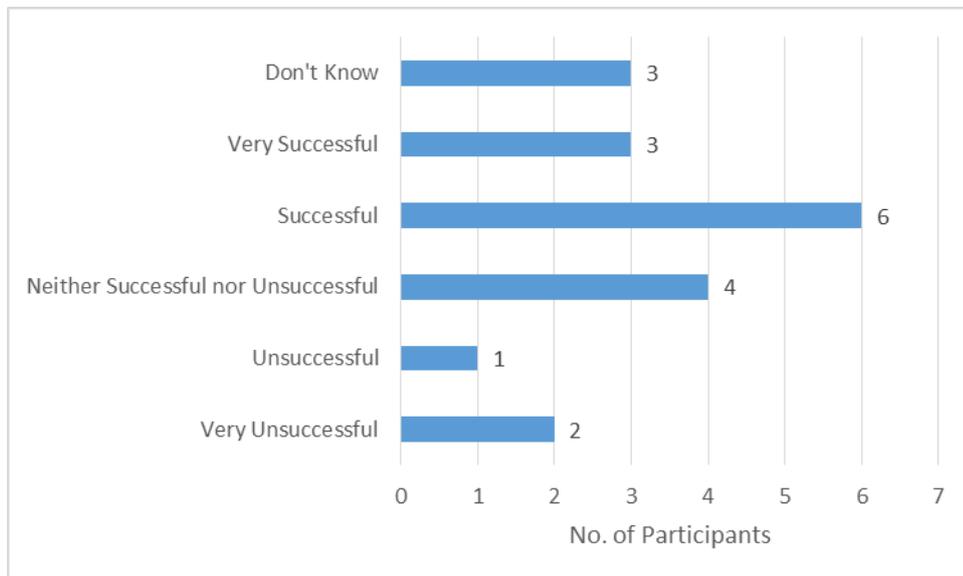
These respondents were then asked to provide details on these initiatives. Some respondents were able to provide examples of specific initiatives - these are detailed below:

Organisation	Initiative
Business Services Organisation	Connected Health Research Centre
Department of Enterprise Trade & Investment	Small Business Research Initiative
Department of Finance & Personnel	Innovation Lab
Department of Finance & Personnel	IT Assist

The remaining respondents provided details of pre-market engagement on specific contracts rather than overall initiatives which encourage innovation.

Respondents were then asked:

***How successful is/was this process/initiative in encouraging innovation?***



*(Total No. of respondents: 19)*

- 9 (47%) respondents reported that these initiatives were successful or very successful.
- These respondents were asked to provide a reason why they felt this. Their responses can be summarised within the following key points:
  - *Successful in educating the public sector about what is available on the market.*
  - *Successful in providing the supplier with information on the requirements of the public sector.*
  - *Has been successful in procuring innovative products and services.*
- The 3 (16%) respondents who reported that the initiatives were unsuccessful or very unsuccessful were also asked to explain their responses. Their responses are summarised below:
  - *The innovative approach presented was too expensive.*
  - *The innovative approach was not considered in that instance.*
- Those who reported that it was neither successful nor unsuccessful explained that their experience with the initiatives were still ongoing and so they could not rate them.

With such a small number of respondents, trends in relation to organisations size, type, sector and tender experience could be misleading and therefore have not been included here.

#### Summary

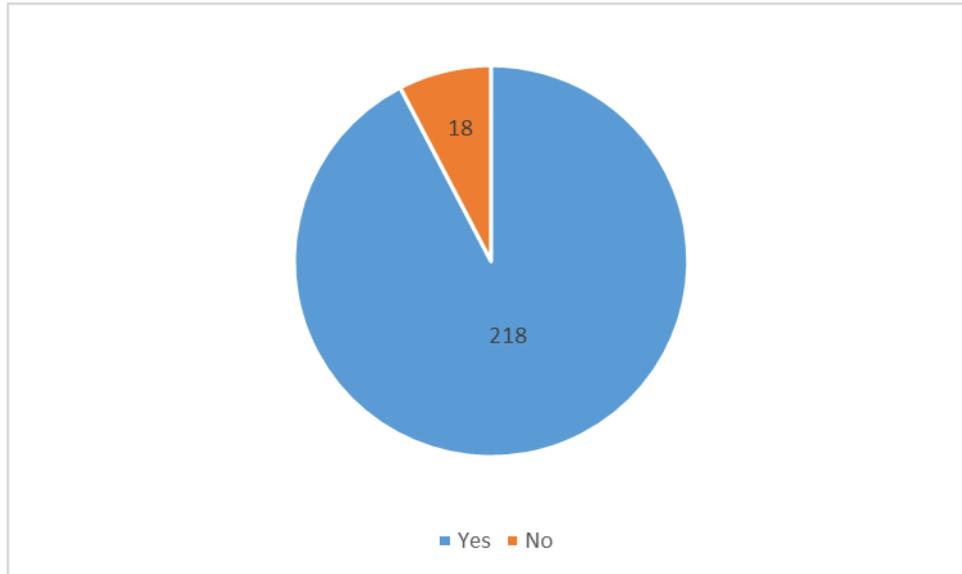
- Again a very small number of respondent organisations (8% - 19 respondents) reported having knowledge or experience of a Northern Ireland public sector body setting up an innovation development unit/initiative.
- The respondent organisations identified 4 initiatives which they had experience of, two of which were aimed at specific sectors – Connected Health (health sector) and It Assist (ICT sector).
- 75% of those respondents who were able to make comment on these initiatives felt they were either very successful or successful.

The findings above are consistent with the desk research which found that there are some successful initiatives to encourage innovation in the Northern Ireland public sector market.

#### 4.8 Interest in Initiatives which Encourage Innovation

In order to assess the demand for initiatives which encourage innovation through public procurement in Northern Ireland, respondents were asked:

***If a Northern Ireland public sector organisation/department created an innovation development unit/initiative, to engage with suppliers in your industry to discuss their needs going forward, would this be something you would be interested in participating in?***



(Total No. of respondents: 236)

- The majority (92%) of respondents indicated that they would be interested in participating in an initiative organised by a public sector body to discuss their needs/requirements.
- These respondents were asked why they would be interested in this. The following details the responses from those who provided one, grouped under a number of broad heading:

Response	No. of Related Comments
<b><i>Educate the Public Sector</i></b> An opportunity to show products and services available.	62
<b><i>Public Sector Pipeline</i></b> An Opportunity to get an understanding of the public sector's requirements/pipeline.	24

<b>Communication</b> Greater communication between buyer and supplier is important to foster innovation.	20
<b>Meeting the Need</b> An opportunity to provide a tailored response to public sector requirements.	14
<b>Value for Money</b> The public sector would achieve greater value for money by procuring products and services which are tailored to and match their requirement.	11

Other reasons given were as follows:

- *It would provide the opportunity to get in contact with the right people.*
- *It would encourage better collaboration between the public and private sectors.*
- The 18 (8%) respondents who indicated that they would not be interested in participating in an initiative organised by a public sector body to discuss their needs/requirements were also asked to provide a reason for their response. The following are the reasons from those who provided one:
  - *Another layer of administration that would achieve nothing.*
  - *Small company - no time to commit.*
  - *Risk that competitors would be party to commercially sensitive information.*
  - *It wouldn't change anything.*

### Summary

There is clearly an appetite for initiatives to encourage innovation amongst the respondent organisations. The majority of respondents regardless of organisation size, type, sector or tender success rate would be interested in participating in an innovation development unit/initiative aimed at their industry which facilitated engaging with suppliers to discuss the public sector requirement going forward.

#### **4.9 Suggestions to Encourage Innovation in Public Procurement**

The final section of the questionnaire addressed suppliers' suggestions to encourage innovation through public procurement. Their responses were a mix of specific initiatives, activities and general comments but these can be grouped under a number of key themes. Their responses are presented and grouped in the following table:

Response	No. of Related Comments
<p><b>More Pre Procurement Market Engagement:</b></p> <ul style="list-style-type: none"> <li>○ Meet the Buyer with appropriate contacts.</li> <li>○ Innovation events involving innovators, suppliers and buyers.</li> <li>○ Early and better communication between supplier and buyer.</li> <li>○ Publishing procurement pipelines.</li> <li>○ Buyers visiting supplier sites.</li> <li>○ Co-production of specifications</li> <li>○ Opportunities to show products and services.</li> <li>○ Allow creative pitches before procurement processes.</li> </ul>	38
<p><b>Less Restrictive Tender Specifications &amp; Terms of Reference</b></p> <ul style="list-style-type: none"> <li>○ Outcome based specifications.</li> <li>○ Less restrictive mandatory requirements – to allow new suppliers in.</li> </ul>	23
<p><b>More Appropriate Consideration of Total Life Cost &amp; Value for Money</b></p> <ul style="list-style-type: none"> <li>○ Greater understanding of and ability to score value for money.</li> <li>○ Less weighting towards price.</li> </ul>	9
<p><b>Better SME Access</b></p> <ul style="list-style-type: none"> <li>○ Reduce contract size.</li> </ul>	5
<p><b>Public Sector to Accept or Manage Risk Better</b></p> <ul style="list-style-type: none"> <li>○ Public sector better equipped to manage risk.</li> </ul>	4
<p><b>An Innovation fund</b></p> <ul style="list-style-type: none"> <li>○ A percentage of a public sector body/departments budget set aside for procuring innovation.</li> </ul>	4
<p><b>Cross Departmental Budgetary Collaboration</b></p> <ul style="list-style-type: none"> <li>○ Cross departmental consideration of where a purchase in one department could save costs in another.</li> </ul>	4

More pre-procurement market engagement activity and alternative tender processes to avoid restrictive tender specifications are the most recurrent suggestions across both private sector and CVS/SEEs. These suggestions are consistent with the common barriers identified by suppliers.

They are also consistent with some of the buyer suggestions in terms of more pre-procurement market engagement and outcome based specifications.

These suggestions have been considered with the other elements of the research findings and have been built in to the recommendations accordingly.

#### 4.10 Supplier Survey Summary

The following points provide a summary of the key messages from the supplier survey findings and provides some comment on what these findings suggest with regards to how well innovation is encouraged through public procurement:

##### **A Culture of Innovation in the Supplier Base**

- On the supplier side, supplying innovative products and services is a priority in the main, which suggests that there is a pool of innovative products and services in the market which the public sector could and should be accessing.
- The majority of respondent organisations place a similar emphasis on supplying innovative products and services when selling to the public and private sector. This demonstrates that in the majority of cases innovation is part of the culture within the organisation.
- In those instances where organisations have reported that they place less emphasis on innovation when selling to the public sector this is in direct response to the barriers they face when trying to do so.

##### **Is the Public Sector Responding?**

- It is the perception of the respondent majority that the Northern Ireland Public Sector does not encourage innovation at all or not very well. This perception remains the majority across all respondent size, type and sectoral variants. The buyer research findings would support this as the majority of buyers reported that procuring innovative products and services is not a priority.
- The most significant two barriers identified by suppliers relate to how the public sector use the current procurement processes available to them i.e restrictive tender specifications and a lack of pre- procurement market engagement. The buyer research would also support this as pre- procurement market engagement is being used but not extensively.
- The third most significant barrier as reported by suppliers is a direct result of the second – public sector’s lack of knowledge and experience of specific industry sectors. More pre-procurement market engagement would increase the public sector’s knowledge and experience of the industries which supply them.

- The buyer research highlights that while the public sector do use pre-procurement market engagement for some contracts this is sporadic. The supplier research supports this with the majority of organisations reporting that they have no experience of pre-procurement market engagement.
- Interestingly though, more organisations with a higher tender success rate had experience of pre-procurement market engagement than those with a lower success rate which would indicate that participation in pre-procurement market engagement can increase a supplier's success rate.
- As with the pre-procurement market engagement, the majority of respondent organisations had not seen a Terms of reference with a variant bid option or submitted one. For those who did submit their experience were mixed with regards to the success of the process. This is also consistent with the buyer findings as they reported that they rarely use variant bids as they are too difficult to score and leaves them open to legal challenge from suppliers.

#### **Instances of Innovation Encouragement**

- A small number of respondent organisations had experience of where a Northern Ireland public sector body had set up an initiative to encourage innovation. One of the more widely known initiatives is the SBRI. Connected Healthcare is another.

#### **An Appetite for Change**

- An overwhelming majority of respondent organisations, across all sectors, size and type reported that they would be interested in participating in an innovation development initiative which was aimed at their industry and facilitated engagement with the public sector to show their products and services and demonstrate how they can benefit the public sector.

The findings from the supplier survey indicate that the respondent suppliers are focused on providing innovative products and services to the public sector but are experiencing some barriers while trying to do this. A number of these barriers are consistent with the buyer research findings. The recommendations presented at the end of this report have been designed to address and overcome these barriers.

A number of the common themes from the buyer and desk research are also evident in the supplier research, with regards to what is required when encouraging innovation through public procurement:

- Communication – pre procurement market engagement,
- Knowledge – supplier knowledge of public sector pipeline and buyer knowledge of the market.
- Tender processes which encourage innovation – through less restrictive specifications

These common threads/trends have supported the development of recommendations in section 8.0 of this report.

## 5.0 Probing Supplier Opinion – the Focus Group

To supplement the supplier survey a focus group with a number of suppliers from the private sector and VCS sector was arranged to gather more in depth information on their specific experiences of supplying innovative products and services to the Northern Ireland public sector market.

The organisations in attendance were:

Organisation	Description	Organisation Type
<b>Inphoactive</b>	Specialise in data capture using digital pen and paper and tablet devices.	Private Sector
<b>Viewbrite Europe</b>	Manufacture and supply traffic products.	Private Sector
<b>Core Systems</b>	Specialise in offender-facing technology solutions for use in prisons and in the community	Private Sector
<b>Advice NI</b>	Network organisation for the community advice centres across Northern Ireland.	Community & Voluntary
<b>Belfast Central Mission</b>	A charity working with people of all ages through social care projects and cross community programmes.	Charity

The focus group discussion was guided around the following topics:

- *Innovation in Your Organisation*
- *Barriers to Innovation in Procurement*
- *Suggestions to Encourage Innovation in Public Procurement*

A summary of the key findings from the focus group are detailed in the following sections.

### 5.1 Innovation and Your Organisation

As in the supplier survey findings all focus group participants reported that innovation was either an important priority or a very important priority within their organisation. A number of participants gave some insight into why this is important in their organisation:

- *'First of all we are a technology company and secondly we are in the mobile space which is where all the developments are taking place at the moment, so we really need to be at the forefront. Customers expect us to bring innovation to their business processes and so it is crucial we are at that level.'* **Inphoactive.**
- *'We would consider innovation to be one of our biggest culture draggers and we try to 'take a dose of our medicine' in that regard. We try to run an innovative office, we try to engage with people in innovative ways and that innovation isn't always received well given the sector that it goes into (public sector). We are using new technology to solve old problems and that is what is putting us at the front of our market. Innovation is central to our services our product line and the way we operate.'* **Core Systems.**
  - *'We have developed a new collapsible traffic cone which we have adapted to fit the UK market. The PSNI require cones that can hold warning lights and currently there are no lights available that suit their requirements & fit the collapsible cones. We are therefore designing a sequential warning light system to go with it to meet that need. As far as innovation is concerned for us to keep driving it forward we have to keep coming up with new products.'* **Viewbrite**
- *'We have developed a partnership of four organisations including our own called 4caring which is looking at delivering dementia services in a different way. We are all working with people with dementia in their own homes and so by working together there is a strength in that collaboration with a focus on delaying the need for more costly traditional interventions such as hospital and nursing care. So even though we are working in traditional areas we are trying to look at innovation to do things slightly different.'* **Belfast Central Mission**
- *'We run a million pound a year contract with DETI called debt action in Northern Ireland and that's providing debt help for people, that's probably one of the more innovative ones because that was won through a procurement process. We looked at what the existing supplier was providing and what we could do differently if we were bidding for it. So we built in things like a multifunctional website, virtual advisors, text function and email support'* **Advice NI**

There is an evident focus on developing and supplying innovative products and designing and delivering innovative services amongst the focus group participants. This is in keeping with the supplier survey findings and reinforces the conclusion that there is a culture of innovation in the Northern Ireland supplier base.

## 5.2 Barriers to Innovation

The focus group participants, as with the supplier respondents, felt that the public sector in Northern Ireland either does not encourage innovation at all or not very well. When asked to explain this the participants provided some specific examples of the barriers they have faced:

### Public Sector Risk Aversion

- *'Innovation usually means risk. They (public sector) don't want to take any risks. No one is going to stick their neck out and take a chance and with innovation you have to accept that you won't get it right all the time but it is still worth having a go.'*  
**Inphoactive**

### Interpretation of the EU Regulations & the Procurement Processes Available

- *The government always has to watch its back, on the legal aspect. Then you always get hit with 'we can't do it because the European rules don't allow us to.'* **Advice NI**
- *'The interpretation of the regulations and the means that they procure, sometimes that is down to not providing enough emphasis on innovation in your scoring matrix and not awarding points for that and that tends to be a barrier to innovation.'* **Advice NI**
- *'Also one thing that is happening within government is G -Cloud but I know that virtually no departments in Northern Ireland are using it but in the UK that is not the case. It is a procurement policy issue I think.'* **Inphoactive**

### The Cost of Tendering

- *'The cost of tendering can be enormous and for us as an SME we look at a lot of tenders and just think no because only one company will win it, is it worth all that effort and no it's not.'* **Inphoactive**
- *'That really just proliferates the large companies staying in there where they have always been, at huge cost delivering very little innovation, business as usual, no risk but nothing new happening.'* **Inphoactive**

### Lack of Knowledge and Understanding

- *'In relation to the voluntary sector, my perception would be there is a lack of knowledge and understanding on both sides. So on the public sector side there may be a lack of understanding about what the community and voluntary sector is and what it can do. Then a lack of understanding from our sector about what procurement is all about.'* **Belfast Central Mission**
- *'The civil service has a high staff turnover so someone who may understand what your product or service is about has moved on and you're having to explain all of that again and you are presented with the same questions.'* **Advice NI**

- *We run a separate business debt support line because the department would not allow us to include business debts with our personal debt line service. So we set up a separate business debt line and we went to get funding for it to the public sector. We tried a number of organisations, armed with the statistics that with the service we have managed to keep trading 67% of the business we worked with but we still can't get any money from the public sector to run it, so we are having to self-finance it to prove the concept. **Advice NI***

#### Restrictive Tender Specifications

- *We find because we don't have so many competitors, if we don't know about a tender and the tender comes out we can almost read the specification and know who has influenced it, given that there are certain distinguishing features in there that are blatantly not ours, they are someone else's, and if we wanted to be a copycat we could include those things but that's not what we are about. This restricts innovation.*

#### **Core Systems**

#### Lack of Demand for Innovation

- *'It comes down to people and our best experience is probably 3 or 4 years ago when there were two individuals in a certain government department and they were great because they just said "get on with it, try it and see how it works". Unfortunately they have now left' **Inphoactive***
- *'When you are dealing with civil servants there is a lack of desire to increase their knowledge of new things, if it's not broken don't try to fix it kind of thing.' **Core Systems***
- *'I think the civil servants themselves lack quite a lot of imagination in very many areas and tend to go with what is safe.' **Advice NI***

#### Lack of Appropriate Pre Procurement Market Engagement

- *'I went to a meet the buyer event and they have a lot of stands for public sector departments, and it allows you to take your product to them and gives you a chance to get past the gatekeepers, but it stopped there for us. The contact I spoke to there had absolutely nothing do with traffic management. She did forward the email on and I think it eventually got to the store manager but it never got to the right contact.' **Viewbrite***

#### Lack of Real Consideration of Value for Money

- *'This is a classic one in the public sector because a lot of organisations will submit the lowest price to win the contract and will then milk it through change control during delivery. This is not taken into account when setting the cost weighting.' **Inphoactive***

### Lack Cross Departmental Collaboration

- *'We are dealing with 1300 people a month in terms of helping them with debt problems. The support we provide can have wider positive outcomes for these people over a six month to a year period. For example we may refer them for mental health support, self - help groups and even to the point of preventing suicide in some cases. But this is not recognised in the support we provide. I would like to see more correlation between the departments thinking on that. If they are going to be really innovative in the social sector when procuring services they need to consider the potential knock on effects to health.'* **Advice NI**

The barriers to supplying innovation to the public sector experienced by the focus group participants mirror those reported in the supplier survey findings and indeed reflect some of the barriers identified by the buyers.

### **5.3 Suggestions to Encourage Innovation**

Having discussed the barriers experienced by the participant organisations when trying to supply innovations to the public sector, they were then asked to make suggestions as to how the public sector in Northern Ireland could encourage innovation more, through public procurement. The following summaries their suggestions:

#### More Appropriate Pre- Procurement Market Engagement

##### *Meet the Buyer*

- *'You have got to get speaking to the right people. We have found by going to the emergency services show each year at the NEC we are going in at ground level, so the actual policemen on the ground who are the end users are then going and rallying them for you.'* **Viewbrite**
- *'The general meet the buyer doesn't work. It needs to be targeted at specific sectors but also the public sector attendees need to be the end user rather than a general contact.'* **Viewbrite**

##### *True Engagement with the Supplier Base*

- *'In England and Wales the probation service is being privatised. As a supplier we have been engaging in networking events with them. The whole point of privatising probation is to bring together the incumbent public provider of the probation services, the private companies who believe they can deliver efficiencies to the service and the charities who naturally support the service, to ensure the new service is more joined up and hopefully more effective and more cost efficient.'* **Core Systems**

### E-Platform for Innovation

- *Perhaps the development of an e-platform or website to match suppliers and their new products and services with public sector need. They could upload an explanation of what they provide and the public sector could access this to see what is on offer.*

**Advice NI**

### Public Sector Skills Development

- *'There is a requirement for training in the public sector in relation to innovation and encouraging innovation. Perhaps some consultancy support for the commissioners to help them think differently'* **Advice NI**

### Cross Departmental Collaboration

- *'Particularly in the Community and Voluntary sector cross departmental communication is important. For example of there is a housing need and the housing executive wants to address this, but there is also a fuel poverty need and a welfare need the solution could integrate all three to be more innovative and cost effective.'*

**Advice NI**

### Innovation Fund

- *'An innovation fund is a good idea to fund the procurement of innovative products and services'. **Inphoactive.***

Again the recommendations for improving how the public sector encourage innovation through procurement echo those suggested by the survey respondents. The suggestions provided by the private sector participants focused on greater pre- procurement market engagement and funding while the suggestions provided by the community and voluntary sector participants focused on pre- procurement market engagement, cross departmental collaboration and skills development.

## 5.4 Summary of Supplier Focus Group Findings

The findings from the supplier focus group support those from the supplier survey in the following ways:

- There is a clear focus on providing innovative products and services across both the private sector companies and the community and voluntary organisations.
- The key barriers experienced reflect some of those experienced by survey respondents namely:
  - Public sector risk aversion.
  - Restrictive tender specifications.
  - Lack of meaningful pre- procurement market engagement.
  - Lack of demand for innovation within the public sector.
  - Lack of knowledge and understanding.
  - Lack of true consideration of value for money or total life costs.
- The recommendations for improving how the public sector encourage innovation follow the same themes as identified in the other strands of the research:
  - Communication - More and more meaningful pre- market engagement.
  - Knowledge - Public sector commercial skills development.
  - Funding - An innovation fund.
  - Collaboration - Cross departmental collaboration.

These recommendations have been considered in conjunction with the findings from the other strands of the research and have been reflected in the overall recommendations set out later in this document.

## 6.0 Some Case Studies - on fostering Innovation through PP

To supplement the supplier research interviews with two suppliers who have developed innovative products and services were also carried out to gather their experiences of trying to supply the public sector. These have been presented as cases studies.

### Case Study 1:

#### **PlotBox**

PlotBox is a County Antrim based firm which has developed a scalable and cost-effective cloud platform which simplifies the control of cemeteries and crematoria. The company was established in February 2011.

The software is designed for cemeteries and crematoria therefore the company's key customers in Northern Ireland are local councils. Since the software solution is relatively new, councils were not aware of it or of the benefits it could bring to the operation of their cemeteries. There would therefore not have been a specific budget allocated to it.

#### ***Public Sector Success to Date***

The first Council the company were successful with was Ballymena Borough Council. The company were permitted to carry out a pilot mapping project on one of the council's cemeteries. This proved very successful and the company have since been successful in another project with Newtownabbey Borough Council.

#### ***Barriers to Supplying the Public Sector***

The company have encountered some barriers when trying to sell their product to local councils in Northern Ireland. These are summarised as follows:

- The timing for the company with the Review of Public administration has meant that in the main councils are unable to commit budget until the new 11 councils are in place.
- The company have also reported that, in comparison with their experiences in the UK and the Republic of Ireland, the Northern Ireland public sector are less open to engaging with suppliers outside of a tender process.
- Another barrier the company has experienced is the resistance to change within the public sector.

#### ***Suggestions for Encouraging Innovation Through Public Procurement***

The company's key suggestions for improving how the Northern Ireland Public sector encourages innovation are:

- More pre procurement market engagement with early innovators to demonstrate how their products and services could benefit public service delivery.
- Sector specific meet the buyer events where the key decision makers are there and companies can make a pitch to them.

The company are now enjoying success in the ROI, UK and further afield.

## Case Study 2

### **Start360**

Start360 is Northern Ireland's leading provider of support services to young people, adult offenders and families in the community. The organisation provides a range of services and interventions in the areas of health, justice and employability.

Start360 has an excellent track record working with young people and adults in partnership with the statutory, voluntary and community sectors in Northern Ireland. The organisation supports people through an extensive range of skill-based programmes and services.

#### ***Public Sector Success to Date***

Start360 are successfully delivering contracts on behalf of the Northern Ireland health trusts, the Public Health Agency, the Department of Employment and Learning and the Department of Justice.

#### ***Barriers to Supplying the Public Sector***

Start360 has encountered some barriers when introducing new and innovative solutions to the public sector market in Northern Ireland. These are summarised as follows:

- Restrictive tender specifications have prevented Start360 from introducing new solutions to some public sector contracts.
- The company have experienced a lack of demand in the public sector for new/innovative services which is a key barrier.
- The public sectors' tendency to shy away from risk has also acted as a barrier to providing innovative/new services.
- While Start360 have been able to run pilot programmes for some public sector organisations their experience has been that the pilots, while being very successful, are not progressed into main stream service delivery due to either lack of budget or lack of drive to improve the service delivered.
- A lack of recognition of the benefit of preventive programme activity which could save money across a number of departments (and budget holders).

#### ***Suggestions for Encouraging Innovation Through Public Procurement***

The organisation offered some suggestions for improving how the Northern Ireland Public sector encourages innovation:

- More pre procurement market engagement with suppliers to increase public sector knowledge on what is available in the market and how it might improve the service.
- More open tender specifications to allow room for innovative approaches.
- More follow through on implementing successful pilot initiatives into mainstream service delivery.
- Greater recognition of how preventative programme activity in one area, might reduce pressure on another service area in the long term. This would include public sector bodies collaborating more on budgetary matters.

The experiences of these organisations support the findings from the other strands of the supplier focused research. The key barriers these organisations have faced when attempting to introduce innovative products/services to public sector can be summarised as follows:

- The public sector lack of knowledge and experience of specific industries.
- A lack of demand for innovation within the public sector/resistance to change.
- A lack of pre- procurement market engagement.
- Restrictive tender specifications.
- Public sector aversion to risk.
- A lack of cross department budget consideration.

Similarly the suggestions made by these suppliers as to how the public sector might improve how it encourages innovation through public procurement reflect the same broad themes as the other strands of supplier research, namely:

- Communication/Knowledge – More pre-procurement market engagement to allow suppliers to showcase their products and services and to increase public sector market knowledge.
- Tender Processes – more open tender specifications which allow for innovation.
- Collaboration – more cross departmental budget considerations.

These suggestions have been considered in the design of the recommendations set out in section 8.0.

## 7.0 Conclusions

The research findings have highlighted a number of important issues:

1. While there are a number of successful initiatives in Northern Ireland which encourage innovation, the procurement processes available under the EU Procurement Directive, which can facilitate the procurement of innovative products and services, are not widely used by Northern Ireland public sector bodies.
2. These can be lengthy and costly processes and there is the perception within the public sector that these processes can attract a higher risk of legal challenge from suppliers than the standard procurement procedures.
3. Public sector buyers are experiencing a number of barriers to procuring innovative products and services, the most critical of which is the risk of legal challenge by a supplier and the financial and professional implications of this. The threat of this has largely led to public sector buyers choosing more structured procurement procedures and setting restrictive tender specifications which in turn restrict a supplier's ability to offer more innovative products and services.
4. The supplier base are committed to offering innovative products and services to the public sector but they too are experiencing barriers. The most critical barriers faced by suppliers are restrictive tender specifications and the lack of pre procurement market engagement with buyers.

While these are the most critical barriers faced by buyers and suppliers, there are a number of other barriers which were identified through the research which must be addressed:

- *Additional Buyer Barriers*
  - *A lack of pre-procurement market engagement with suppliers.*
  - *A lack of buy-in from commissioners*
  - *A lack of understanding of the processes available to procure innovative products and services.*
- *Additional Supplier Barriers*
  - *A lack of demand for innovative products and services in the public sector.*
  - *Public sector lack of knowledge and experience of specific industries*
  - *Inadequate consideration of whole life costs*
  - *A lack of cross departmental budget collaboration*

The best practice examples reviewed as part of the research and the suggestions provided by both buyers and suppliers for overcoming these barriers have a number of common themes.

A number of aspirations under each theme are presented here which, if achieved would help to overcome barriers to innovation on both the supplier and buyer sides. These are explored in detail below:

Theme	Barriers to Innovation	Aspiration
<b>Knowledge &amp; Skills</b>	<ul style="list-style-type: none"> <li>Public sector lack of knowledge of specific industries.</li> <li>Public sector lack of demand for innovative products and services.</li> </ul>	<ul style="list-style-type: none"> <li>Public sector commissioners and buyers with greater market knowledge.</li> <li>Greater commercial skills within the public sector.</li> </ul>
<b>Communication</b>	<ul style="list-style-type: none"> <li>A lack of pre-procurement market engagement between buyer and supplier.</li> <li>A lack of buy-in from commissioners</li> </ul>	<ul style="list-style-type: none"> <li>Greater communication between commissioner/buyer and suppliers.</li> </ul>
<b>Collaboration</b>	<ul style="list-style-type: none"> <li>A lack of cross departmental budgeting to facilitate cost savings</li> </ul>	<ul style="list-style-type: none"> <li>Cross departmental budgeting</li> </ul>
<b>Removing/Reducing Managing Risk</b>	<ul style="list-style-type: none"> <li>Risk of legal challenge from suppliers</li> <li>Buyers too risk averse</li> </ul>	<p>A public sector which can encourage innovation without the threat of the following risks:</p> <ul style="list-style-type: none"> <li>Challenge and litigation</li> <li>Delaying contract commencement</li> <li>Financial loss</li> <li>Personal/professional risk</li> </ul> <p>A Public Sector equipped to manage risk in the procurement of innovation</p>
<b>Changing Tender Practice</b>	<ul style="list-style-type: none"> <li>Too restrictive tender specifications</li> <li>A lack of understanding of the processes available to procure innovative products and services.</li> <li>A lack of adequate consideration of total life costs.</li> </ul>	<ul style="list-style-type: none"> <li>Contracts with less restrictive specifications in order to encourage innovative solutions.</li> <li>Terms of Reference which explicitly demonstrate how total life costs have been considered when setting the weighting for cost.</li> </ul>

The suggested recommendations required to achieve these aspirations are detailed in the following section.

## 8.0 Recommendations for Action

Aspiration	Recommended Activity
<b>Theme 1: Knowledge &amp; Skills</b>	
<b>Public sector commissioners and buyers with greater market knowledge.</b>	<ol style="list-style-type: none"> <li>1. Public sector organisations could carry out more market research in advance of the procurement process particularly in those markets which are fast moving such as technology/ICT. In line with the principles put forward by the UK Crown Commercial Service - New DNA for Commercial Activities– <i>‘more time should be spent where we can maximise value - before a formal procurement starts and after the contract has been signed’</i><sup>1</sup></li> </ol>
<b>Greater commercial skills within the public sector.</b>	<ol style="list-style-type: none"> <li>2. A focus on the development of commercial skills - of public sector buyers and commissioners in Northern Ireland similar to that currently offered through the Crown Commercial Service in the UK<sup>2</sup>. The training could increase commercial awareness and support buyers and commissioners in their work to identify and evaluate innovative products and services, and in turn could achieve greater value for money in contracts.</li> </ol>
<b>Theme 2: Communication</b>	
<b>Greater communication between commissioner and buyer within the public sector.</b>	<ol style="list-style-type: none"> <li>1. Public sector organisations could introduce, where appropriate, category buyers with a knowledge of specific industries who could create a stronger link between commissioner and frontline buyers to help demonstrate the benefits of new innovative products / solutions. The category buyers could be responsible for ensuring that the public sector bodies are up to date with new products and services in the market in advance of initiating the procurement process.  While some of the bigger Centres of Procurement Expertise do have category buyers this is something that might be considered for the new super councils when they are in full operation.</li> </ol>

<sup>1</sup> Crown Commercial Services. (2014). *Transposing EU Procurement Directives*. Available: <https://www.gov.uk/transposing-eu-procurement-directives> . Last accessed 21/01/2015.

<sup>2</sup> Crown Commercial Services. (2014). *Buying and managing government goods and services more efficiently and effectively* . Available: <https://www.gov.uk/commercial-and-procurement-training> . Last accessed 21/01/2015.

Aspiration	Recommended Activity
Theme 2: Communication (Continued)	
<p><b>Greater communication between commissioner / buyer and suppliers.</b></p>	<p>2. Public sector organisations could carry out more pre-procurement market engagement with suppliers, where appropriate and in particular for technology / ICT contracts. As detailed above, this is in line with the principles put forward by the UK Crown Commercial Service’s New DNA for Commercial Activities. This will provide them with a greater insight into what’s on offer in the market before developing their specifications for the procurement process.</p> <p>3. This could be further facilitated by the introduction of an electronic Public Sector Innovation Platform where suppliers and buyers can engage on a regular basis.</p> <p>Well in advance of a procurement process, buyers / commissioners could use the electronic platform to highlight their future requirements and the issues they need resolved.</p> <p>Suppliers could confidentially respond with their ideas / solutions. This could work as follows:</p> <ul style="list-style-type: none"> <li>• Suppliers could upload profiles of their innovative product/service offering (whether already developed or in development) and provide an overview of the types of contracts they would be interested in servicing with it.</li> <li>• The public sector body could then search this database of suppliers to gather information on the products / services in the market that might fit their requirement.</li> <li>• A Request for Information could be published via the site inviting suppliers to respond.</li> <li>• If the new innovative products / services identified are already developed and tested, the buyer can use the process to inform specification development and then move into formal procurement processes – ensuring that no individual product / service is favoured.</li> <li>• If the product / service identified is still in development phase, and the public sector body can prove the need, then it could move down the SBRI route or indeed apply for a portion of the innovation fund as discussed later in this section – to move the product / service development forward.</li> </ul>

Aspiration	Recommended Activity
<b>Theme 2: Communication (Continued)</b>	
<p><b>Greater communication between commissioner / buyer and suppliers.</b> .. <i>continued</i></p>	<p>4. Central government departments and other public sector organisations should trial sector specific Meet the Commissioner Days or innovation open days with appropriate departmental contacts in attendance. The events would facilitate supplier engagement with the departmental contact/user rather than just the procurement professionals.</p>
<b>Theme 3 : Collaboration</b>	
<p><b>Cross Departmental Budgeting</b></p>	<p>1. Research indicates that there can be difficulty with the public sector fully appreciating innovative products/services which have the potential to save money across more than one department/public sector body, as this affects more than one budget holder.</p> <p>One recommendation might be for the appointment of an individual within the public sector to identify cost saving relationships between contract delivery elements which are governed by different departments such as described above. Category buyers might also have a role in this.</p>
<p><b>Greater collaboration between suppliers to increase their capability and capacity.</b></p>	<p>2. There is evidence to suggest that collaboration between bidding companies can foster innovation in terms of the development of new solutions to public sector issues/requirements. To that end suppliers could be offered training aimed at helping them identify collaborative opportunities, develop and manage successful collaborations to provide more innovative offerings to the public sector market. This is particularly critical in view of the Review of Public administration and the formation of the new super councils. Suppliers could be encouraged to come together to offer more innovative products and services to these new customers.</p>

Aspiration	Recommended Activity
Theme 4 : Removing/Reducing/Managing Risk	
<p><b>A public sector which can encourage innovation without the threat of the following risks:</b></p> <ul style="list-style-type: none"> <li>○ <b>Challenge and litigation</b></li> <li>○ <b>Delaying contract commencement</b></li> <li>○ <b>Financial loss</b></li> <li>○ <b>Personal/professional risk</b></li> </ul>	<ol style="list-style-type: none"> <li>1. The research indicates that the feedback provided by Northern Ireland public sector bodies on tender submissions can be insufficient leaving suppliers confused about where their bid fell down and how they could improve in future competitions. This can in some cases breed suspicion which may lead to consideration of embarking on the legal challenge route.  A commitment to providing more detailed feedback to suppliers might reduce the incidence of legal challenge. This could create a less contentious environment and contribute gradually towards an environment where (in combination with other measures) innovation might be more encouraged.</li> <li>2. The introduction of an intermediate body such as an ombudsman which could be the first port of call if a supplier has a grievance regarding how a procurement event was managed. It could provide independent, low cost advice on whether the supplier has a legitimate case before going to the expense of a full legal challenge. This has been effective in other European countries.<sup>3</sup>  This could result in less cases going to full legal challenge and therefore reducing the risk of challenge for public sector organisations.</li> </ol>

<sup>3</sup> Dr.Paul Davis\*, Ms. Emma McEvoy, Mr. Anthony Flynn , Dr. David McKeivitt. (2014). *The role of Procurement Review Bodies post transposition of the Remedies Directive in Europe*. Available: <http://iamireland.ie/annual-conference/conference-proceedings/2012-nuim.html> . Last accessed 21/01/2015.

Aspiration	Recommended Activity
Theme 4 : Removing/Reducing/Managing Risk ..... <i>continued</i>	
<p><b>A public sector which can encourage innovation without the threat of the following risks:</b></p> <ul style="list-style-type: none"> <li>○ <b>Challenge and litigation</b></li> <li>○ <b>Delaying contract commencement</b></li> <li>○ <b>Financial loss</b></li> <li>○ <b>Personal/professional risk</b></li> </ul>	<p>3. Introduce an innovation fund which is made available to public sector organisations committed to encouraging innovation. E.g. The Police Innovation Fund. This could allow public sector bodies to consider/trial innovative products and services. Since this is conducted as a separate process it could reduce the risks associated with:</p> <ul style="list-style-type: none"> <li>○ <i>Financial loss</i> – the money used is separate to the main departmental budget and if the trial is unsuccessful the financial loss is not borne by the department.</li> <li>○ <i>Delaying contract commencement</i> – the trials/pilots could be carried out in advance of the current contract being renewed to ensure that the new product/service trialling is not impacting upon service delivery.</li> <li>○ <i>Personal professional risk</i> – Since the trialling could be carried out separately to normal service delivery this also reduce the risk to the public sector buyer/commissioner on a professional level</li> </ul> <p>This fund could be ring fenced from future Change Funds similar to that highlighted in the new NI budget, and could be available to organisations who can demonstrate a genuine need for a new product or service that has not yet been adopted in the public sector and would facilitate economic and operational efficiencies.</p>
<p><b>A Public Sector equipped to manage risk in the procurement of innovation.</b></p>	<p>1. The research demonstrates that the public sector are not well equipped at managing risk. Buyers and commissioners could be offered training on the identification, reduction and mitigation of risk in the procurement of innovation.</p>

Aspiration	Recommended Activity
Theme 5: Changing Tender Practice	
<p><b>Contracts with less restrictive specifications in order to encourage innovative solutions.</b></p>	<ol style="list-style-type: none"> <li>The research indicates that the current procurement processes available to Northern Ireland companies does permit the procurement of innovative products and services, however these are more costly to use and take longer than the standard, more restrictive tender processes. As a result suppliers are reporting that tender specifications are too restrictive and doesn't give them scope to introduce innovation. To overcome this and where appropriate the public sector could use more <u>outcome based specifications</u>. The terms of reference would therefore include: <ul style="list-style-type: none"> <li>The Identification of the requirement</li> <li>The Budget</li> <li>The Anticipated outcomes</li> </ul> <p>This could give the supplier more scope to introduce innovative products and services to meet or exceed the requirement.</p> <p>The buyer could then award scores based on how well the requirement is met rather than scoring innovation specifically thus side stepping the difficulty of scoring innovation.</p> </li> </ol>
<p><b>Terms of Reference which explicitly demonstrate how total life costs have been considered when setting the weighting for cost.</b></p>	<ol style="list-style-type: none"> <li>There is clear inconsistency between buyer and supplier perceptions of how much total life costs are considered when setting the weighting for cost in the evaluation criteria. Perhaps if this was more explicitly presented within the Terms of References suppliers would have more confidence that this is being considered adequately.</li> </ol>

Aspiration	Recommended Activity
Theme 6: Incentivising Innovation	
<p><b>Public Sector Organisations/ employees being rewarded for procuring innovative products and services</b></p>	<p>1. Research has consistently shown that there is little or no incentive for a public sector employee, buyer/commissioner, to step outside the normal procedures to encourage innovation, particularly when it attracts the risks detailed previously.</p> <p>Potential recommendations to overcome this could form part of a wider public sector reform agenda and would be outside the scope of this study.</p>

## The Implementation of Recommendations

The implementation of these recommendations will require co-ordinated action across the public sector, and not just in centres of procurement expertise. However all of the indications from this research study are that the public sector **is committed** to taking on the challenge of facilitating and stimulating innovation through Public Procurement.

Initial steps are being taken in Great Britain – for example through the work being undertaken by the Crown Commercial Service, pre-procurement consultation processes, etc. Some of this work has also begun in Northern Ireland, but has not yet progressed quite so far.

However, there are very positive indications that moves towards the required level of co-ordinated action will be entirely possible in Northern Ireland – driven by:

- The potential adoption of initiatives such as the Crown Commercial Service (driving the development of enabling processes, and enabling skills);
- A common / shared will and commitment to fostering greater innovation through public procurement, and
- A greater commitment to both:
  - Implement initiatives that are already available, and are designed to achieve this objective; and
  - Develop new initiative that will **further** foster innovation through Public Procurement.

There is no doubt that the implementation of some or all of these recommendations will involve many challenges and potential obstacles – perhaps in relation to:

- Human Resources – team structures, job specifications, contracts, performance measurement and management, etc;
- Inter-departmental budgeting and accounting processes;
- The development of skills;
- The more widespread adoption of new processes, that are currently the exception rather than the rule;
- The potential revision of timelines in relation to consultation processes (pre-procurement), and in relation to return on investment (measurement of ‘value’), etc.

These points are not listed here in any attempt to be prescriptive, or to be fully comprehensive in relation to the implementation challenges that need to be addressed – they are purely indicative, and need to be developed further, but beyond the scope of this research study.

The terms of reference for this study focused on

- (i) A programme of research to examine this key question:  
*‘To what extent does public procurement policy and practice in Northern Ireland encourage innovation’; and*
- (ii) The proposal of recommendations for improvement.

A follow-up challenge now needs to be taken up in relation to:

- (iii) The prioritisation of those recommendations;
- (iv) The development of action plans for
  - a. The implementation of recommendations; and
  - b. The identification of barriers / challenges to implementation, and the development of measures to overcome those barriers / challenges.

This work could be initiated by a cross-departmental working group, involving representatives from various procuring departments (commissioners), COPEs, the Public Service Reform Division (of the Department of Finance & Personnel), and other relevant departments / groups – either an existing working group involving these parties, or a dedicated working group established expressly to address the challenges of fostering innovation through Public Procurement.