

Radical Innovation for Places post COVID

CATAPULT
Connected Places

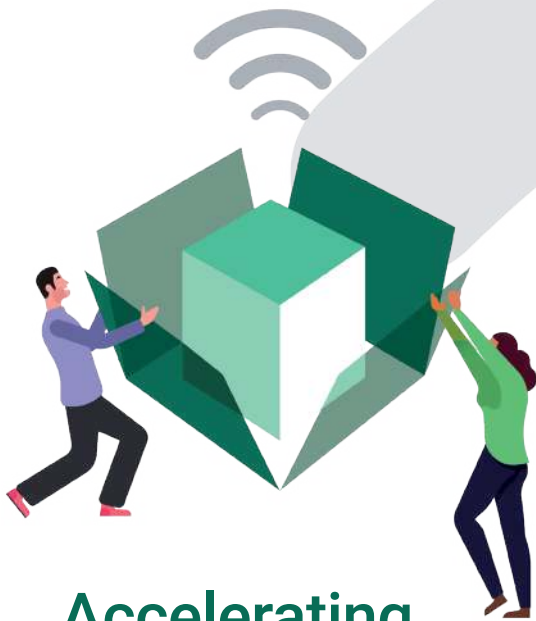


Strong Leadership to drive Strategic Procurement

The OECD Innovation Declaration, signed by 40 countries in 2019, commits Governments to deploying innovative responses to current and future challenges by embedding innovation in public sector organisations. Unchaining the potential of innovation procurement will be essential in the achievement of these challenging goals. Emergency procurement initiatives to address the COVID 19 crisis are dramatically demonstrating the importance of this commitment. The lessons from COVID 19 responses must be used to inspire change across all organisations delivering public services.

The barriers to innovative procurement are primarily behavioural and organisational. Innovation requires strong leadership to overcome the fear of change and to openly recognise the deficiencies of current systems and approaches. In this environment, it is not surprising that innovative procurement has gained more traction in digital technologies, where radical solutions are already anticipated, and small innovative companies can participate effectively. There is clearly large untapped potential for boosting innovation across all other procurement domains. The impetus of COVID 19 responses has driven many decision makers to embrace procurement initiatives in sectors beyond digital.

The consensus on best practice guidelines, includes a focus on thoroughly analysed, outcomes-based requirements embracing social, environmental and economic criteria. The UK [acquisition of ventilators](#) has provided a great example of an “end to end” procurement. This has allowed the design, prototyping, testing and production tooling to proceed as an integrated process. It has demonstrated the power of digitally enabled design and manufacturing to dramatically compress the time to market. It has also shown how a [consortium of innovative companies](#) can pool their capabilities within a common procurement framework to address clearly articulated outcomes. This is a great demonstration of innovation partnership procurement in action and has been led by the [High Value Manufacturing Catapult](#). It has important lessons for boosting the UK’s global competitiveness.



Accelerating the Benefits to Citizens

At Connected Places Catapult, we want to transform ideas into benefits to citizens as quickly as possible. In 2019, we studied the factors that were slowing down this process. The most cited friction came from public procurement. It was seen as risk averse and unfriendly to innovative suppliers. Many city partners had difficulty in engaging innovators and translating ideas into next generation products and services.

So in Autumn 2019, we launched the Challenging Procurement initiative. We encouraged best practice exchanges through an on-line hub and resource centre. We studied global policy and best performing countries and regions.

As our research progressed, the COVID 19 epidemic was spreading across the globe. Governments have speedily embraced innovative procurement to accelerate the development of new products and services. They have discovered how much freedom they have to act. Our initiative has become even more timely. We hope it will challenge you to release the full potential of innovation procurement as a driver of the post COVID economy

Exploiting the Freedom to Innovate

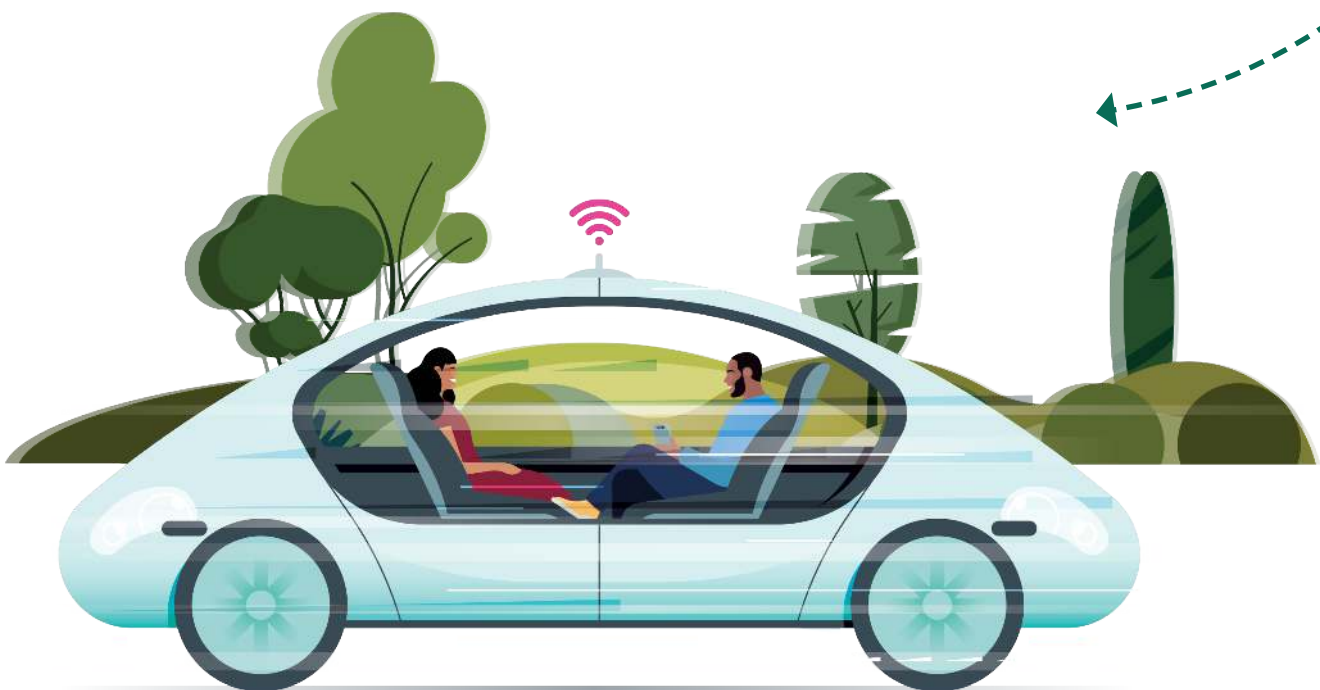
Legislation is often cited as an inhibitor of good innovative practice. However, many rule makers, notably in Europe and the USA, have acted to dispel perceived legal constraints. There have been few examples where the rules have prevented decisive actions in response to COVID 19. Indeed, the flexibility already built into the current rules appears to have taken some authorities by surprise. The EU and the UK Government have issued clear guidance encouraging the use of all the freedoms available. [The EU guidance note](#) includes a clear reference to innovative solutions and the tools that can be used to generate them, for example mentioning the use of “hackathons” to accelerate the generation of new ideas.

There will be many more innovative procurement cases to be studied post COVID, ranging from pharmaceuticals through to tracking apps. They will demonstrate how flexible methods can be used to overcome the risk aversion and bureaucratic perceptions that have held back the deployment of innovative procurement. Learning from these examples could generate a positive legacy of the COVID crisis. The post COVID environment offers a fruitful moment for enhancing new innovative procurement initiatives. The OECD’s [Observatory](#)



[of Public Sector Innovation](#) is encouraging the earliest possible data collection to maximise these opportunities.

On the other hand, procurement of commodity items for the COVID reponse - such as personal protection equipment – have highlighted the challenges with defining optimal processes in this space. The core principles of open, transparent and non-discriminatory procurement have to be sustained whatever the technology level of the acquired goods and services. A focus on innovation must not mean that operational efficiency is neglected.



Boosting the Innovative Economy

Innovative procurement boosts innovative capabilities around the customers' community. Commissioners become market makers, set technology challenges, fund demonstrator projects and mentor innovative enterprises to scale up their developed products.

This competitive environment does not just drive good solutions. The investment and engagement with customers arrive at the crucial time for innovative companies. This supportive approach to cultivating innovation underpins the evolution, prototype development and testing of a new technology as it moves to a fully competitive offering. With engagement from the commissioning organization, the final product or service will be closely aligned with the customers' requirements. Meanwhile, the supplier retains the intellectual property for future exploitation to encourage export opportunities and use by other customers to create sustainable products and economic growth.

Post contract studies on pre-commercial procurements indicate that the companies involved gain significant benefits. Many have gone on to conclude supply agreements – which follow on from the development phase – and have grown successful businesses. Others who had their research and development funded, but were not awarded a supply contract, have gone on to deploy the developed solution with other customers.



Procurement to Engage Citizens

Connected citizens on every continent are placing increasing demands on public services. They expect public service suppliers to respond to their demands with the speed and efficiency of their online goods supplier or fast food deliverer. Citizens are also an unexploited resource. They have great ideas they want to share; they can identify concerns and ways to solve them.

Open procurement contests and “co-creation projects” are a natural evolution in an innovative public sector. Citizens can be asked to identify their unmet needs and invited to offer solutions. Modest budgets can fund feasibility studies of the most promising ideas. Universities and research institutes can be engaged to support. They can be organised at all levels of activity – from villages, to cities, even to countries. They demonstrate that public authorities are engaging with citizen’s concerns and are open to change.

In a continuing drive for cost reductions and better outcomes, public authorities have been stepping up procurement collaboration, organising procurement challenges to meet shared outcomes. There are significant advantages from bringing together a wide range of perspectives, enlarging the potential supplier cohort and engaging universities and research institutes. Public value is enhanced by sharing the costs of organising projects and supporting demonstrator development.

Learning from Case Studies

The wide scope of public procurement activities and the range of environments in which they are deployed mean that case studies have special value in revealing best practice policies and programmes. Case studies also help leaders to overcome the risk aversion that often holds back agreement to follow innovative solutions.

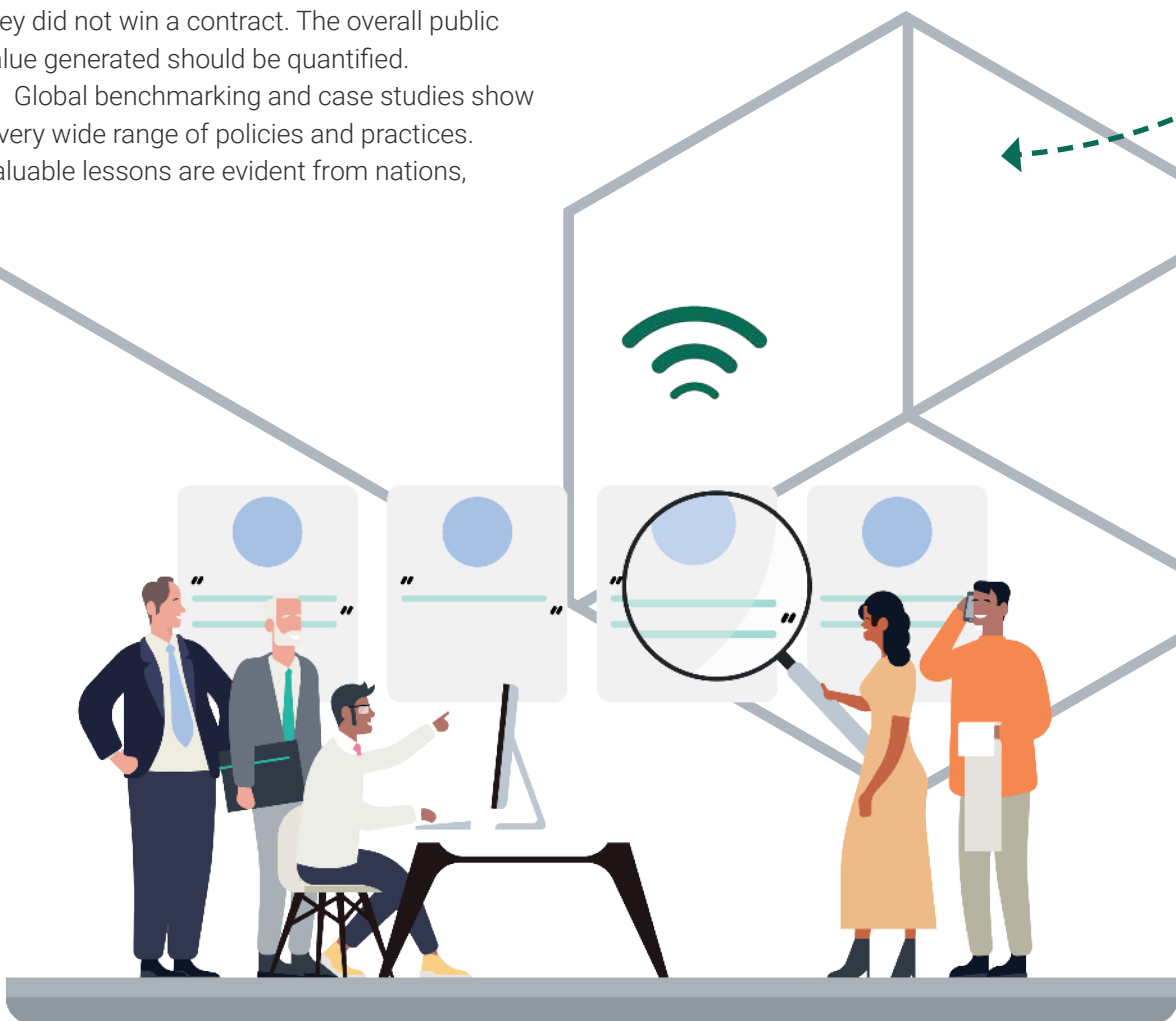
Carrying out full “contract to deployment” analysis and making the results publicly available is invaluable for risk assessing procurement decisions. Providing this data collection and analysis should be part of a “best practice” implementation. In the case of procurement contests, post contract reviews should examine the benefits to all companies supported to produce demonstrators and prototypes, even if they did not win a contract. The overall public value generated should be quantified.

Global benchmarking and case studies show a very wide range of policies and practices. Valuable lessons are evident from nations,

regions and cities, with leaders promoting procurement as a central innovation policy.

The UK is highly ranked for innovation procurement among large European economies. It has built a world leading organisation to deploy Digital Services. It has a well established Small Business Innovation and Research programme. Small innovative companies have an enhanced role as suppliers to the UK public sector.

Devolved and city regions have strong engagement with innovation procurement. The Mayor of London promotes a wide range of innovation challenges. Wales, Northern Ireland and Scotland have deployed innovative solutions through procurement programmes.





Cities as Drivers of Innovative Procurement

Progressive cities across the globe are already developing innovative organisations and are becoming leaders in deploying innovative procurement. They have developed a strong understanding of how technology can address their problems and are often moving ahead of national governments. They want to accelerate investments in technology and are eager to be good business partners to start-ups and SMEs.

Innovative cities are embracing their role as market makers, inviting innovative companies to offer solutions. They recognise that creating an open, receptive environment in which innovators can thrive is just as important as directly procuring their new technologies. Innovation led cities are exploiting the flexibility of procurement rules and codes and have reformed procurement within existing legislation. They are generating quick wins and shaping longer term reforms. They are also partnering with third party funders, universities and research institutes to bring an innovative idea to implementation quickly.

Conclusions

A review of global best practice and case studies confirm the potential for innovation procurement to provide better solutions, to be a catalyst for innovation in the public sector, to support innovators and to engage public support for change. There is remarkable consensus on the process steps needed to make procurement more innovative. Also notable is the agreement that legislation is not a barrier and the flexibility in the rules is often not recognised. The impediments to be overcome are resistance to changing traditional practices and evolving the perception and management of risk.

Policy leadership and capability for innovation procurement is very unevenly distributed. There is very little quantitative data and benchmarking. Successful deployment is clearly linked to programmes with strong national, regional or local leadership, operating across all public sectors and applying a wide range of procurement tools. Innovation leaders back their policies with consistent financial support, well promoted to energised suppliers. They understand that funding technology development, chosen on the basis of the best ideas, is a powerful way to attract new companies and to focus activities within procurement teams.

To accelerate the post COVID economy, innovative procurement must play an expanded role. Best practice should be more widely shared, and the full range of procurement tools encouraged. Innovation procurement should be mainstreamed into all policy initiatives, underpinned by financial support and capacity building, backed by high level political recognition.

Challenging Procurement team



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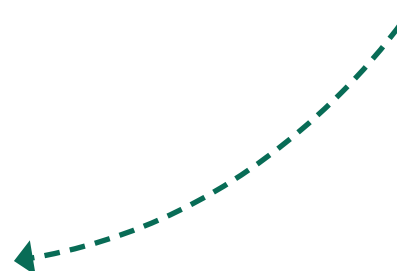


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Connected Places Catapult is engaging with experts and representative bodies from across the public procurement ecosystem to challenge the myths surrounding public procurement, share pioneering practice, outline best practice for the procurement by the public sector and support new routes to market for innovative suppliers. The Challenging Procurement team within CPC are looking to work with leaders across this field, and are keen to hear your contributions. Additional information can be found <https://cp.catapult.org.uk/case-studies/challenging-procurement/>. Please get in touch oliver.kirsch@cp.catapult.org.uk.





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