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Good Practice in Procurement

Summary

The current economic situation makes it particularly important that public sector projects exploiting Information and Communications Technology (ICT) achieve successful outcomes.

This paper aims to help you to judge whether the project you are considering will be a success or failure. Procurement neither starts nor ends with the contract. It is the foundation on which successful projects are built.

Projects, especially those that span organisational boundaries, are likely to be successful when their originators:

- Say what the outcome should be, and how success will be measured,
- Understand and manage the risks to delivery throughout the project,
- Incentivise delivery and innovation, through performance monitoring.

It is good practice to say what outcomes are important. Technology is usually only a component of a wider business change. You should expect the emphasis to be on achieving business outcomes. The 'what', not the 'how'.



Require all risks to be explicitly stated, noting that they can only be managed by those with control over the factors affecting them. Ensure plans (and budgets) are in place to manage them.

Take time during the project to review whether the desired outcomes are still relevant and whether they can realistically be achieved.

A preparation phase before the formal competition starts enables a wide range of options to be explored, the risks to delivery identified and outcomes clarified. Time taken to understand and plan allows later stages to move more quickly and avoids expensive mistakes.

Say what you want

The more that potential suppliers understand about what you want the better their responses will be.

Competition should not start until it is clear, on all sides, what is wanted. The Office of Government Commerce (OGC) Pre-Qualification Toolⁱ will help the Senior Responsible Owner (SRO) assess preparedness to start the procurement process.

Public sector customers can use Intellect's Concept Viabilityⁱⁱ service to tap into the expertise of the technology industry at an early stage in project development and before the procurement process begins (this is supported by OGC and the Cabinet Office).

It is important to ensure the contract will work during delivery, and to involve the people responsible for managing its performance early. The focus should be on rewards for achievement rather than penalties for failure and on avoiding perverse incentives (e.g. ensuring that the time to answer calls does not become more important than providing a satisfactory answer).

Innovation needs to be a joint contribution, focused on achieving tangible benefits, not just introduced for its own sake. The contractual structure should give incentives for ongoing innovative behaviour, for example, sharing the benefit of improved business efficiency with the supplier.

Each requirement should have matching assessment criteria. Uncertainty over the assessment of their bid creates uncertainty and risk for the bidder.

Understanding, management and sharing of Risk and Benefit

Risk is at the heart of complex projects; risk management is central to success. Political sponsors and senior decision makers need to understand that this requires investment in time and effort. Risk will be significantly reduced by improved governance. Risk can also be reduced by limiting initial ambitions.

A solution that is based on something that actually exists and is being used elsewhere can often reduce risk, compared to something completely new. Don't insist on perfection; be open to alterations in process that make it possible to use an established system. Insisting that a process is unique and immutable is likely to add both cost and risk. However, it is important to ensure that the system meets the needs and will scale to the volumes required.

The contract should place risk on the supplier only where the supplier is better able to manage it. The transfer of unmanageable risk simply increases cost and backfires on the customer. Risk is best managed by those in a position to take timely and effective action; it doesn't usually just go away!

It is important that the purchaser is open and sensitive about discussing risk. Suppliers will be concerned that raising risks and issues might lead to them being de-selected or the procurement being cancelled. Risk management and mitigation are also central to an understanding of the price.

Procurement in a political dimension introduces a collection of risks:

- change of political sponsor;
- potential alterations in requirements driven by external agendas;
- reaction to media and parliamentary scrutiny;
- collateral impacts from other public sector projects and objectives.

These should be openly discussed with the same goal of management and mitigation as any other risk.

Incentives encourage suppliers and customers to deal with risk quickly and effectively.

Delivery and Performance Monitoring

Regular monitoring and working with suppliers to improve their performance is critical for the delivery of contracted outcomes. Contract Management should not just be one of the things that are easiest to measure or discuss; it should encourage innovation and receptiveness to change to reflect new circumstances.

Given the length of projects and the inevitable movement of people, ensure there are processes in place to maintain the vision and knowledge of what has been agreed and pass these to new members of the delivery teams.

Pressing suppliers too far on price is counterproductive; ultimately they will have no choice but to cut quality, for example by using cheaper, less experienced staff. Better to work with suppliers to find new ways of working to deliver the intended outcomes.

Resist the temptation to skimp on testing and assurance when cost or timescale comes under pressure.

It is important not to let issues fester; they always get worse not better. Reward timely dispute resolution and stop problems from being hidden. Avoid Pyrrhic victories.

Preparation

Time spent pre-competition can reduce the time needed for the competition phase. It is important that the focus is on business needs and solutions, not on the sales opportunity or to debate technical solutions unrelated to outcomes and delivery. Key to the process is allowing potential suppliers to better understand the requirements and intended outcomes.

The people involved must include the business decision makers, the SRO and the Senior Responsible Industry Executive (SRIE)ⁱⁱⁱ. Dialogue should be about what will create the business outcomes (not “mere” quantitative targets) and how the chances of successful delivery can be maximised.

Pre-competition preparation enables clear outcomes and a sharp, crisp timetable for competition, reducing the risk of change to the requirement or of key people before the decision is reached.

If in-house skills are not available external support may be required to help to turn the identified outcomes into a procurement specification and to select the developer and manage the delivery project. Resist attempts to spin out the duration of client side support and ensure that the vision is not lost when they leave.

Openness and Trust between delivery Partners.

Building of trust starts at the pre-competition phase. ‘Best value’, the overall decision criteria, is threatened by a focus on lowest cost and secrecy before and during procurement. Such behaviour makes it difficult to establish the good relationship that is essential for a successful project.

Intellectual Property Rights (IPR) can be a contentious issue, particularly where innovative solutions are expected. It is important to recognise that suppliers need to protect the IPR they bring, but equally important to agree where IPR generated within the contract will lie.

Shared skills development in relationship management and disputes avoidance between government customer and supplier can be an invaluable means of cementing co-operation.

For more information on building appropriate relationships, see the Intellect guide to organisational professionalism^{iv}.

The formal competition

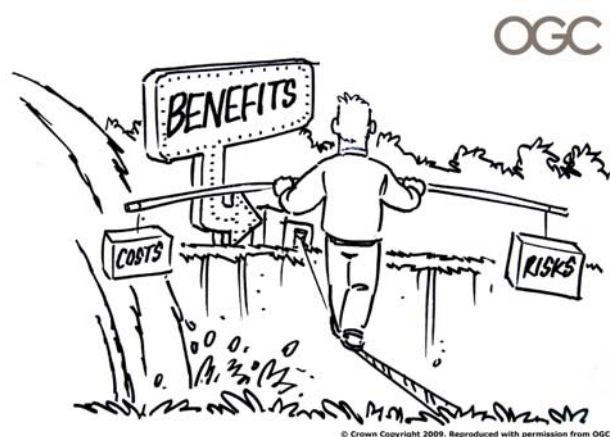
Price is important but should not be overemphasised. The key is to buy innovation, behaviour and skills. To achieve best value one needs to evaluate a mixture of the solution, the relationship, the delivery approach and behaviour.

To get the right supplier to provide what is really needed, it is important to indicate clearly the basis upon which a contract is to be awarded. This focuses the supplier's efforts on what is going to create real value.

In planning the move from procurement into delivery, ensure continuity at all levels and engage the right skills; this reduces risk, costs and contributes to the achievement of outcomes.

It is good practice to agree a Joint Statement of Intent^v, between senior executives in the customer and supplier organisations. Review and communicate to all in parallel with awarding the contract. This gives an opportunity for senior-level engagement to provide the clear, visible and joint leadership necessary.

For more information on the behaviours and activities that lead to successful projects see the BCS-RAE report on "The challenges of complex IT projects"^{vi}, the NAO report "Delivering successful IT enabled business change"^{vii}, and the OGC paper "Formulae for Success"^{viii}. The Audit Commission has also produced a guide to further documentation available^{ix}.



ⁱ OGC Improving procurement pre- qualification Tool -

http://www.ogc.gov.uk/documents/Procurement_Pre_Qualification_Test.pdf

ⁱⁱ The Intellect Concept Viability process - <http://www.intellectuk.org/conceptviability>

ⁱⁱⁱ Intellect SRO / SRIE initiative - <http://www.intellectuk.org/content/view/824/47/>

^{iv} Intellect guide to organisational professionalism -

<http://www.intellectuk.org/content/view/3613/83/>

^v OGC Joint Statement of Intent -

http://www.ogc.gov.uk/documents/ppd_it_projects_joint_statement.pdf

^{vi} The BCS-RAE report on the challenges of complex IT projects -

<http://www.bcs.org/upload/pdf/complexity.pdf>

^{vii} NAO report on delivering successful IT enabled business change -

http://www.nao.org.uk/publications/0607/delivering_successful_it-enabl.aspx

^{viii} OGC report on the formulae for success for complex projects -

http://www.ogc.gov.uk/documents/A_Formula_for_Success.pdf

^{ix} Audit Commission guidance on further documentation -

http://www.eurim.org.uk/activities/pubproc/Anklesaria_procurement_guidance.pdf