

Lean Procurement Project Diagnostic Findings

(Complex Procurement - Competitive Dialogue)

December 2010



The diagnostic report enables key Stakeholders to understand the logic applied and be in a position to **agree the subsequent course of action:**



Purpose

- To articulate the benefits and achievements of the project against the agreed objectives
 - Identify the value within the existing versions of the Procurement process (and thereby identifying sources of waste)
 - Measure the impact of waste within the current process
 - Identify proposals for future state considerations.
- The document will also provide a structure for sharing the project findings to FCO and DWP as the initial Pilot departments.

Objectives

- Project Background
- Executive Summary – Headline findings
- Key findings & potential benefits
- Recommendations and next steps

Desired Outcomes

- Stakeholder agreement and ‘sign-off’ of the project Objectives.

The approach applied demonstrated **flexibility** in the use of **standard Lean techniques**:

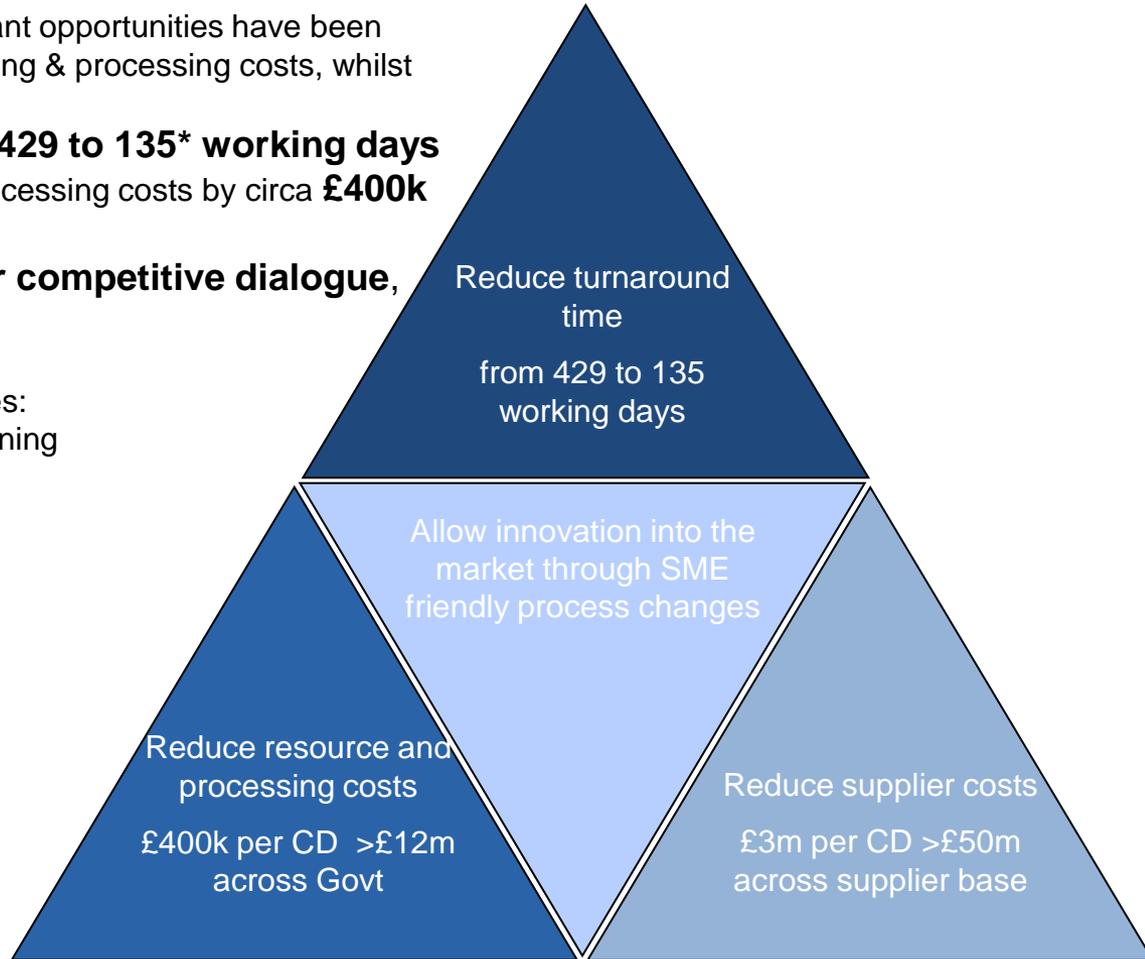


- The project was conducted as a ‘partnership’ between government and industry involving ‘lean’ practitioners from Unipart Expert Practices (UEP) and members of the HMRC PaceSetter unit, working with the Efficiency and Reform Group (ERG) within Cabinet Office.
- The team worked closely with the Department of Work and Pensions (DWP) and the Foreign and Commonwealth Office (FCO) to investigate opportunities within these departments that could be applied on a wider scale across government.
- Given the short timescale and the breadth of the scope of the activity the project team utilised an innovative approach in the use of standard Lean tools and techniques. When analysing the process the team considered two perspectives; one being to understand the process itself and the second to understand the effectiveness of interactions with the supplier community. The phases that were undertaken were Mobilisation, Internal analysis and External analysis.
- Hypotheses were formulated from various consultations and interviews. A hypothesis is an assumption, statement or expectation that is made based on experience, business knowledge or widely known information. Data was collected to be able to prove or disprove each of the hypotheses.
- A Value Stream Map was created using guidance from ERG/HMT, EU procurement regulations and Cabinet Office sources. This was used as a comparison point for approaches in DWP and FCO. In FCO and DWP workshops were undertaken with procurement experts to understand the current ‘as is’ process. Initial workshops sought to understand the processes for Pre-Procurement & Procurement phases at a high level by mapping out the Suppliers, Inputs, Processes, Outputs, Needs and Customers (SIPONC).
- The team would like to thank all Departments and Stakeholders involved in the activity, in particular from ERG, Intellect, FCO, and DWP for their support and valuable contribution.**

£12m of Government costs and £50m of supplier costs can be saved, in the Competitive Dialogue process alone:

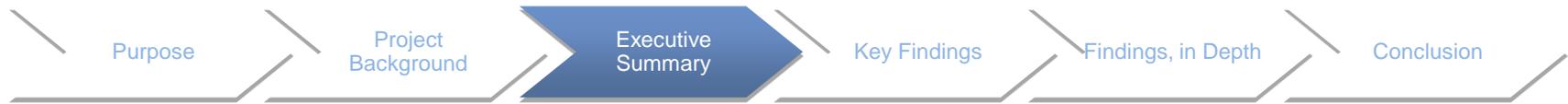


- Based on a conservative evaluation, significant opportunities have been identified to reduce turnaround time, resourcing & processing costs, whilst nurturing innovation:
 - Potential to reduce turnaround from **429 to 135* working days**
 - Potential to reduce resource and processing costs by circa **£400k per competitive dialogue**
 - Potential to reduce cost of **£3m per competitive dialogue**, across those suppliers involved
- These benefits will require significant changes:
 - Step change in the approach to planning
 - Internal capability transformation
 - Effective sharing of best practice.



*Dependant on size, complex and risk

A number of **key themes** have been identified as a result of the Lean Review:



Mis-use	Poor selection of procurement route is leading to elongated procurements and additional costs for government and suppliers.
Process Design and Management	<p>There is excessive waste built into the existing procurement process from inception through to award :</p> <ul style="list-style-type: none"> ▪ excessive amounts of guidance with too much variation, duplication and confusion over different terms ▪ the existing approach to project management elongated timescales both pre-OJEU and during the procurement ▪ serial-processing and inefficient engagement with suppliers ▪ input-based specifications vs outcomes ▪ risk aversion throughout the process.
Capability	There is insufficient capacity of capable senior procurement resources with experience of complex projects, a lack of commercial in-house legal advice, and over-reliance on external advisors which is symptomatic of risk aversion.
Pre-OJEU readiness	The OJEU process is commenced with insufficient preparation and planning beforehand.
Bureaucracy	There is endemic bureaucracy in government procurements leading to excessive levels of approvals & governance.

Evidence has shown that there has been a **misuse** of the Competitive Dialogue procurement route in **29%** of instances:



Situation

When using the procurement process, there are a number of routes which can be followed, including Open, Restricted, and Competitive Dialogue.

Problem

Evidence suggests that the Competitive Dialogue process is being used where not required.

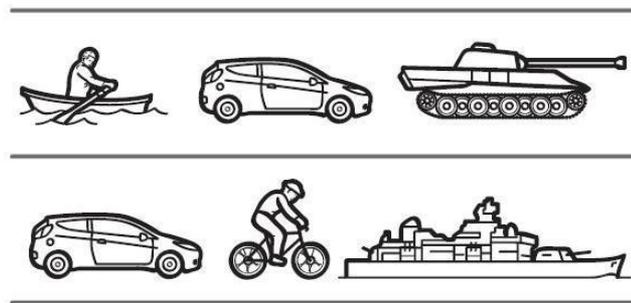
Impact

This results in increased turnaround time, and therefore increased costs.

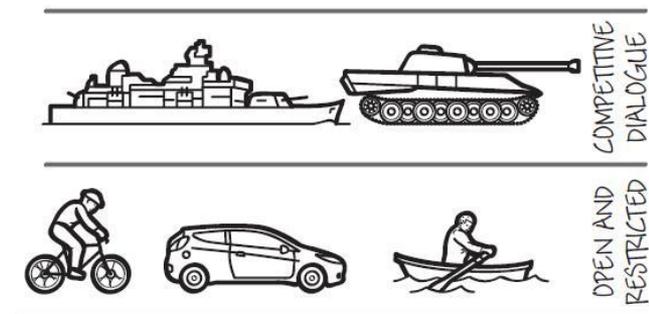
Potential Solution

The introduction of a standardised Decision Tool to inform the procurement route decision would prevent unnecessary spend and avoid the expense of running Competitive Dialogue.

CURRENT STATE:



FUTURE STATE:



Despite 1124 pages of guidance in one department alone, there is little evidence of effective process management:



Situation

Other than supplying guidance and final approvals, government departments run their procurements largely independently of central government.

Problem

There is a **lack of accessible process management information**. This makes it very difficult to understand whether improvements in guidance have a positive impact on process performance. Improvements in practices are further hampered by lack of clear, accessible and assured, process standards.

Impact

This results in 'best practices' not being effectively shared, opportunities for consolidated improvements are missed and the process is being applied inconsistently.

Potential Solutions

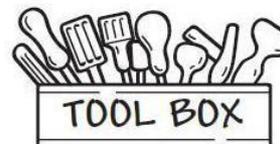
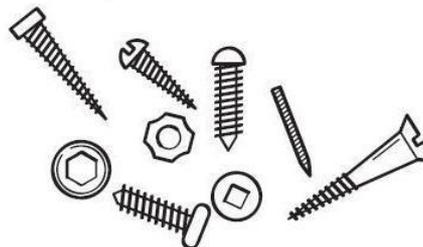
Web based common capturing process for procurement management information.

Application of 'Built In Quality' into the process design and controlled risk through proactive quality checking.

Assured process standards, frequently incorporating current best practice.

CURRENT STATE:

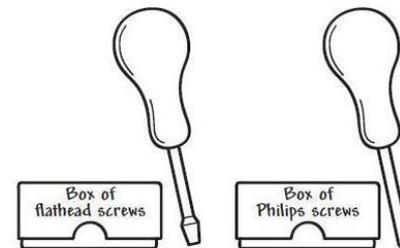
Lots of different ways of doing things all trying to achieve the same result



FUTURE STATE:

A common standard built from good practice that is clearly defined

In 1 place



The current **process design** results in each procurement **costing suppliers an additional £1.6m** more than in private sector equivalent procurements:



Situation

The Competitive Dialogue process, by its nature, requires extensive interactions with suppliers. These interactions are currently managed through a mixture of document exchanges and face to face discussions.

Problem

The current process design and management results in **duplicated requests for information**, suppliers being engaged for an unnecessarily long time and **SMEs being excluded**.

Impact

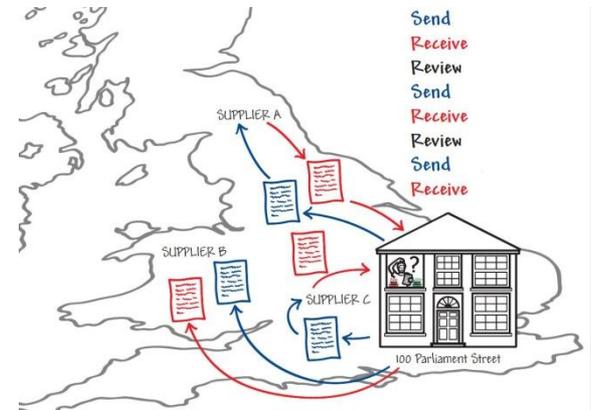
This results in avoidable resource costs to suppliers and unnecessary barriers to innovation being introduced.

Potential Solutions

Process standards to encourage open and constructive feedback to suppliers. This will enable early but appropriate supplier withdrawal.

Standardised (whilst flexible) information requests and Terms and Conditions.

A website for key facts to be maintained by suppliers.
simplification of larger, complex procurements into distinct requirements.



Future State'

	M		Tu		W		Th		F	
	AM	PM								
Supplier A										
Supplier B										
Supplier C										



In one department, £4.7m (82%) was spent on external resources, to supplement **internal capability**:



Situation

Government Procurers are predominantly focused on procurement within their own department, with little opportunity for wider sharing of best practice.

Problem

The current cadre of Procurement Professionals across Government **lack process capability and market knowledge** to run the process effectively based on existing and future demands.

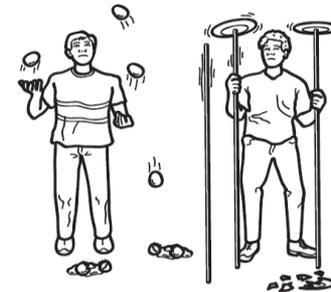
Impact

This results in incurred costs for government and suppliers and will have a negative impact on turnaround times.

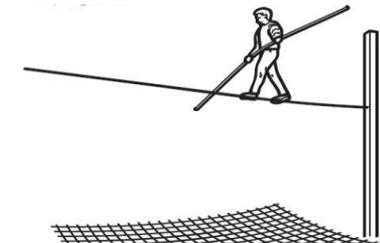
Potential Solutions

The formulation of an elite group of commercial professionals who are “licensed to source”, and with an injection of private sector skills transfer, will allow the development of Market Specialists and increased education for Procurers in Government. This will avoid the increased costs associated with the use of external Procurement Specialists.

CURRENT STATE:



FUTURE STATE:



Pre OJEU planning, with clear expectations, a transparent purpose and accurate phase timescales, will significantly reduce turnaround times:



Situation

It is typically a mandatory requirement that all large procurements be published on the Official Journal of the European Union (OJEU). There is often pressure to get projects visibly underway that results in a sense of ‘rush to OJEU’.

Problem

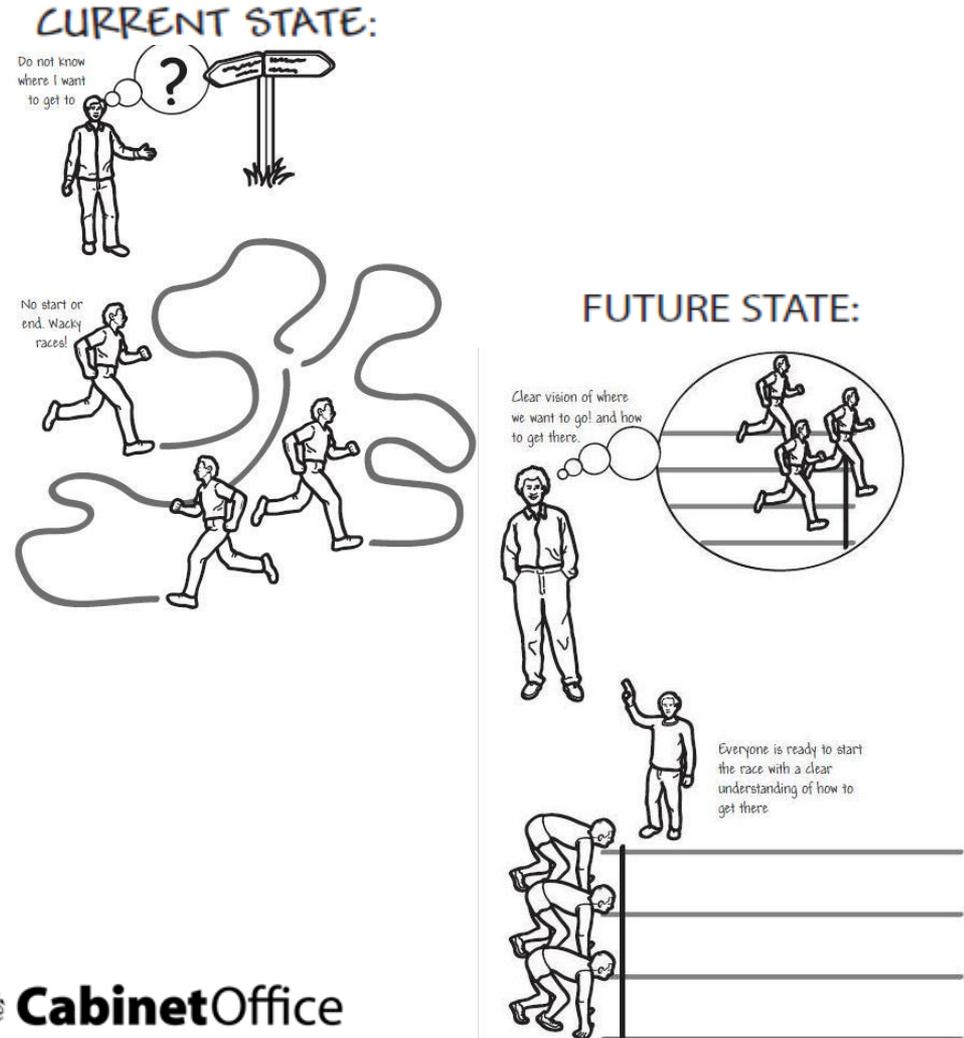
There is a belief that there is a **lack of upfront planning, transparent purpose and clearly agreed timescales**, prior to the OJEU notice publication.

Impact

This results in increased turnaround times and therefore increased supplier costs.

Potential Solutions

Thorough and upfront planning for the procurement, with clear expectations, transparent purpose and accurate timescales for all phases, will significantly reduce turnaround time and therefore supplier costs.



Approvals are highly **bureaucratic** with up to **6 approval boards**:



Situation

Central and departmental approval processes, seek to avoid unnecessary spend and avoid challenges from unsuccessful competing suppliers, through multiple approvals.

Problem

There is a belief that the current approvals process for **Procurement is bureaucratic** with too many layers, unclear remits and duplication.

Impact

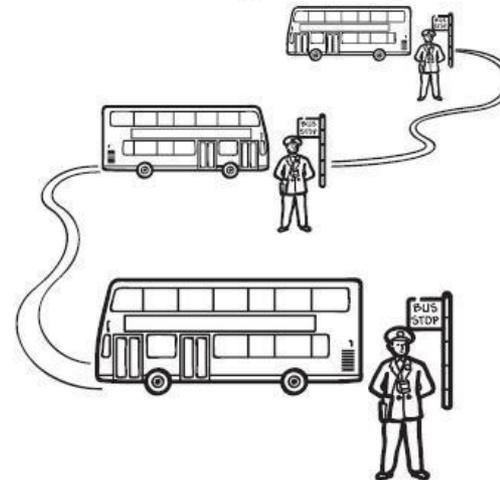
The result is increased turnaround times.

Potential Solutions

The Government approvals process for Procurement should be more proportionate, with fewer layers, no duplication and with clearer remits. The process should be less onerous, planned early to avoid excessive delays in the end to end time and its should include more concurrent working.

CURRENT STATE:

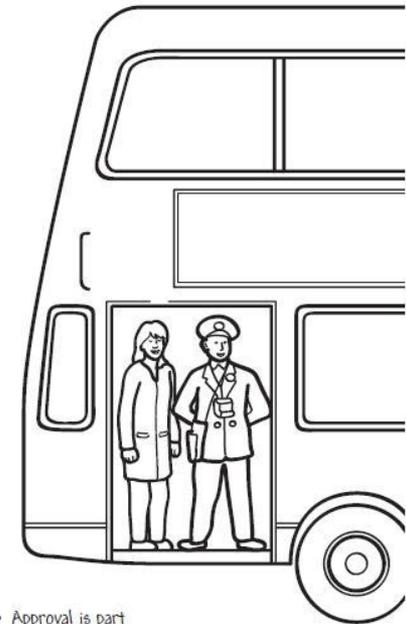
Our journey A-B, there are 10 bus stops along the route. At each stop we must get off the bus to seek approval to then go to next stop etc. making journey longer.



- Lots of approval steps in the process that stop progress and cause delay
- Different people approving different/same things.

FUTURE STATE:

'Build in' approval on the bus together



- Approval is part of slick process

Evidence has shown that there may have been a **misuse** of the Competitive Dialogue procurement route in **29%** of instances:



Overarching Hypothesis Statement

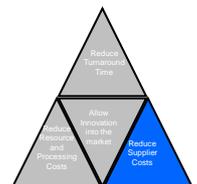
- There is a belief that the Competitive Dialogue process is **incorrectly used** for basic or commodity type procurements because there is no clear guidance around which type of procurement to use. This results in increased turnaround times and therefore increased costs for all.

Data

- Currently within the **UK 2.6%** of all Government Procurement is Competitive Dialogue, compared with **0.1% in Germany**. Percentage wise, the UK uses Competitive Dialogue more than any other EU state.
- Out of a sample of 210 Competitive Dialogue Cases (since 2006), 60 cases were identified where Competitive Dialogue may not have been the appropriate route of Procurement (in accordance with ERG Guidelines). This is effectively **29%** of all Competitive Dialogue cases where misuse has occurred.
- Supplier Anecdote: *"Competitive Dialogue should definitely only be used when you have no clear means of defining the solution – some people seem to be using it as a means of refining their requirements rather than doing proper market engagement and then using the restricted process."*

Potential Solution

- The introduction of a standardised Decision Tool to inform the 'Make, Buy or Internal' decision and 'Which type of procurement?' decision would prevent unnecessary spend and avoid the expense of running Competitive Dialogue.



Evidence has shown that there has been a **misuse** of the Competitive Dialogue procurement route in **29%** of instances:

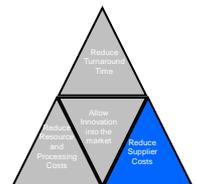


Enablers

- Improvement in market knowledge of procurement professionals through a robust, standard approach
- Early definition of procurement requirements
- Introduction of a standard tool to identify the most appropriate route to procure and priority of project
- Creation of a strategy to ensure the new standard is understood and used
- Introduction of a robust measure which captures the volume of use of each process and the results
- Introduction of a robust and appropriate assurance process, to make sure the tool is being used consistently and appropriately.

Benefits

- Per competitive dialogue, **around £800k of additional cost could be avoided by suppliers**, by using the Restricted process rather than Competitive Dialogue, where appropriate (Note – this figure has been apportioned across instances of Competitive Dialogues).



There is a belief that **process management** in public sector does not utilise private sector best practice and procurement takes on average **50% longer**:



Overarching Hypothesis Statement

- There is a belief that Government Procurement Processes are **not aligned with Private Sector** and do not draw on Industry Best Practices, resulting in increased turnaround times, increased costs for all and a poor quality service.

Data

- Data exists in the form of external specialist and consultancy costs where it was felt that **Departments did not have the expertise or experience** to bring best practice to the Competitive Dialogue process.
- Duration of complex procurement processes – **average 10 months Private and 15 months Public Sector**
- Monthly Bidding Costs – **average £70k Private and £130k Public Sector**
- Total Bidding Costs per Competitive Dialogue contract – **Average £900k Private and £2,500k Public Sector**
- Supplier Anecdote: "The cost to do business with the Government is significant, double the cost of that accrued in Private Sector – these costs are accrued in different parts of the process."
- 18 out of 21 key government suppliers confirmed that Public sector procurement is more expensive and / or takes longer than Private Sector procurement. The other 3 gave example costs for Public Sector bids but did not provide a comparison with Private Sector.
- A Private Sector procurement expert observed that until very recently Public Sector procurement won no CIPS awards, but noticed there has been an improvement recently where Public Sector examples have made it into the running for categories (other than the public procurement category) although no wins recorded as yet.

Potential Solution

- Horizon scanning for best practice across Private Sector would ensure that Government methods are both current, and aligned with Industry Standard.
- Transferring skills from the Private Sector through interchange with Government

There is a belief that **process management** in public sector does not utilise private sector best practice and procurement takes on average **50% longer**:



Potential Enablers

- Work with suppliers to identify and agree best practices
- Test best practices in Public Sector projects and monitor effectiveness
- Creation of standards and communicate across government.

Potential Benefits

- Reduced turnaround times by up to **50%** (further analysis required).

Current **process design** leads to duplicated information requests with **386 man hours** spent re-providing PQQ data:



Overarching Hypothesis Statement

- There is a belief that there is **duplication in Government information requests** to suppliers, between Departments and between documentation sent. This results in increased turnaround times and therefore increased supplier costs.

Data

- Supplier Anecdote: *"PQQ's are a classic example of this. On our last bid, we spent **386 man hours** on PQQ despite providing very similar information many times before."*
- There is an instance of two departments asking for similar information from the same supplier in different formats and also gave very different guidance for the length of replies, as a result:
 - Example 1 – 17,700 A4 sheets, 50 CDs and 10 emails were received
 - Example 2 – 15 emails were received totaling 2,325 pages
- Extract from Model Agreement & Negotiating Guide – published by ERG Aug 2009 – *"As with the PQQ, contract terms and conditions vary widely across Government. The model agreement is aimed at reducing the time spent on contract negotiations, which will generate savings for both Government & Industry."*

Potential Solution

- Procurement tools and templates (information requests, T&C's, websites) should be standardised across Government to avoid duplication in information requests to suppliers, positively impacting both on costs and turnaround times.

Current **process design** leads to duplicated information requests with **386 man hours** spent re-providing PQQ data:



Enablers

- Appoint a responsive central process owner for procurement standards
- Creation of a central standard questions database
- Creation of a strategy to ensure the new standard is understood and used
- Introduction of standard documentation library which will enable a common approach
- Introduction of robust, and appropriate assurance process to make sure the tools is being used consistently and appropriately.

Benefits

- Reduced burden on suppliers with associated supplier costs
- It costs a supplier approximately 125K to respond to a PQQ for Competitive Dialogue. Up to **50%** of these costs can be reduced by having annually updated data, for frequent suppliers.

It takes **50 hours** of reading to guide you through the **current process design**:



Overarching Hypothesis Statement

- There is a belief that Procurement Guidance is **not currently standard, clear or easily accessible** across Government which results in increased costs to suppliers and a poor quality service.

Data

- In just 4 departments, over **6000 pages** of guidance were found
- Based on this, it would take **100 hours to read** the guidance.

Potential Solution

- Guidance for Procurement should be standardised, clear, succinct and easily accessible across Government, resulting in a consistent service, and reduced costs to suppliers.

Enablers

- Appoint a responsive central process owner for procurement standards
- Introduction of a standard documentation library which will enable a common approach
- Introduction of an assurance process to make sure the tools are being used consistently and appropriately
- Creation of a strategy to ensure the new standard is understood and used.

Benefits

- Reduced costs for suppliers – further analysis is required to quantify.

Building effective and open feedback into the **process design**, would typically **save suppliers £1m**, assuming just 1 less supplier entered the Dialogue phase:



Overarching Hypothesis Statement

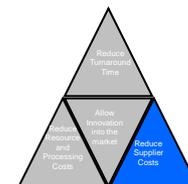
- There is a belief that **too many suppliers** remain in the Competitive Dialogue process **for too long** because there is no standard for giving feedback at specific points, resulting in increased turnaround times and therefore increased costs for all.

Data

- Supplier feedback supports this theory. Many suppliers stated that full and frank feedback at specific points helps them to make a decision to deselect, this avoids further unnecessary cost
- A Dialogue Phase on a major government procurement took 142 days to complete, of which **32 days were due to a repeat round** of dialogue
- One supplier stated that they were deselected at dialogue stage at a **cost of 100 man days**.
- Supplier Anecdote – *"we have a standard qualification process – win-ability, cost vs. TCV (Total Contract Value), relationship, capability and availability of resources."*

Potential Solution

- Clearly signposted exit points and full and frank feedback to suppliers will avoid additional costs for Government and Suppliers.



Building effective and open feedback into the **process design**, would typically **save suppliers £1m**, assuming just 1 less supplier entered the Dialogue phase:

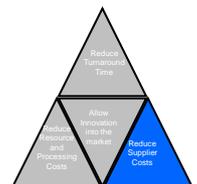


Enablers

- Introduction of clear standards on best practice for feedback to suppliers during the process
- Appoint a responsive central process owner for procurement standards
- Introduction of a standard documentation library which will enable a common approach
- Introduction of an assurance process to make sure the tools are being used consistently and appropriately.

Benefits

- Reduction in Supplier Costs of **£1m** (40% of £2.5m total spend on Competitive Dialogue process) per CD, based on just 1 less supplier being taken into dialogue phase – note, typically 7 suppliers are taken in the Dialogue phase currently.



By making the practice of “Simplification” a **process design** standard, the **likelihood of SMEs competing** would increase:



Overarching Hypothesis Statement

- There is a belief that Government does not simplify contract requirements which results in increased turnaround times and potentially **loss of innovation where SMEs are ‘locked out’** from independently bidding.

Data

- Department anecdote: *"You can structure your requirements so that SMEs can be used (you can lot requirements). We had two drivers for doing this – first to use SMEs if possible and also to get the best bidders whether they are SME or not. You need to be fair and transparent to all."*

Potential Solution

- “Simplifying” large and complex needs will support a reduced turnaround time and allow independent market entry for SMEs.

Enablers

- Introduction of an assurance process to make sure that tools enable common approach
- Development of market knowledge to enable effective Lots to be created for requirements
- Capture best practice for Simplification from Europe and standardise
- Creation of a strategy to ensure the new standard is understood and used.

Benefits

- Reduced barriers to entry, particularly benefiting SMEs.

An appropriate and effective **quality framework** built into the **process design** would **reduce re-work:**



Overarching Hypothesis Statement

- There is a belief that the **lack of quality checking** and assurance results in a poor quality service and increased turnaround times.

Data

- Supplier Anecdote: *"Do not be tempted to start dialogue too early before requirements are fully developed and the project team is **clear about what it is seeking from the dialogue process**, this will lead to unproductive meetings that do not progress the dialogue and ineffective engagement with bidders."*
- Supplier Feedback – *"the quality of documents is key – rubbish in, rubbish out."*

Potential Solution

- The introduction of proactive risk based checking and building quality into the process for each phase, will ensure greater confidence from suppliers and quicker internal authorisations. This will ultimately lead to a faster process with high quality solutions procured.

Enablers

- Introduction of clear standards on best practice for feedback to suppliers during the process
- Appoint a responsive central process owner for procurement standards
- Introduction of a standard documentation library which will enable a common approach
- Introduction of an assurance process to make sure the tools are being used consistently and appropriately.

Benefits

- Reduced turnaround times.

There is an inherent lack of **timely and relevant management information**, which impacts the government's ability to **process manage** effectively:



Overarching Hypothesis Statement

- There is a belief that the **lack of Management Information and data** across Procurement negatively impacts Government's ability to effectively manage and continuously improve process design. This results in a poor quality service, excessive turnaround times and therefore inflated costs for all.

Data

- TED (Tenders Electronic Daily) database inadequacy – out of a sample of 210 Competitive Dialogue Cases, **only 27** had contract notice and contract award dates recorded.
- Records from attempts to get data from one department during this Project Phase: 26 days, 9 emails, 5 telephone calls, 5 different answers.

Potential Solution

- A standard requirement and web based location for data capture and record keeping across Government Procurement Teams should be introduced to enable effective management and process design decisions. This is an enabler for ongoing improvements in both turnaround times and procurement costs. In addition, the use of effective visual management for procurement teams throughout Government to provide a **'line of sight'**.

Enablers

- Establish effective and relevant KPIs
- Appoint a responsive central process owner for procurement standards
- Creation of a robust MI framework
- Creation of a strategy to ensure the new standard is understood and used.

Benefits

- Reduced turnaround times and costs.

The current **Capability** of procurement professionals to carry out informed market research leads to a reliance on **costly external support**:



Overarching Hypothesis Statement

- There is a belief that the current cadre of Procurement Professionals across Government **lacks process capability and market knowledge** to run the process effectively, resulting in increased costs for all and potentially increased turnaround times.

Data

- Department anecdote: *"People should be seconded to the project and their day job backfilled. Subject Matter Experts should be used when needed. Their time should be planned in advance where possible."*
- Supplier Anecdote: *"Deploy a small focused team with clear direction, high levels of understanding and attentiveness to the outcome. This will result in far better outcomes than deploying a large but ill-equipped team."*
- ERG quote – *"We need to create a cadre of 'licensed' lean procurers. They will need to undertake a lean procurement academy and project to be passed off."*
- Supplier Anecdote: *"We need to maximise experience across projects by using those Project Leaders that 'had earned their wings' to mentor others."*
- When surveying 5 Procurement Professionals across Government, 3 strongly agreed and 1 agreed that 'the education of suppliers and departmental staff would reduce the turnaround time of Competitive Dialogue Procurement.

Potential Solution

- A "license to source" and supplier interchange programme will allow the development of Market Specialists and increased education for Procurers in Government, avoiding the increased costs associated with the use of external Procurement Specialists.
- The design and implementation of a robust Knowledge Management Framework to ensure capability is cascaded and spread across government.

The current **Capability** of procurement professionals to carry out informed market research leads to a reliance on **costly external support**:



Enablers

- Market specialists in place
- Creation of knowledge transfer framework
- Mandating the concept of licensed Lean procurement practitioners
- Creation of a lean procurement academy
- Creation of a strategy to ensure the new standard is understood and used.

Benefits

- Reduced resource costs
- Reduced turnaround times.

The limited **Capability** of central government to provide its own legal support, resulted in **£300K** of potentially avoidable cost in 1 case:



Overarching Hypothesis Statement

- There is a belief that Government Departments currently **lack the legal capacity** required around commercial matters and Contract Management to sufficiently advise the process, resulting in increased costs for Government.

Data

- External Lawyers at partner level cost over £250 per hour and internal government solicitors typically half this amount.
- On one large project, legal costs were £620k for 291 days of external Partner time. The same money spent on internal government solicitors, would have secured around 560 days.
- When surveying 5 Procurement Professionals across Government, 5 agreed that *"The commercial solicitor capability is limited in Central Government requiring contractors to be used for this role in Competitive Dialogue."*

Potential Solution

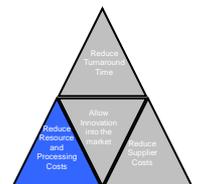
- The formulation of a Crown Cross Disciplined Pool of Procurement Legal Expertise is required in Government to avoid the increased costs associated with the use of external Legal Specialists.

Enablers

- Creation of a resource pool of lawyers with appropriate commercial experience
- Ascertain the level of resources required over the next 5 years, and recruit to meet the demand
- Ensure there is a knowledge management framework in place.

Benefits

- Reduction in cost of external legal support of **£300k** for complex competitive dialogues (based on 1 example).



Effective planning before publishing the OJEU notice, is a significant factor in reducing process turnaround times:



Overarching Hypothesis Statement

- There is a belief that a **lack of upfront planning**, transparent purpose and clearly agreed timescales results in increased turnaround times and therefore increased supplier costs.

Data

- When surveying 5 procurement professionals across government, 3 strongly agreed that clear ground rules need to be established at the pre OJEU stage, to ensure a slicker dialogue phase.
- The Dialogue Phase on one large procurement took 142 days to complete, of which **32 days were due to a repeat** round of dialogue stage.
- Supplier feedback from Intellect workshop question: In your view has sufficient thought been given to the information provided to you pre OJEU so enabling you to undertake activity without needing to ask additional questions? Example of responses:
 - "Too often initial notice is sketchy / too high level to qualify effective relevance"*
 - "Highly unlikely that we would ever get sufficient information. Need for greater flexibility within timetables e.g. Willingness to extend period for clarification when responses do not deliver clarity"*
- Department anecdote: *"Both suppliers and stakeholders would greatly appreciate up front & robust planning (for longer term dates articulate a date with a tolerance then refine as project progresses)"*.

Potential Solution

- Thorough and upfront planning for the procurement, with clear expectations, transparent purpose and accurate timescales for all phases, will significantly reduce turnaround time and therefore supplier costs.

Effective planning before publishing the OJEU notice, is a significant factor in reducing process turnaround times:



Enablers

- Adoption of Lean project management techniques
- Agree, articulate and publish requirements of each phase upfront
- Introduction of a standard documentation library which will enable a common approach
- Creation of a strategy to ensure the new standard is understood and used.

Benefits

- Reduced turnaround times
- Reduced costs to suppliers.

Early market engagement and upfront planning creates **Pre OJEU Readiness** which reduces **turnaround time and supplier costs**:



Overarching Hypothesis Statement

- There is a belief that a **lack of early work with suppliers** means that Government Departments are unable to articulate the requirements succinctly at OJEU, resulting in increased turnaround times and therefore increased costs for all.

Data

- Department anecdote: *"Prior to the OJEU a structured market engagement exercise should be undertaken. We did an extended market engagement speaking with well over 80 suppliers, across the globe, and held multiple meetings with many of them. This was very well received by suppliers and provided us with a deep understanding of organisations' capabilities and weaknesses (as well as a good understanding of pension administration)."*
- Supplier Anecdote question: What is your experience of Industry Days? Responses included: *"FCO ran supplier events, the preparation done for both events was outstanding. The events were informative and helpful in understanding what the requirement was. The events consisted of a series of Presentations and a Q&A session. The information provided was thorough and well thought out and structured perfectly. This is not typical across Government, this case was the 'exception rather than the norm' and quite often, not even the Business Case has been completed when the supplier events are run, let alone pre work and preparation."* & *"There was a bidder prospectus provided before the event (provided under separate cover). This is the best example of a bidder prospectus and provided all of the necessary pre-information."*

Potential Solution

- Thorough and upfront planning for the Procurement, with clear expectations, transparent purpose and accurate timescales for all phases, will significantly reduce turnaround time and therefore supplier costs
- Emphasis on structured industry engagement, with a focus being to refine policy into outcome definition, pre OJEU.

Early market engagement and upfront planning creates **Pre OJEU Readiness** which reduces **turnaround time and supplier costs**:



Enablers

- Guidance on requirements pre OJEU, standardised within the procurement community
- Introduction of a standard plan / time-table to be created and shared
- Introduction of an assurance process to ensure the team are ready to proceed
- Design and articulate Purpose, Outcome and Deliverables for Industry days
- Market specialists in place to support analysis and identification of potential suppliers
- Introduction of a standard documentation library which will enable a common approach
- Creation of a strategy to ensure the new standard is understood and used.

Benefits

- Reduced turnaround times
- Reduced resource costs
- Reduced costs to suppliers.

Numerous layers of **bureaucracy** result in significant delays to the turnaround time of competitive dialogue by more than **60 days** in some cases:



Overarching Hypothesis Statement

- There is a belief that the current approvals process for Procurement is **bureaucratic with too many layers**, unclear remits and duplication which results in increased turnaround times.

Data

- Department anecdote: *"Governance Boards must be made up of the right people and they should have clearly defined roles. Governance should be agreed early on in the process to suit the project."*
- Analysis has indicated there are up to **15 weeks of approval required by the centre**, on top of department approval.

Potential Solution

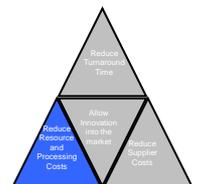
- The Government approvals process for Procurement should be more proportionate, with fewer layers and duplication, with clearer remits, less onerous and planned early to avoid excessive delays in the process end to end time.

Enablers

- Introduction of a Standard documentation library that will enable a common approach
- Undertake an analysis of who checks what, when and how, and agree a rationalised proposal
- Create and issue a criteria for approval at every level, to ensure this is built into procurement plans.

Benefits

- £120k associated cost reduction**, based on an example of approximately 20 days delay (this is conservative, as the average delay is greater)



Reducing the turnaround time to 135 working days, will require a significant change in process design and management:



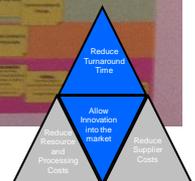
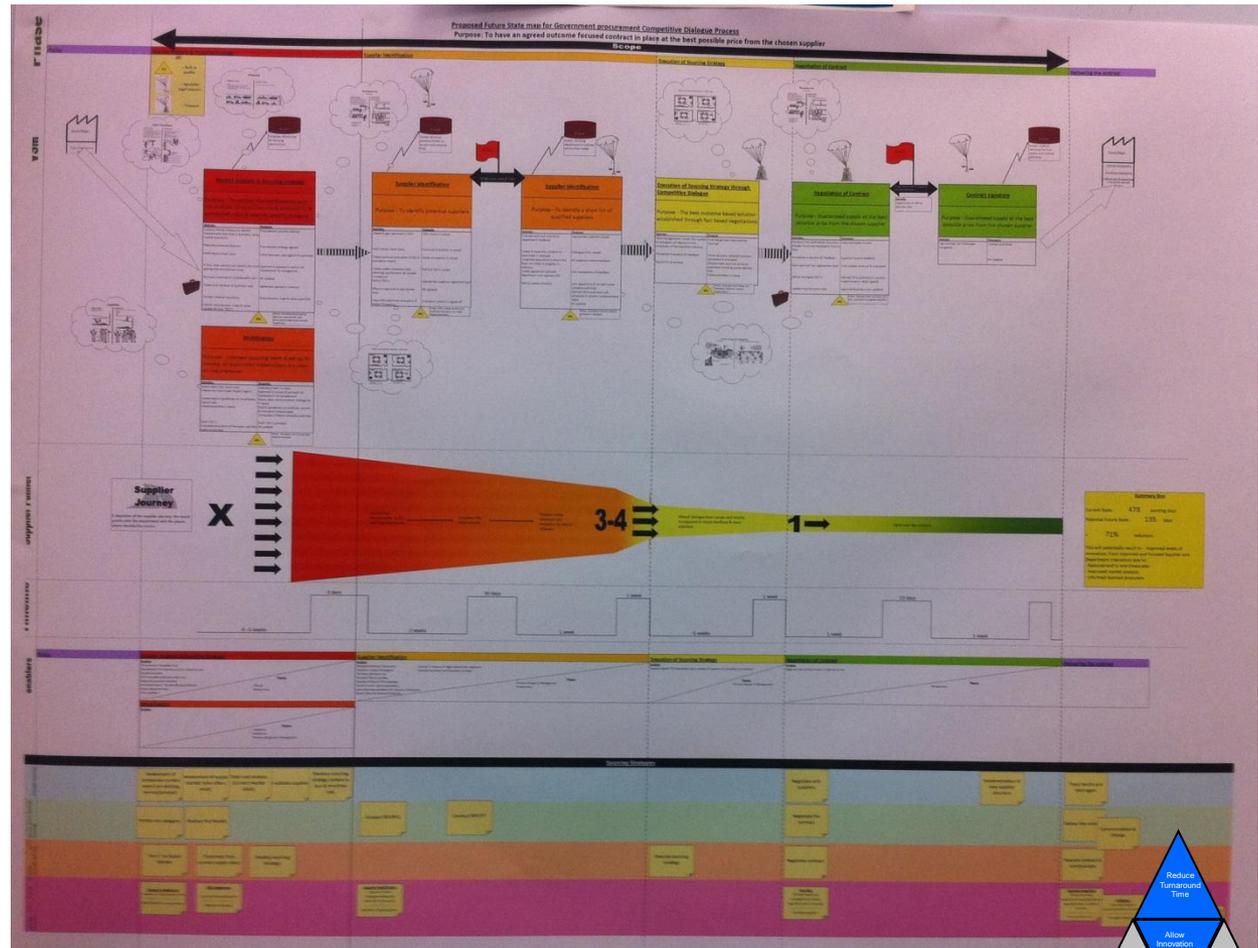
Potential Future State

Through the application of Lean Principles:

- Lean Project Management
- Visual Management
- Continuous Flow
- Built in Quality
- Standard Work

135 working day turnaround time is achievable.

- The right people with the right information, available at the right time in the right place...



Activity needs to be undertaken in each area to ensure the future state is achieved and the **benefits** are delivered:



Theme	Problem	Impact	Solution	Enablers
Misuse	Incorrect use of the Competitive Dialogue process	Turnaround times and associated costs	Decision tool to inform the 'make or buy' and 'which procurement type' decisions	Robust process to manage and assure standards
Process Management	Lack of process management information and effective assurance	Hampers process improvement	Common data capture source Build Quality into the process	Cross department collaboration and overarching role
Process Design	Duplicate information requests, SMEs excluded	Resource costs to suppliers Barriers to innovation	Standardised supplier feedback 'Simplifying' Requirements Annual PQQ Data input	Reduced risk aversion Market knowledge Universal supplier web capability
Capability	Lack of internal process capability and market knowledge	Costs of bringing in experts Turnaround times	"license to source" and supplier interchange	Knowledge management system
Pre- OJEU readiness	Lack of upfront planning, transparent purpose and clearly agreed timescales	Turnaround times and supplier costs	Upfront planning with clear expectations, transparent purpose and accurate timescales for all phases	Robust process to manage and assure standards
Bureaucracy	Bureaucratic approvals process	Turnaround time and associated costs	Proportionate , less onerous approvals, with fewer layers, clearer remits Early planning of approval dates	Adherence to timescales planned well in advance