Barriers to Best Practice Procurement -
How Can These Be Overcome?
Overview:

Public procurement is recognised as being a key enabler to delivering government policy and maximising commercial outcomes through public spend.

The UK’s public sector procurement spend amounts to more than £240 billion each year! This undoubtedly creates opportunities to deliver efficiencies and innovation – in addition to generating a positive impact on the economy and local communities by making the most of this buying power.

Barriers

Financial austerity: Despite the opportunity available to public organisations there is a continuing strain on public finances with a need to achieve ‘more for less’, creating a greater focus on cost led procurement strategies. These strategies can often lead to a loss of focus in other areas of delivering best value which in turn fails to maximise the opportunities of public spend and can impact on contract performance.

Lack of relationships: A major challenge experienced by the sector is to deliver effectiveness through better buyer-supplier relationships. This does not always exist which creates barriers through lack of communication; however collaboration can improve fluency and procurement results! A lack of market engagement at the outset of the procurement lifecycle and beyond creates a barrier to maximising procurement potential.

Internal communication: There can often be a lack of interaction between departments within organisations, this can impact effective risk management and creates barriers to procurement professionals becoming involved at the very outset when needs are being identified. A lack of procurement involvement at such a crucial time limits the potential to achieve the best commercial outcomes and to influence the strategy for contractual matters.

Public procurement legislation: Legislation can be seen as a barrier to best practice procurement, the risk of challenges against procurement processes can result in risk averse practices to ensure compliance is delivered. However, the unfortunate affect is this limits flexibility within the procurement process and in some cases stifles the potential to deliver significant levels of efficiency and best practice procurement.
**Over-specifying:** There can be a danger of over specifying Contracts and being far too prescriptive as to what should be delivered, rather than creating opportunities through outcome based specifications. Over-specifying can limit competition in the market place, put off more innovative suppliers and restrict public bodies from making the best use of the knowledge and skill set of the market.

**Brexit:** Despite anticipating that Brexit will not immediately impact public procurement in terms of applying the legislation, we are still yet to see the longer term impact of the UK leaving the European Union. However, the fall of the sterling and economic conditions following Brexit has already impacted supply chains. Costs have risen where goods and services are imported from overseas, meaning procurement professionals are trying to mitigate the impact of rising costs on their spend activity.

**How Can these Barriers Be Overcome?**

**Strategic input:** Procurement professionals must be involved in shaping organisation policies and procedures; this ensures that key commercial decisions can be influenced at a strategic level. With an increase in outsourcing, third party spend can make up more than half of the total expenditure of a public body - so can these organisations really afford not to have procurement influence at the very top level?

**Procurement involvement:** Procurement professionals must be engaged from the outset of the procurement lifecycle to ensure that decisions for public spend take account of the current market position and also consider alternative routes to market, external factors, commercial and business risks, and compliance. Early involvement provides the procurement function with the ability to influence and manage contractual relationships, supply markets and procurement processes in an innovative way. It also creates opportunity for commercial aspects of contractual arrangements to be suitably considered, developed and managed. Control and influence provides the basis for innovation and best value results to be delivered.

**Make best use of the legislation:** In 2014 the EU set out to modernise the directives having recognised that the public procurement market accounted for 20% of EU GDP. The modernisation had two key aims; firstly to extend the possibility of public organisations making better use of models such as whole life costing and the use of social and economic criteria within the award process. Secondly, the new directives set out to improve efficiency in public spending by simplifying the rules and regulations that governs them. Therefore the legislation actually creates opportunity to make better use of public spend rather than acting as a barrier to prevent this.

**Early market engagement:** In order to deliver what your organisation and customers want it is important to understand what the supply market can deliver - this includes understanding what problems you face and how suppliers can support you to deliver against them. It is important for public organisations to demand different requirements from suppliers and early engagement helps buyers understand how that can be achieved. Early market engagement helps to create better relationships with your supply chain and
can create opportunities for SME’s by giving them visibility of future requirements at an early stage – in addition to forming relationships with other SME partners.

**Leadership:** Create a strong vision within your procurement department and across the business about what can be achieved through clever procurement activity. Make sure you agree within your procurement department about what can be achieved e.g.: setting SMART goals that can be delivered through strong procurement leadership, team work and co-operation.

**Don’t be afraid!** There is a common misconception that looking at different procurement strategies, outcome based specifications, different cost models and creating opportunities to deliver wider impact through public spend all comes at cost. Former Minister for the Cabinet Office, Francis Maude, quashed this misconception and stated that efficiency and innovation should work in tandem, complimenting each other.

**Build procurement and commercial skills:** With the right skills, support and development of their procurement and commercial capability procurement professionals have the opportunity to secure value for money outcomes, deliver improved best practice procurement and exceed internal and external customer expectations across the full lifecycle of third party spend activities.

**Invest in your workforce:** At a time when public sector budgets remain under significant pressure, investing in procurement resource is key to delivering value against a £240 billion annual public sector procurement spend profile.

**Consider the wider impact of spend decisions:** Procurement can play a key part in delivering against other corporate targets and wider government policy. For example, the Public Services (Social Value) Act 2012 places an obligation on public organisations to consider delivering social impact through public spend. The procurement industry has the potential to create job opportunities and support training and skill building – whilst also contributing to education and delivering community initiatives.

**Decision making pathway:** There is widespread recognition that procurement is a key part to organisational success - delivering more than simple cost savings. However, having that recognition is not enough, procurement leaders should create a clear decision making pathway within their organisations that allows procurement professionals to make the right decisions and consider alternative procurement options.