‘Design... The purposeful move from a current situation to a preferred situation.’ – Herbert Simon

In 2010 the Associate Parliamentary Design and Innovation Group (APDIG) published a report critiquing government procurement practice as it related to design services. The main accusation was that government too often tried to buy design as though it were a discrete commodity, rather than a creative service, and that this seriously hampered the ultimate outcome for both buyer and supplier. This paper brings an update on the state of design procurement, including the results of an industry consultation conducted by our partners on the initial report, the Design Business Association.

The problem with discussing design procurement is partly one of definition. Design activity as it relates to the business of government can range from laying out a tax form or building a website, to developing an entirely new policy or service. Design consultancies could potentially be a feature of a number of government ‘rosters’ – from creative services to IT to manufactured goods. But additionally, the iterative nature of the design process is often a poor fit with static procurement processes. Changing the specification as you learn more about the situation isn’t common practice. However, in spite of presenting numerous difficulties in engagement, there are demonstrable benefits to bringing design expertise inside government, as the Design Council explain in their article here.

Since the APDIG published our first report on design procurement, we have had a new Government, and an overhaul of procurement practice from Whitehall. The Cabinet Office’s new procurement team have been making good progress, as we will hear from the horses’ mouth in our first article. Particularly of interest to design agencies will be the various measures aiming to increase the number of public contracts going to small business. On this front, there is a new SME Quarterly Review Panel, an expert advisory group of business owners, which includes, as of last autumn, a designer! The panel is currently working up action plans for an SME friendliness index for procurements, better pre-market engagement, encouraging consortia of SMEs to bid collectively, and improved understanding of different types of SME.

Inter-departmental communication is also something that has been identified as a real stumbling block – internally, and also by the Public Administration Select Committee. Their recent review suggested there is still a way to go in spreading good practice across government. Their critique was biting:

*The Civil Service shows a consistent lack of understanding about how to gather requirements, evaluate supplier capabilities, develop relationships, or specify outcomes.*

Perhaps that inter-departmental challenge might make a good strategic design project in its own right... Because ultimately, getting good design outcomes is at heart about good procurement behaviour. Indeed, a good design procurement may be the ultimate test of flexibility and sophistication in procurement, as our third piece suggests.

Some procurement facts
- ‘Government procurement’ refers to the awarding of contracts for public works and for the purchase of goods and services by public authorities.
- Government procurement represents 13.5% of EU GDP as of 2007. In the UK, the public sector spends £227 billion each year on procurement, £45 billion of which is spent by Whitehall.
- The EU sets the rules for procurement in its member states. This has historically caused some disagreement as states appear to differ in their application of the rules.
- In order to help maximise the potential benefits to the UK of public procurement, the recent Public Services (Social Value) Act 2012 was passed, requiring local authorities and other commissioners to consider how their procurement can benefit people living in the local community.
The Cabinet Office perspective

Sally Collier
Deputy Chief Procurement Officer

Over the past three years there has been a sea change in public procurement.

In 2010 public procurement was in urgent need of reform. Process had become king, a classic example of a means becoming an end in itself. Outcomes were often secondary, with Government frequently trying to second guess the market through complex specifications based on inputs, and requiring a level of information that was daunting for all but the largest firms to provide.

Procurement processes were meticulously executed, sticking to both the spirit and the letter of the law. Departments were operating in silos resulting in departments paying vastly different prices for the same thing from the same supplier. This created an environment of complex procurements (the average length of a procurement following the restricted procedure was 200 days). Not surprisingly, it was also an environment where large firms prospered - spend with SMEs was at a mere 6.5%, a staggering statistic when 99.8% of companies in the UK are SMEs and SMEs account for over half of private sector jobs.

This degree of complexity may have been justified if it had resulted in superb value for money for the taxpayer. However, it did not, it merely enabled suppliers to divide and rule. In 2010, the new Crown Commercial Representatives, senior commercial figures responsible for Government’s strategic relationships with large suppliers, saved a staggering £800m through renegotiating existing contracts. Sir Philip Green’s Review cast into stark relief the disparity in the prices being paid for common commodities.

Government has introduced a series of reforms to reduce complexity, and ensure that public procurement is achieving value for money and supporting growth. One of the key things business told us it wanted to see was greater certainty of Government demand and better visibility of as well as access to current opportunities. Government now publishes rolling pipelines of future demand, allowing industry visibility of what Government intends to buy in the coming years, meaning businesses can gear up to deliver what Government wants and shape the requirement during pre-market engagement prior to the opportunity being advertised.

All central Government opportunities over £10,000 are now advertised on Contracts Finder, and procurement documentation including awarded contracts is also published. Government has abolished Pre-Qualification Questionnaires for contracts below £100,000 in central Government, and has told departments to consider using the less burdensome open procedure by default. Where a PQQ is used, we have introduced a simplified, standardised, Pre-Qualification Questionnaire which departments must use. Government has also mandated LEAN sourcing principles requiring all but the largest contracts to be let within 120 working days.

The Government has mandated the centralisation of procurement, which is transforming the way central government departments procure and manage their supply of commonly used goods and services. A relevant example of this is the Creative Services Framework in the communications arena. Previously there were a plethora of communications frameworks in place with hundreds of suppliers, but only 20% of those suppliers actually did any business with Government. The Creative Services Framework launched in May, is estimated to save £3m a year and 14 of the 27 suppliers are SMEs.

We have also tackled the problem of departments being locked into large ICT contracts by putting in place a presumption against contracts over £100m and the introduction of G Cloud. G Cloud is an example of an innovative procurement procedure with frameworks let every few months so that SMEs aren’t locked out, and a very quick way for departments to source solutions at significantly reduced prices compared with their incumbents, with departments reporting savings from 50-90%. G Cloud III was launched on 6 May, with 83% of the 708 suppliers being SMEs.

One of the most significant developments for design and innovation is the Chancellor’s 2013 Budget announcement of an expansion to the Small Business Research Initiative (SBRI). 6 departments with significant opportunities to use SBRI will be expected to commit 0.25% of their procurement budget to SBRI competitions, rising to 0.5% in 2014-15. This is significant from a design perspective because responses to key problems facing the public sector will be marketed, rather than the solution being prescribed by the public sector body which was all too often the case in the past.

Despite these improvements there is still some way to go. We need to continue to drive up SME spend and ensure departments are adhering to the new ways of doing things. Following recommendations from the PM’s Enterprise Adviser, Lord Young of Graffham, we will also be looking at how best to introduce these reforms into the wider public sector, which despite pockets of good practice, remains rife with unnecessarily complex processes.
Procurement from SMEs, including small design businesses, can bring staggeringly better value for government. Small businesses tend to stimulate innovation, create a competitive spur by keeping costs down and value high and work flexibly to meet client needs. This is well accepted by larger companies, but government is not currently tapping into these benefits.

Whilst there has been some real progress on contracting more often with SMEs, particularly from the Government Procurement Service in the Cabinet Office, central government will need to almost redouble procurement from small firms to meet its own target of 25%.

We have repeatedly seen the impact small design businesses can have for government through our own work. In the past four years, the Design Council has supported over 30 public bodies on design-led projects in a wide range of areas including crime-prevention, the A&E experience, housing support and dementia. This has resulted in completely different approaches to the development and delivery of public services, to new product solutions, and to greater savings.

With the Department of Health we looked at deep-rooted healthcare problems in new ways. One project, the Design Bugs Out design Challenge, brought together varied expertise (designers, manufacturers, clinical specialists, patients and frontline staff) with the aim of combatting Healthcare Associated Infections (HCAIs). Design Bugs Out took into account a broad range of evidence (including, crucially, the patient experience) in the product development process. The result was a suite of hospital furniture which had a much lower risk of harbouring HCAIs. The Commode (pictured), one of the five products developed through this Design Challenge, is a simplified construction of the existing commode which makes thorough cleaning easier by reducing the number of constituent parts. The Commode is currently featured by NHS Supply Chain, the main procurement route for staff in the NHS, and is an example of where an innovative product has made its way into mainstream procurement channels.

Unfortunately, in our experience the Commode is an exception. Ode is another excellent product which was supported by our Living Well with Dementia Design Challenge, but is currently struggling with take up. Ode is a fragrance-release system designed to stimulate appetite in dementia patients by giving off food fragrances at mealtimes. Results from early trials in care homes show a real increase in appetite and eating, but it has been difficult for the team to translate these impacts into sales. This may be because Ode is a brand new purchase rather than a replacement for an existing product, which in this case suggests is a limited ability to procure new solutions through current mechanisms.

What are the barriers?
Whist the Commode provides an example of a new design-led product featuring in public sector procurement systems, this type of innovation accounts for a minute fraction of the £227bn per year that is spent on goods and services across the public sector. The vast majority of design businesses are SMEs and our experience shows that access is the key barrier for small businesses in trying to supply to government. The time and cost involved with the public sector tendering process is prohibitive, contracts can be difficult to find and supplier selection criteria are not always transparent. Track record also counts for a lot, making it difficult for new entrants to tap into government as a market. This process leaves many small businesses discouraged from even considering government as a client.

Lord Young’s recent report, Growing Your Business (May 2013), usefully points out the
potential for government in procuring from small suppliers, and makes a number of recommendations for addressing the barriers. His proposals include a set of 'single market' principles which all suppliers can expect when doing business with the public sector. This is particularly important for SMEs as the majority of those supplying to the public sector work with the NHS and local councils, which are viewed as the most complex public sector clients. Lord Young also suggests the removal of all Pre-Qualification Questionnaire’s (PQQs) for contracts below the EU threshold of €200,000, and better visibility for government work by placing all contracts on the Contracts Finder.

There have been some recent positive steps in this direction. Central government contracts under £100,000 no longer require a PQQ (although they continue to be used by other parts of the public sector), and contracts over £10,000 are now published on the Contracts Finder. Much progress has come from the Government Procurement Service, which is working to centralise and standardise government procurement across all departments. According to their own figures they delivered £760m of savings in 2011/12.

However against this general improvement there have been a few hiccups for design businesses. The announcement of the 'Creative Solutions, Execution and Related Services' framework by earlier this year resulted in complaints about access for creative businesses to government contracts. The framework specifies the suppliers which can be used for all government marketing communications work. Of the 27 chosen suppliers, 14 are SMEs. In the 'Marketing, Communications and Related Services’ section there are only 10 agencies on the roster and none of these are specialists in design (although design businesses could potentially be sub-contracted).

It is good news that streamlining procurement has been made a high profile issue by the Government Procurement Service, but there is currently a real limit to the number of creative businesses working with government, as the Creative Solutions, Execution and Related Services framework indicates. This means that whilst supplying to government can transform small businesses, only a fraction of creative businesses currently consider government as a client. Unfortunately, the vast majority of design businesses and agencies would not think that their skillset can bring real value to government and do not view the public sector as a market for their services.

What should change?
There are some signs of change in government perceptions of design. The profile of strategic design in particular is improving. Over the past year Whitehall demand for design-led coaching work has been increasing, and alongside our sustained coaching for public bodies the Design Council has delivered a number of shorter design training modules for policymaking teams. Speaking at the Despatch Box, Francis Maude, Minister for the Cabinet recently applauded the Restarting Britain 2 report, which talks about the benefits of design for government.

Greater awareness of the potential of design for government may help to inform procurement decisions but there is a long way to go in both improving understanding of where design can be of use and streamlining procurement across the public sector.

Small businesses help to bring new ideas to larger organisations, many adapt to meet client needs and work to keep quality high and costs low. The UK government is currently not tapping into the innovative and cost saving value in procurement which can be gained from working with small suppliers. To help SMEs, including design businesses, work with government, a consistent approach to qualifying, viewing contracts and payments for suppliers is still needed across all parts of the public sector. Government procurement is also not being used as an engine of growth in the UK. In the US, government purchasing power is used to stimulate emerging areas of the economy; whereas UK based SMEs typically do not have the capacity to approach government.

Lord Young’s report contains some interesting findings about the economic contribution and growth of small businesses to the UK economy; micro businesses account for 32% of private sector employment as well as 20% of private sector turnover and the number of micro businesses has increased by 40% since 2000. If small businesses are the lifeblood of the UK economy we should be making business with government easier for them, including design businesses.

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1 Growing Your Business, Lord Young May 2013, p20
2 https://www.gov.uk/contracts-finder
4 Restarting Britain 2, Design Commission, April 2013
5 Growing Your Business, Lord Young May 2013, pp7-8
We need to focus on ‘good’

Dr Emma Murphy Chisholm
Lecturer in Design Management, Lancaster Institute for the Contemporary Arts

Design. Creativity. Innovation. The 1980s saw a design consultancy boom, when the first design consultancy achieved flotation on the stock market. Since then, the design industry and its supporters (Design Council, Associate Parliamentary Design and Innovation Group, Design Business Association, British Design Innovation, Architecture and Design Scotland to name but a few) have been championing design; communicating its value and power, its role in creativity and innovation, and building an evidence base for why we should be investing in design. Reports such as the Cox Review in 2005, The Business of Design in 2005, and the Design Council’s Industry Insights report have been fundamental in articulating how design can deliver value for business, for the public sector; and for society as a whole.

Design delivers. If one were to assume that this message is becoming more widely understood (however this is not a given, and not by everyone), and that across sectors, organisations of all kinds now want to engage with design, how do they then go about procuring and commissioning it? Given the complexity, dynamism and breadth of design activity in the UK’s buoyant design industry, how can UK Government effectively procure such a diverse and dynamic, ever-evolving service in a way that delivers value to the UK taxpayer? Embracing a broader view of what constitutes “value for money” is key to this.

Anecdotally, when I worked in a design consultancy, I would often find myself in the position where, having invested a great deal of time and effort to develop a dialogue with public sector clients, I would hear the phrase “we’d love to work with you; so now we have to get through procurement”. The words no designer wants to hear, but all too often does. Let us not forget, good procurement is a skill in itself; knowing the market, how to engage with the market, how to ensure that tendering processes are fit for purpose; and commissioning more so. In fact, the APDIG, in their 2010 report identified the need for upskilling procurement as fundamental to the future of public services. “Buying” design – or indeed other public services – can no longer be treated the same as buying a paperclip. So design’s role is two-fold – to help the public sector re-imagine innovative procurement of their public services, and secondly, to help them understand how to procure design more effectively.

This paper focuses on the latter. Designers have come a long way in convincing the public sector what good design looks like, and how it can have an impact – but what does good procurement look like? What can we do to ensure that UK Government can procure design effectively and to make the most of the design sector, which Hutton referred to as the “most dynamic, and a world leading sector.” APDIG also highlighted the need for a change in procurement to make best use of this creative potential, reporting that “the public sector does not capitalize on this natural advantage. Government ought to support these industries through strategic procurement”.

So, if we are to even contemplate “good” procurement, where are exemplar cases of this happening? What are we aiming for? How do we know what “good” looks like?

My research is exploring this very issue, working with UK Government, microbusinesses, the BBC, Culminatum Innovation, PROUD, and Creative Exchange. We have found that in trying to imagine best practice in procurement, it’s not easy to stay on topic; given that up until now, the message has tended to focus on what good design

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6 Julier (2008)
7 Cox, (2005)
8 Design Council and Design Business Association (2005)
9 Design Council (2010)
10 Murphy (2012); Hutton (2007)
11 Cox (2005), APDIG (2010)
12 APDIG (2010)
14 APDIG (2010:12)
looks like, and not what good design procurement looks like.

Last September, Imagination Lancaster held a workshop to explore Innovation in Public Services. When those from industry started to brainstorm possible areas of inquiry, a sticking point was their experiences of procurement in the public sector. Storytelling focused on bad practice and negative experiences. Government has in fact encouraged this “whistleblowing” of bad practice with their Mystery Shopper site.\(^\text{15}\) My view is that we need to move away from this negative mindset, which is only reinforced by thinking within the present condition. We need to start imagining good. What does good look like? What does it look like now – and how could it look in the future?

Imagination Lancaster, through our £4m Creative Exchange Hub project,\(^\text{16}\) are currently working on a small pilot project to do just that. Using service design thinking, creative research methods such as prototyping, blueprinting, storytelling, Masterclasses and our Imagination Labs, we are seeking to uncover good procurement practice and to imagine the future of procurement. Our projects are currently defining indicators of what good procurement looks like, the conditions under which good procurement happens, and how we can embed learning into the process to enable UK Government to be more innovative and efficient in their approaches to understanding and procuring design, and in re-imagining procurement process.

Helsinki-based consultancy Culminatum Innovation, is currently working with local governments in the Helsinki metropolitan area, to re-design the procurement process so that it is more dynamic; providing efficient and effective ways of enabling commissioning and procurement teams to engage directly with their suppliers, to make informed commissioning decisions based on expertise and innovation, rather than who can do something for the least expensive price. Their innovative new procurement model also facilitates knowledge exchange between procurement and supplier, so that commissioning and procurement teams can build their knowledge of the market, and suppliers can build their knowledge of procurement protocol for future scenarios. Culminatum Innovation will present lessons learnt from prototyping and the latest version of this new model in a Masterclass with Imagination Lancaster later this year.

Given these two projects, and growing research activity in this area,\(^\text{17}\) what should we consider when forming research priorities for the future of procurement?

1. Effective design procurement is about good practice in procurement, not just good design
2. Whistleblowing bad practice is all very well, but design thinking can provide a way of re-imagining procurement beyond current conditions and mindsets
3. Design thinking can help re-imagine innovative procurement of services, and not just design services
4. Procurement should be a sustainable process that facilitates knowledge exchange between procurement and supplier, considers beyond cost, builds relationships between supply and demand, and gives government a closer proximity to market.

Finally, one challenge of our research is deciding on the most appropriate format for our research findings. Do we really need more guidelines or toolkits? How can we embed and disseminate this learning into the Commissioning Academy and at Local Authority level? Current possibilities include an interactive storyboard, an empathy game, a dynamic database of good practice that defines indicators and enabling conditions, and a set of catalyst cards.

Imagination Lancaster and Culminatum Innovation will be hosting two procurement Masterclasses later this year, and will publish a paper documenting their insights in autumn.


\(^{16}\) http://thecreativeexchange.org/

\(^{17}\) For example, MIOIR (2012); APDIG (2013); Arrowsmith and Treumer (2012); Blind (2013); Edler (2013)
Introduction
The Design Business Association is the trade body for design in the UK and our membership of 430 agencies and brands (buyers of design services) accounts for a significant amount of the fee turnover in the sector. In our capacity as representative of the design industry, the DBA asked a number of sources within the industry about their first-hand experience and views of the government’s current procurement processes for design. Their detailed responses can be found in Annex 1. They offer support to the current views held by the DBA.

The DBA View
- There is much confusion in the market about the ways in which the design industry can engage with Government. There exist numerous “paths” to public sector work with frameworks coming and going. Frequently, hours, days and weeks of time are invested in “qualifying” for frameworks and tenders that yield little reward let alone make up for the cost of the time invested in qualifying. The processes are time consuming and confusing. E-procurement systems often come under much criticism.
- There has been little industry consultation and GPS, while willing, appear to have no time, nor the mandate to review the process. There has also been criticism of the lack of expertise in writing tenders. The industry is willing to invest the time to get this right.
- Industry engagement in public sector work has been hard hit over the last three years and the Government’s reputation on procurement is likely to be the hurdle that most agencies now refuse to jump over for work.
- The very agencies that Government should be working with if it wants to innovate in its services to citizens, don’t need the work but have told us that it can be some of the most rewarding.
- Design intervention programmes that stimulate the use of design in SME’s and noticeably more successful when a mentor/expert is involved from an early stage. The industry feels Government needs to change its processes to bring in experts early to the process which would not compromise the procurement process that then followed.
- Generally, the scope of work required in any one framework/tender now actively discriminates against the mid-size specialist agencies.
- There have been cases where sub-contractors have had to be specified up front. The industry regularly sub-contracts specialist skills of photographers, copywriters, specialist programmers, translators, illustrators etc. It is unreasonable to ask for this list which might run to 30 or 40 sub-contractors early in the process.
- The EU tendering system, complex and designed for major projects is often used at national government level for tenders valued at less than the OJEU threshold. This is inappropriate, time consuming and discriminates against SME’s.
- A disproportionate amount of time is given the tendering process often leaving not enough time for the work itself. The value in sterling of the time spent in tendering processes by both Government and the design industry usually far outweighs the value of any contract. Fear of failure drives this process to want to demand unnecessary security in data.
- Contracts are still awarded on the “most economically advantageous tender” basis and not on proof of effectiveness and results.

Finally, we believe Government can drive no further cost-savings from its suppliers. What normally happens next is prioritisation—“if we can’t do all the work, let’s do the important stuff.” This flawed thinking needs to be stopped. Just perhaps there are people in industry who are capable of such service innovation that whole new ways of delivering services are possible. The Government has only to look to its own Government Digital Service to see the impact that design can have in the public sector.

The agency view
Lorna Dixon, Marketing Manager, The Team

“It does appear that currently the GPS considers the procurement of design as a commodity, driven by price rather than by quality and/or
effectiveness. It cannot be an easy task reviewing hundreds of agency applications for a roster, however, when looking to purchase design a review of the creative credentials or a deeper understanding of the profession would be a distinct advantage. It would be beneficial to all parties if the processes adopted by such intermediaries as the AAR, DBA and Creative Brief could be adopted by GPS. This process allows agencies to supply their commercial details in advance and builds a company profile with case studies for buyers to review on the intermediary portal. When a pitch commences agencies simply supply answers specific to the brief and not repetitive generalisations.

Although recently the GPS has improved, there is still limited communications between them and agencies making it harder to understand what the exact requirements are, as tenders are often inexpertly written. The GPS should be using the agencies to gain insight into what is going on in the marketplace, agencies are the experts on design and the GPS is in a position to tap into that knowledge. Additionally, we would suggest that involving private sector brands as advisers during the procurement process would benefit all parties providing a commercial perspective and explaining the return on investment that excellent creative work can deliver.

From an agency’s perspective the government does not appear, or appear to have the desire, to understand the value in paying for high quality design. The process of submitting the tenders is focused around purchasing services as cheaply as possible with e-auctions being mandatory to qualify for a framework or for roster allocation. Ultimately the effectiveness and quality of design is likely to be reduced as agencies make lower bids forcing them to offer less experienced designers. Many chose to opt out of the process altogether for this reason. In addition, good agencies with the skills and experience the government programmes need often turn down the opportunity to bid from the outset due to poor briefing, rationale and engagement from the procurement process itself."

**The stakeholder view**
**Views from a large supplier of consultancy and outsourcing services to the public sector**

“There are positive signs that the public sector is waking up to strategic design and the savings and improvements it can deliver. Departments are asking bidders to provide evidence of their customer experience, design, and user-centred approaches. This indicates that they want to hear from providers about what they can do. The challenge is in the how. Procurement places lots of constraints of how the process works. Both sides are feeling their way through this. Some of the sticking points are:

- Contracting design and innovation through the procurement process is very difficult. Public sector clients often want guarantees and certainty around end results, but design is abductive and not deductive. We don’t know the end result until we do the design work. We all feel this to be right, but it can be very uncomfortable for procurers. They want to get to the end of the bidding process knowing they have a guaranteed answer.

- The ‘business problem’ is clearly identified in the procurement process, so that only ‘answers’ are expected from the bidding organisations. This can be a problem if design research reveals that customers and service users have a different view of ‘the problem’. The adage ‘there are many solutions if you don’t know the true problem’ is useful here. Design thinking frames the problem, but the procurement process pre-determines it.

- The procurement process is about reducing risk, whereas design is inherently about risk – albeit managed risk through prototyping etc. The procedures and temperaments of procurement teams often don’t ‘lean into’ this risk-taking attitude. People frown around the room when you talk about the benefits of “failing fast and early”.

- Procurement is highly competitive so you can’t get close to the customers and staff required to do good creative design. However the expectation is that bidders will demonstrate good creative designs during the bid process, to evidence how changes will be realised over the contract term. In a design industry where increasing numbers of agencies are refusing to do creative during the pitch process, it is unclear how this position translates to the procurement process, and how public sector expectations can be managed.

So where can we look to for best practice?

Some of the Scandinavian countries are probably much more amenable to these things. They have a stronger heritage of design in their DNA, meaning that people know what to expect. Design for Public Good has some good examples. Our organisation has done a good job of selling design – often where it wasn’t initially asked for, but where it made sense in the bidding process.”
The Associate Parliamentary Design and Innovation Group is a forum for open debate between Parliament and the UK’s design and innovation communities. To find out more visit www.policyconnect.org.uk/apdig

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Co-Chairs: Barry Sheerman MP, Gavin Williamson MP;
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