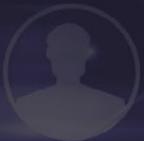




IS PROCUREMENT GOOD BUSINESS?

Social value, supply chain management,
legislation and innovation in the current
procurement landscape



Introduction

Of the major themes affecting procurement, three of the most pressing are social value, ethical supply chains, and the relationship between legislation and innovation. Aside from specific political events, these three themes are perhaps the major issues that have the potential to reshape how procurement is practised across the UK in the near future.

Social value has been a [legal requirement](#) for any procurement exercise since 2012, but it remains an often vaguely understood term. Despite a [Government review](#) in 2015 which recommended that “[the] measurement of social value needs to be developed,” there is still little specific guidance as to what measures organisations need to implement to fulfil this requirement. However, this leaves organisations with the flexibility to define ‘social value’ in a way that is most fitting to their industry and their way of working. In any case, social value is only set to become more important, since both the Government and service users are increasingly aware of, and concerned by, issues such as sustainability and workers’ rights. A [consultation](#) on how Government should take account of social value when awarding contracts closed on 10th June. Businesses that merely pay lip service to social value therefore stand to be left behind in a competitive market that is focussed on more than just price.

The related but distinct issue of supply chain ethics will also become increasingly important to businesses, governments and the public. It is important that organisations consider not only their own practices, but also their entire supply chain, and how it addresses – or does not address – moral issues such as modern slavery and corruption. Like social value, these are issues that will increasingly drive buyers’ decisions whether to work with businesses. Ensuring a robust and ethical supply chain also extends to business concerns such as paying suppliers promptly or working with SMEs, which can be crucial to local economies. These issues are important to buyers, particularly given recent changes to legislation surrounding how suppliers work with SMEs – read on to find out more.

Procurement legislation may appear an esoteric concern, but it affects how organisations do business and may seem to stifle innovation in procurement. However, legislation can be a source of benefit to procurement. Particularly when working across different sectors, legislation provides a single framework within which to work. Without this, innovation may well flourish, but at the expense of clear standards and shared priorities.

All of these themes were among the major talking points at Procurex National 2019, the flagship event in the UK public procurement calendar. Procurex National 2019, held at the National Exhibition Centre, Birmingham on 30th April, saw over 1400 delegates from across the public, private and third (charity) sectors attend to network, collaborate and join keynote and training sessions covering some of the most pressing themes for contemporary public procurement.

The clear message from attendees and expert speakers at Procurex National is that legislation, like social value and ensuring an ethical supply chain, can prove to be a source of opportunity to procurement. Rather than stopping competition or innovation, or enforcing arbitrary boundaries, all three key themes can in fact make for better business.

This report draws on expert opinion represented at Procurex National to discuss social value, supply chain ethics and the relationship between legislation and innovation, and how these three themes are shaping contemporary procurement.

Social value



Delegates enjoyed a range of well-attended talks throughout the day at Procurex National

“As a business, we have activities that have an impact on people’s lives, and that’s what social value is all about. It’s about how, as businesses, we can understand that to measure and manage the impact we have on people’s lives.”

Ben Carpenter, Social Value UK

According to a 2018 [survey](#) conducted by iGov, social value is the factor that has the highest impact on procurement strategies, with 85% of procurement professionals stating that social value had a ‘high’ or ‘medium’ impact on their strategy. At this year’s Procurex National, the ‘Get Strategic with Social Value’ session, led by Ben Carpenter of Social Value UK, was among the best-attended sessions of the day. There is thus clearly an appetite for businesses to understand how to integrate social value into their procurement strategy.

However, it can remain unclear what precisely ‘social value’ means for organisations and the procurement industry as a whole.

Social value may mean a commitment to environmental issues in procurement, for example ensuring sustainable or low-carbon practices are prioritised. But social value can also encompass elements that are ‘closer to home’ for businesses. At Procurex National, both Mr Carpenter and Simon Tse, CEO of the Crown Commercial Service, highlighted the fact that companies treating their employees well is a type of ‘social value’. Paying the living wage to all workers, for example, contributes both to employee wellbeing and the local economy.

Malcolm Harrison, CEO at the Chartered Institute of Procurement & Supply, emphasises that it is a misconception to think that social value is only important in local government procurement. Social value has become increasingly important for central government, national governments around the world, and the private sector too. Similarly, Mark Roberts, Continuous Commercial Improvement Director at the Cabinet Office, noted that *“A number of organisations – not just in the public sector – are stressing the need for social value. This is something we [at the Cabinet Office] need to learn about from a variety of stakeholders.”* Social value needs to be considered in all procurement exercises, not only large-scale procurements with central government.

Mr Harrison stresses that, for social value, *“It all starts in terms of leadership”*. Similarly, Mr Carpenter suggests that it is vital to have board-level buy-in to allow for effective social value. It cannot simply be something ‘added on’ as a final consideration in a procurement exercise; to be effective and meaningful, social value needs to be central to the entire organisation’s way of doing procurement. This is true across sectors. At Procurex National’s partner event, the UK Infrastructure Show 2019, Adrian Hill, Director of Operations at Scape Group, similarly urged that social value needs

to be embedded in projects themselves. Mr Hill invited delegates to consider investing in communities rather than projects, and ask what community is served by construction projects. Social value is therefore not simply an additional ‘benefit’ of procurement projects, but something integral to the very nature of the projects undertaken. *“Focus on outcomes, not just outputs,”* was Mr Hill’s recommendation.

While Mr Hill’s guidance may seem to have most relevance to large-scale infrastructure projects, it is just as possible – and just as important – for organisations throughout all sectors to ensure that ‘social value’ is integral to the services they carry out every day, rather than an optional extra to the procurement process. Therefore, suggests Mr Carpenter, organisations need their own, shared vision of what ‘social value’ means to them. The same things may not be important to all companies. Allowing companies to deliver on something that is important to them will enable them to deliver it more effectively, and to make it central to their procurement strategy.

Social value is only set to become more important to buyers, businesses and end users increasingly concerned with issues such as sustainability. However, legislation arguably lags behind the needs of the market here. As Mr Carpenter points out, there is little consistency in measuring whether, or how, ‘social value’ is delivered. Moreover, despite it being a legal

“It all starts in terms of leadership.”

Malcolm Harrison, CEO, Chartered Institute of Procurement & Supply

requirement, scrutiny as to whether businesses deliver ‘social value’ in terms of the Social Value Act, and consequences if they do not, are lacking. See below for other ways in which legislation affects contemporary procurement.

The final message is that, whatever ‘social value’ means to an organisation, it is not, as Mr Carpenter makes clear, the same as ‘corporate responsibility’. Social value needs to be written into every step of the procurement exercise. In fact, it is increasingly important for ethical practices to be thought about at every step of the supply chain.



Malcolm Harrison at the Public Sector Solutions Live stage at Procurex 2019

Ethical supply chains

Although 'ethics' might seem like an abstract idea that will rarely be relevant to public procurement, it is increasingly important throughout the procurement industry and the entire supply chain. As Mr Harrison stresses, "**choosing an ethically responsible supplier is incredibly important**" – to end-users, stakeholders and even potential employees. "**People are thinking about who they're going to work for based in some part on the ethical reputations of those organisations**", says Mr Harrison. Ensuring ethical procurement is more than just 'good PR' for companies – it can contribute to the amount of business companies receive.

Given that procurement exercises can involve complex relationships between many different organisations, there is potential for many unethical practices to become involved somewhere in supply chain. These can range from illegal activities such as modern-day slavery and corruption, to broader issues such as disregard for the consequences of climate change. Even if a company is ensuring good practice themselves, it is perfectly possible that their supply chain involves an organisation engaged in unethical working practices. These issues are as relevant to exclusively UK-based supply chains as those that work internationally – for example, the **Government estimates** there are around 13,000 people working in slavery-like conditions in the UK.

Yet, given the complexity of supply chains, it may seem difficult for organisations to recognise if such issues exist, let alone know how to tackle them. Mr Harrison recommends continually developing knowledge of issues such as human rights and sustainability, as they apply to individual industries, and then applying that knowledge to professional life – "**fostering awareness in all business relationships**".

Undertaking due diligence on all working relationships is also essential. If unethical practices are discovered, Mr Harrison suggests that while it is of course important to report them as legally necessary, where possible, buyers should work with suppliers to ensure their supply chains are as ethically robust as can be – helping them realise which issues are important and how to solve them. Ideally, buyers can help suppliers "**to look again**" and improve their supply chains. Mr Harrison points out that certain sectors have especially good representation of "**social enterprise suppliers**", naming areas such as printing, stationery, and cleaning and venue hire services as good places to start for organisations looking at improving this element of their supply chains.



Malcolm Harrison, Simon Tse and Claire Smart at Procurex National 2019



- ▶ **Over 1400 delegates**
- ▶ **30 free training sessions**
- ▶ **6 Public Sector Solutions Live speakers**
- ▶ **4 Networking & Collaboration Zones**
- ▶ **4 Skills Development Zones**
- ▶ **Product Showcase Exhibition**

Supply chain ethics can also be a question of where companies chose to do business – and this can intersect with efficiency too. As Mr Tse puts it, "**Financial savings are important but the real value of what [procurement professionals] do is freeing up scarce resources to be used elsewhere**". Mr Tse gave the example of how a saving of £1200 in a procurement exercise can be incredibly valuable if that money is reinvested in a small school in a rural area. Contributions to local economies can be an essential element in ethical supply chains. While it may seem that public sector organisations face many challenges thanks to "**pressure to deliver more for less but in an ethical way and support local economies**", Mr Harrison insists that "**you can still deliver value for money while embracing social value and the local economy agenda**".

Working with SMEs is an important way for larger organisations to ensure they are contributing to money being spent in particular areas. Mr Tse reiterated the commitment of the CCS to increase the number of SMEs being brought into procurement exercises. The Government has pledged that by 2022, a third of Government spend will be with SMEs.

However, simply contracting SMEs is not enough – buyers need to show that they are treating smaller companies fairly. Mr Harrison claims that certain large organisations "**balance the books**" by deliberately delaying payments to some of their smaller suppliers. This is quite simply "**ethically wrong**", says Mr Harrison. Therefore, the Government is doing more to lead by example, aiming to pay 90% of its undisputed invoices to SMEs within five days. From September

2019, processes will become stricter. Large suppliers that bid for government contracts valued at above £5m a year who cannot demonstrate that they are paying 95% of their invoices within 60 days stand to be excluded from future government contracts.

Many speakers at Procurex National welcomed the proposed legislation, with Mr Harrison saying that the prospect of being denied future contracts "**will make people wake up**". Mr Roberts pointed out that "**we live in the most transparent age ever in history**", meaning that if companies are not paying on time, it can easily be made clear – and potential customers will react.



Celebrating Excellence in Public Procurement

Held on the evening of Procurex National, the UK National Government Opportunities Excellence in Public Procurement Awards (GO Awards) celebrated the best in all aspects of UK public procurement. Social value and ethical supply chains were among the major topics of discussion – and reasons for recognition.

To enter your procurement project or team for this year's GO Awards Scotland or GO Awards Wales, or to discuss sponsorship opportunities, visit:

goawards.co.uk



“The key part of social value is ‘value.’ Value is determined in many different ways and for us, the value that we add to the communities we serve across Scotland is our legacy. The impact of the work we do will go on much further than the scheme and the programme. Social value is where the legacy and the impact will be really felt.”

Ross Armstrong, Warmworks Scotland
 Winner of GO Best Service Award
 (Medium and Large Organisations)



“Graham Farrans is aware that social value is really crucial. So we have worked with the Central Procurement Directorate from the very beginning of this project, and the Strategic Investment Board, to ensure that £160m of public spend is going back into the NI economy through innovative employment schemes created through the criminal justice system, [and] also through education and [investment into] STEM.”

Vicki Johnston, Graham Farrans Joint Venture
 Winner (with the Department for Infrastructure and AECOM)
 of GO Social and Community Benefit in Procurement Award
 (Other Organisations)



“Suppliers play a crucial role in helping the Bank of England deliver its mission and critical functions such as regulating city firms, printing bank notes and settling trillions of financial transactions each day. So ‘procurement’ at the Bank of England is more than simply the name of the central team. In the same way that our HR team help managers to get the best from our ‘people’ talent, the Central Procurement Team help suppliers and contract managers to get the best from the Bank’s supplier talent.”

Peter Quinn, Bank of England
 Winner of GO Procurement Leadership of the Year Award
 (Central Government & Healthcare Organisations)

Getting ahead in public procurement

Public procurement can seem a complex and competitive field at any time. For suppliers, the further complexities posed by the factors described in this report could seemingly serve to make tender success even more difficult to guarantee than before. For buyers, ensuring a robust supply chain that includes the suppliers best equipped to deliver social value can similarly seem to bring further complications.

However, as this report has aimed to show throughout, social value, supply chain ethics and legislation can be sources of opportunity for organisations that know how to react and how to position themselves. With 35 years of experience in public procurement, BiP Solutions knows the marketplace in depth, and so we share some tips below as to how BiP can help your business reap maximum benefit from engaging with social value and supply chain ethics.



SMEs: find the right opportunities

As this report has shown, there is a real keenness among buyers to work with SMEs. However, SMEs can face the challenge of how to make themselves known, and how to respond to the most appropriate opportunities for their business.

BiP's specialist [Supply2Gov](#) tender alerts service allows SMEs to be alerted to upcoming opportunities. Supply2Gov has the UK and Republic of Ireland's largest database of public sector contracts, even publishing more tenders than the Government's own national contracts services. The tender alert service also offers SMEs that are new to public sector tendering a suite of educational content through its Tender Ready Toolkit (available after registration). Supply2Gov accommodates to all opportunity coverage levels, whether a business is looking for tenders across the whole of the UK – available for flexible monthly payments – or a local area of their choosing, free of charge.

Originally created for the delivery of the London 2012 Olympic and Paralympic Games, [CompeteFor](#) exists to deliver sustainable and measurable economic growth and community benefits through the 'opening up' of major supply chains arising from capital expenditure projects. This affords SMEs and local businesses access to opportunities that were not previously as readily available. Aiming for transparency of opportunities through the entire supply chain, CompeteFor's free service enables businesses to compete for contract opportunities linked to major buying organisations in both the public and private sector – increasing the diversity of organisations participating in the supply chain, and ensuring ethical transparency throughout.

By having oversight of the opportunities that are best suited to them, SMEs can help themselves stand out in a marketplace that is increasingly looking to bring them into the supply chain.

Major suppliers: show your credentials

For suppliers looking to win more business in the public sector, positioning themselves as able to deliver on social value will help set them apart from other potential competitors. It's therefore crucial that suppliers emphasise this element in their responses to tenders to help buyers take notice of them.

By helping you understand the marketplace in depth, BiP Solutions' range of business intelligence tools can allow you to respond to tenders in the way that will help position you as equipped to deliver multiple types of value. [Tracker](#) is a detailed business intelligence solution that offers access to the largest public sector tenders and awards database in Europe. Details of previous contracts, accessible through features like Spend Analysis and Archive Data, can help businesses understand what buyers are spending where and who they have done business with before – allowing for a better understanding of what social value elements you can emphasise to fit in with buyers' requirements, or to set yourself apart from other suppliers.

Talking to buyers ahead of tenders being drawn up – early engagement – will allow you to have a better sense of what buying organisations are looking for and show them how your solution can help. Building buyer-supplier relationships can allow organisations to position themselves as known figures in the marketplace, and even help shape tenders. The range of digital marketing solutions offered by [Market Engagement](#), drawing on extensive data communities to target specific decision-making contacts, can position suppliers in front of buying organisations

earlier. This allows for conversations that make it easier for organisations to demonstrate they can offer the qualities that buyers are increasingly looking for – social value, ethical integrity and innovation.

Offering unparalleled oversight of the marketplace, Tracker and Market Engagement will give suppliers all the information they need to understand the public contracts landscape in depth – and thus what to emphasise in their tender responses.



“We recommended to suppliers that they need to ensure they are set up to deliver on demonstrating social value in their bid responses to remain relevant, stand out, and therefore gain potential competitive advantage.”

**Susan Staley, Head of Digital Marketing,
BiP Solutions**

Buyers: ensure you're managing your supply chain effectively

As this report has shown, organisations need to ensure that they are taking social value seriously – but also that they are seen to be working with companies that take it equally seriously. Serious reputational damage and a loss of custom may be consequences of including 'unethical' companies in your supply chain.

BiP's e-sourcing tool [Delta](#) is an all-in-one solution allowing buyers to manage every stage of the procurement process and supply chain. The Tender Management tool facilitates sharing and storing information throughout the entire tendering process,

meaning it can be easier to specify social value requirements in tenders and cross-reference responses. Meanwhile, Delta's Supplier Management tool allows for closer and more detailed interactions with both new and existing suppliers from a central hub – meaning more transparent work with local suppliers. All of this makes it easier to check suppliers' credentials and to ensure the local economy agenda is being fulfilled. Above all, Delta aims to make managing the supply chain from end to end easier – meaning greater clarity on the issues that are important to buyers and service users.

Legislation and innovation



Claire Smart at the Public Sector Solutions stage at Procurex National 2019

New legislation such as the need to pay suppliers within 60 days will undoubtedly be welcomed by SMEs. However, procurement legislation can often seem to pose a challenge to successful procurement and to innovation.

Yet one of the messages from Procurex National was that legislation can actually help foster innovation in procurement. Among the speakers was Claire Smart, Procurement Director at the National Trust, whose talk covered what charities and the public sector can learn from each other in terms of procurement. Ms Smart noted that, although legislation such as the requirement for publication in OJEU and the possibility of FOI requests can occasionally be frustrating to those working in public procurement, in the charity sector, where such legislation does not apply, there is *“less for procurement people to pin their hat on”*. With multiple competing foci, as opposed to working within the confines of legislation such as that relating to OJEU, it can be harder for those working in procurement to *“convince”* others of the value of their work. While this means that procurement workers in the charity sector need to learn other types of influencing skills – something Ms Smart recommends that the public sector could learn – it also means that legislation can actually make public procurement easier.

“Rules can distract but they also professionalise”

Claire Smart, Procurement Director, National Trust

“Rules can distract but they also professionalise”, points out Ms Smart. However, she also urges that procurement is not simply a case of applying legislation to a particular situation. Ms Smart is a keen advocate of procurement professionals driving policy and setting the direction of organisations. This is a question of both leadership and innovation. On leadership, Ms Smart reminded the Procurex National audience several times that *“people follow people, not rules”*, meaning that culture change comes not through legislation or rules – *“what people do when they think someone is watching”* – but through encouraging pride in work, and changing the way people think. It is a mistake to think that the sole job of a procurement function is to save money, insists Ms Smart. Evoking social value once again, she said that *“it’s not all about savings – it’s so much more. It’s important to know what’s important to your company.”*



Delegates attending Mark Roberts' talk at the Public Sector Solutions stage

Above all, social value, ensuring a robust, ethical supply chain, and legislation can be opportunities for procurement and business. Together, these three topics can drive innovation in procurement, boost business and allow organisations to achieve procurement excellence. On one hand, as Mr Harrison says, *“The challenges facing the [procurement] profession are so much broader today than they were 25 years ago. Sustainability, ethical sourcing, ensuring that supply chains are not just effective and efficient but also transparent and*

free from modern-day slavery – all of that requires a much broader skillset from professionals working in procurement and supply”. However, organisations equipped to rise to these challenges stand to benefit immensely, and it is the procurement function that will lead the necessary changes. Claire Smart’s message to procurement professionals is that procurement is no longer focused just on cashable savings – *“it’s so much more. You’re leaders”*.

“People follow people, not rules”

Claire Smart, Procurement Director, National Trust



INNOVATE • EDUCATE
COLLABORATE

29 OCTOBER 2019
SEC GLASGOW

FEATURING



Scottish Government
Riaghaltas na h-Alba
gov.scot



FIFTEENTH
NATIONAL
PROCUREMENT
CONFERENCE 2019

INCORPORATING



INNOVATE • EDUCATE
COLLABORATE

12 MARCH 2020
RDS DUBLIN



CYMRU
ARLOESI • ADDYSGU • CYDWEITHIO
WALES
INNOVATE • EDUCATE • COLLABORATE

MARCH 2020
MOTORPOINT
ARENA CARDIFF

FEATURING



GWOBRAU AWARDS
CYMRU WALES



INNOVATE • EDUCATE
COLLABORATE

22 APRIL 2020
NEC BIRMINGHAM

FEATURING



www.goawards.co.uk

for sponsorship or exhibition enquiries contact
exhibitions@procurexevents.co.uk



0141 332 8247



www.bipsolutions.com