

Business to Government Research Project Report  
**Best Practices in Customer Relationship  
Management in the B2G market**

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## 1. Executive Summary

The public sector is the biggest market for goods and services in the UK but also the most complicated. There are government initiatives to streamline the processes for procuring private sector products or services and a great deal of focus on how to achieve the best value for money. This has led to efforts from both public sector and industry to establish better ways of working together and identifying “best practice” performance.

Different approaches to Key Account Management in the B2B sector have been well researched and documented but little academic work has been done to identify the most effective way to build relationships in the B2G sector. The increased importance of B2G relationship management in achieving the value for money and effective procurement objectives has been recognised. Improving these relationships whilst complying with the public sector procurement rules is seen as a major challenge which has to be overcome and this report identifies the best practice from suppliers who achieve it.

The methodology used for the research started with a review of the existing literature published in academic journals. This was supported by a search of public sector guidance documents, advice produced by organisations providing B2G consulting services and industry bodies who are working on behalf of their members to improve the industry/public sector working relationships.

The findings of the study have concentrated on identifying the best practice approaches which are particularly significant in the B2G context. There is a lot of similarity between B2B and B2G relationship building but the method used in the B2G situation may be different due to the mandated procurement processes. The findings have been presented in accordance with the 3 phases of the procurement process: early engagement before formal procurement starts; during the competitive bidding phase; after contract award.

### *Early Engagement*

- **Relationship building:** This is essential but takes time, sometimes 2-3 years before the start of the procurement process, which makes opportunity assessment by suppliers very important.
- **Find the right people:** In public sector it can be difficult but nonetheless important to identify key individuals and get past consultants
- **Credibility and Commitment:** Suppliers must be seen as credible and demonstrate long term commitment.
- **Drivers and Objectives:** Understanding public sector policy drivers, and changes, is key to positioning services to meet these objectives.
- **Options and Risks:** The options for delivery and amount of risk to be borne by suppliers tend to be linked, it is important to discuss and understand the implications of both of these and influence the subsequent RFP/ITT structure.

### *Competitive Phase*

- **Relationship building:** This continues across all phases.

- **Mutual Clarity:** Be clear about what both parties expect to achieve from the procurement and how to adapt to change. Be honest and open.
- **Keep talking:** It is essential to keep lines of communication open during the competitive bidding phase and build on the trust developed earlier in the process.
- **Open Q & A:** Keep the requirements specification open to allow the flexibility for suppliers to offer the most appropriate solution without risking non-compliance.
- **Understand Risks:** What risks is the supplier expected to manage, are they within the suppliers control and will they be better managed by the supplier.

### *Post contract award*

- **Relationship building:** This continues across all phases.
- **Transition the bid team:** Best practice is to transition the bid team to become the implementation team to cement the relationships and trust established in the bidding process.
- **Joint Statement of Intent:** This is an approach between both parties to agree a non-contractual basis for future issue resolution.
- **Plan for Innovation:** Establish how innovation will be introduced throughout the term of the contract rather than just at the beginning and end.
- **After a contract loss:** The suppliers should seek as much feedback as possible from the public sector body and make a decision whether to continue to pursue future opportunities.

The management implications of this study can be summarised as:

- **If you are not serious, don't bother:** The best and most successful practitioners get involved well before the procurement starts. The exception to this is where the product or service required is more commoditised and can be bought on price. In these cases it may be sensible to take a lower cost path and enter the process later, but even for on-line auctions or bidding procurement you have to pre-qualify.
- **Yes, there are rules:** Respect the procurement rules as they are well tried and tested and definitely there for a good reason. In many procurement processes there are a large number of bidders so if there is a reason to reduce the field by excluding a non-compliant company then it will happen.
- **Don't let the rules stop you doing the right thing:** The public sector procurement rules are designed to maintain a level playing field to allow for fair competition and transparency of the use of public funds. Public sector procurement staffs were keen to stress that the rules should not get in the way of trying to meet the objectives of the procurement.

## 2. Introduction

### 2.1. An overview of public sector procurement

The public sector is the biggest market for goods and services in the UK. The sector comprises thousands of organisations, big and small, all responsible for their own purchasing. The differences between public sector organisations mean that one single approach to winning business is unrealistic. There has been a great deal of change in the way these organisations procure goods and services and this change is continuing. The introduction of e-procurement, consolidation of buying power through e-auctions and central government focus on “Best Value” means that the rate of change is not slowing. For companies wanting to access this market it is important to understand these changes and realise that what used to work in the past to sell to the sector may not be the best approach in the future.

For example, there are 388 local councils each with its own way of working. Within each council the Departments, such as Housing, Leisure, Social Services, have their own structures and cultures, apply their own pre-qualification rules, have control over their own budgets, operate different spending authority levels and appoint their own suppliers. Then there are the thousands of schools and colleges, central government departments and agencies such as MOD, NHS, Police and the emergency services, all of which do the same – but all in different ways. This devolved approach to purchasing is a consequence of the way these organisations have found works best to ensure decisions affecting their customers are taken as close to the customers as possible. However, it has made the task of locating the potential buyer costly and time-consuming for would be suppliers. The good news is that this diversity is gradually being brought under better control as part of the government’s modernisation programme although this rationalisation could actually mean less business for many smaller suppliers.

On the public sector side, the Office of Government Commerce (OGC) is an independent office of HM Treasury, established to help Government deliver best value from its spending. The rules under which public sector organisations operate are far more prescriptive than those for most private sector companies. Only the smallest contracts can be awarded at the discretion of the staff with no competition, buyers have to show that they have acted fairly to award the business to the supplier offering “Best Value”. Any contract over a set value (typically £5-10,000, but it can be as high as £20,000) must be tendered. That means at least three formal bids in writing that are then opened and evaluated before a contract is awarded. Above a set value (*currently £154,000 for products and services or £3.86 million for works but check EU Procurement Thresholds on the OGC website*) all contract opportunities must be advertised in the Official Journal of the European Union (OJEU). This requires companies to go through a two-stage tendering process, first to pre-qualify and then, if selected, to be included on the short-list to bid. Because of the lack of uniformity between public sector organisations, it is rare that pre-qualification to work for one organisation is accepted when bidding for other work. All this can mean a lot of work putting the bid together with no guarantee of any business at the end of the process. And it can take months: from spotting the opportunity to winning the contract can take up to 6 months for OJEU contracts and even for lower value work, decisions may have to be approved by councillors, which can add months to decision timescales. Once established as a supplier to

a public sector organisation or buying consortium, the chances of retaining their business and being picked by other organisations are higher.

There are some categories of work, such as IT, where a company may not even get the chance to bid, because National framework agreements are already in place and buyers are encouraged to use them. In these cases there may be no choice but to look for a sub-contracting role.

If the company is involved in a project it is important to understand the sources of funding. Most public sector projects are enabled by 'external' funding which may come from many different sources, UK and European. These are often secured at the last minute and in seemingly random ways. The mantra in these situations is to "follow the money". It is important to know where potential and renewal funding is coming from and what is happening in those source organisations to shift priorities.

## 2.2. Why is this topic so important?

There is considerable published material and extensive practice on relationship building and Key Account Management (KAM) in the private sector. It is generally accepted that mutually rewarding relationships between suppliers and procurers are the most effective and in the private sector there are a number of well established ways to build these relationships. In the public sector, the development of mandated procurement approaches and strictly enforced codes of conduct mean those providers wishing to sell to public sector organisations have to establish different approaches. This research paper aims to identify what these approaches are and how best practice in the B2G sector is applied by successful suppliers.

*"40% of my time is spent with suppliers .... it is important to have help in mutual understanding of the key issues."*

John Suffolk, Government CIO

The size and complexity of public sector projects are a major challenge for both suppliers and government bodies. There is always pressure to ensure public money is spent effectively, that procurement is conducted on a level playing field and that there are strict controls to avoid abuse and misuse of funds. Thus there is a desire to continue to improve the way government conducts its procurement activities across all categories, from massive defence contracts to eAuctions for commodities. It is essential that prospective bidders for these opportunities understand the rules of the game and are aligned with the objectives of changes to the procurement processes.

## 2.3. Government Initiatives

Government are expending considerable effort improving the value they achieve through their procurement. It is worth considering one of these initiatives in order to understand the scale and ambition. *The Markets & Collaborative Procurement Programme* is working with public sector organisations and suppliers to ensure a managed and strategic approach to the procurement of common goods and services. The review found that it is realistic to achieve a total of around £6.1 billion of annual value for money savings by the end of 2013-14 provided that the Government acts swiftly to implement the recommendations of the report. This level of savings is compared to the 2007-08 baseline of the £89 billion government

procurement spend that has been categorised to a commonly-procured commodity. A further £1.6 billion value for money savings could be achieved through the collaborative procurement of IT, and this figure is included in the savings figures set out in the Operational Efficiency Programme: back office operations and IT report. This gives a total collaborative procurement savings figure of £7.7 billion by 2013-14.

To achieve these savings, the following recommendations have been made:

- Development of pan-Government strategies for categories of common goods and services which seek to maximise value for money by managing total category expenditure.
- Delivery of strategies by category teams. The teams provide access to contractual agreements which offer a variety of category specific solutions meeting the requirements of public sector organisations while ensuring that policy objectives are met, such as sustainability.
- Collection and analysis of public sector spend data, through the Public Sector Procurement Expenditure Survey (PSPES).
- Intelligence gathering on markets and suppliers to Government that enables the Commercial Category Boards to manage these areas to deliver better value for money to the taxpayer.
- Work to shape the public sector procurement environment to ensure that customers have easier access to the best contractual agreements through buying organisations.

Companies looking to supply products and services to the public sector have to be aware of these initiatives and be able to demonstrate their understanding of how they may impact their areas of business.

## **2.4. eProcurement**

eAuctions are being increasingly used in public and private sectors as standard practice, both in prime contracts and in securing value in the supply chain. Suppliers also understand the benefits of online bidding because of transparency and increased market awareness. The eAuctions run by the OGC are 'reverse' auctions, so suppliers are bidding decreasing prices for the contract offered. Tenders are assessed in advance against all relevant criteria, from which a provisional ranking is formed. This means that suppliers must pre-qualify in order to be invited to participate in the eAuction. The pre-qualification process is where suppliers have an opportunity to differentiate their services and possibly influence the structure of the auction. During the auction, which is conducted online using specialist software, sellers continually lower their prices in response to competitors' bids. Only the buyer can see who is offering each price. After the auction has closed, the final contract will be chosen, taking into account both the price offered and the previous evaluation. Thus this is not simply lowest price commodity procurement as the evaluation can take some softer factors into consideration. Many small and even new companies achieve success through the opportunities available through the Supply2.gov.uk service. Most public sector organisations whose contract announcements Supply2.gov.uk advertises are far more interested in ensuring companies can provide best value for money than in the size of their turnover. This report does not consider the issues specific to eProcurement although there will be many overlaps with other procurement methods.

## **2.5. SME's**

Although the emphasis in this report tends towards large and complex public sector procurement, where the need for forming effective relationships is paramount, there are opportunities where SME's will want to be involved. For many SMEs, lower-value contracts will have more potential than high-value ones and small companies are often successful in public sector contracting because they can offer:

- Expertise unavailable in larger companies
- A better understanding of their products
- A better understanding of client requirements
- A willingness to work closely with clients in partnership.

The findings detailed later in this report will still have relevance to SME's but the issue will be whether they have the ability and desire to make the long term investments in relationship building required to be successful with larger contracts. SME's will have an advantage in a specific or specialised area and need to ensure these remain their priority.

### **3. Methodology**

#### **3.1. Literature Review**

A search was conducted to identify relevant academic journal articles or papers which looked specifically at relationships in B2G transactions. The results of this exercise were very lean, although there are numerous publications on key account management there is little looking specifically at public sector challenges. There is however, a significant quantity of material published by public sector organisations on how to interact with them. This includes:

- Rules and regulations for public sector procurement
- Financial limits for procurement routes
- Advice and guidance on do's and don'ts.

Some of the most useful information is published by the Office of Government Commerce (OGC) and these include:

- The Government Procurement Code of Good Practice
- A Formula for Success – Procurement effectiveness in major project delivery
- OGC website.

Other sources of public sector information are given in the websites of:

- National Audit Office
- Large central government departments such as the Department for Work and Pensions (DWP)
- Individual country councils.

In the absence of academic material to use as a reference point it was decided to conduct semi-structured interviews with representatives of government procurement departments, suppliers and organisations representing UK industries.

#### **3.2. Interview approach and selection**

There were 6 companies who participated in the study and these were clustered into the following industries:

- Technology services
- Outsourcing services
- Technology & Retail products

The selected companies have between 50% and 100% of their revenue dependent on their B2G operations.

It was important to consider both sides of the B2G relationship so interviews were also conducted with:

- Public sector organisations with significant procurement
- Procurement consultants who worked for or represented the public sector
- Industry bodies responsible for agreeing procurement guidelines with government.

### 3.3. Interview schedule

The purpose of the interviews was to gain an understanding of the best practice deployed in managing relationships between the companies and their public sector prospects or clients. Specifically, how they design or adapt their account management approaches to the specific situations found in B2G relationship building.

Semi-structured interviews were held during September and October 2009 and lasted approximately 60 minutes. To ensure the quality of the interview outputs, all interview comments were captured and transcribed so they could be referred to more easily. The data gathered was treated anonymously.

The initial, introductory questions asked interviewees to describe their organisation and the challenges and within their respective companies. To ensure consistency, non bias and that all areas of interest were covered the following interview framework was used as a guideline.

<b>1</b>	<b>Outline the Research Objectives</b>
<b>2</b>	<b>General Discussion about the organisation</b> Brief summary of your business: what do you specialise in? What do you do really well as an organisation? What do you not do so well? What challenges does your organisation face in your markets, and how are you addressing these challenges?
<b>3</b>	<b>What examples do you have of excellent B2G relationships? For your example, can you outline</b> What has been the approach to build and maintain the relationship? What has made this work? Where there any unique or special conditions for this relationship? How has this impacted the commercial value of the customer? Has there been a contract extension or re-bid? How successful has this been? What contribution has the customer made to build and maintain the relationship?
<b>4</b>	<b>What are the factors that lead to establishing and maintaining a successful relationship?</b> How do you define “success” in your public sector relationships? What makes a public sector relationship excellent? Tell me about success factors with regard to the different phases of the procurement cycle: - Pre formal bid discussions and preparation - Responding to RFIs: early stage pre-qualification - Responding to RFQs: putting together proposal etc. - Further discussions and negotiations: best and final offers - Post-win: maintaining the relationship - Post-loss: maintaining the relationship How is the team set up to manage the relationship, and Why? - What are the roles and responsibilities of the different levels of management? Do you have specific relationship management processes for public sector

	<p>customers?</p> <ul style="list-style-type: none"> <li>- Can you outline what these are?</li> <li>- How do they differ from non-public sector?</li> </ul> <p>What are the most challenging aspects of a public sector relationship, and what can you do to address these challenges?</p> <p>What “supplier management” activities do you experience from public sector organisations and how do they impact your approach</p>
<b>5</b>	<p><b>Measuring the Success and Value of a B2G Relationship: 10 minutes</b></p> <p>How do you measure the success of a relationship?</p> <ul style="list-style-type: none"> <li>- What criteria are used for measuring the success or failure of the arrangement?</li> <li>- How does the organisation align and share its measures of success with you, the supplier/partner? How do you define and measure value in a B2G relationship?</li> <li>- How would you define ‘value’ in a B2G relationship?</li> <li>- What aspects of value are measured in a typical relationship? How are these aspects measured? Are less tangible, non-financial aspects of value considered?</li> <li>- How appropriate and useful are service level performance reporting and key performance indicators? From your perspective and that of your client?</li> <li>- Do you and the B2G customer recognise the benefits of the relationship? If so how?</li> </ul> <p>How do you think the measurement of the success and value of the relationship could be improved?</p>
<b>6</b>	<p><b>Maintaining the relationship through the duration of the contract: 10 minutes</b></p> <p>Do you have specific relationship management processes during the execution of the contract?</p> <ul style="list-style-type: none"> <li>- Do you measure the customer’s satisfaction? For example do you have measures in addition to contractual KPI’s such as NPS?</li> <li>- Do you review the relationship aspect of the contract with the customer?</li> </ul>
<b>7</b>	<p><b>For your good relationships, can you place in order of importance for your customers the following constructs: 5 mins</b></p> <p>Taking both, the frequency count and the weighted variability index, as a basis, the important CE factors in the B2B context are as follows (in alphabetical order):</p> <p>Extent of Personal Contact</p> <p>Flexibility</p> <p>Implicit Understanding of Customer Needs</p> <p>Knowledge</p> <p>Pro-activity in Checking that Everything is OK</p> <p>Pro-activity in Eliciting Customer’s Objectives</p> <p>7. Promise Fulfilment</p>
<b>8</b>	<p><b>How do government procurement rules impact your account management approach</b></p> <p>What things can’t you do?</p>

	What do you do instead?
<b>9</b>	<b>And Finally...</b> In your opinion, what are the three things that make a B2G relationship work really well?

Table 1: B2G Account Management – Qualitative interview guide

## 4. Findings

The research looked at different industries and also considered the perspectives of both customers and suppliers.

### 4.1. Best Practice Guidance

The Government focus on making public sector procurement processes work has resulted in the publication a several best practice guides aimed at both procurers and suppliers. Public sector bodies, including Central Government and local authorities, have recognised that successful procurement requires effort on behalf of both parties in order to achieve an outcome which meets the needs of both parties. To this end, best practice guides have been developed by Central Government and local authorities and are often produced in collaboration with industry bodies. The best example of this is Intellect UK, the industry body for the high technology, electronics and information industries, who are very active in addressing B2G procurement.

The OGC works with central Government departments and other public sector organisations to ensure the achievement of six key goals, of which the first and last are relevant to this study:

- **Delivery of value for money from third party spend;**
- Delivery of projects to time, quality and cost, realising benefits;
- Getting the best from the Government's £30bn estate;
- Improving the sustainability of the Government estate and operations, including reducing carbon emissions by 12.5% by 2010-11, through stronger performance management and guidance;
- Helping achieve delivery of further Government policy goals, including innovation, equality, and support for small and medium enterprises (SMEs);
- **And driving forward the improvement of central Government capability in procurement, project and programme management, and estates management through the development of people skills, processes and tools.**

The OGC and Intellect have worked together to produce general guidance documents such as "The Government Procurement Code of Good Practice". The OCG have also published "A Formula for Success" which guides the public sector in contracting and managing suppliers and recognises the role the government procurement processes have to play in helping suppliers achieve the objectives of the procurement.

*"Government is becoming more reliant on its suppliers, both for the delivery of services and for the creation of new or improved processes to support service delivery. Procurement is the vehicle through which suppliers are safely engaged and contracts managed to conclusion. A failure in procurement is very likely to put service delivery or service improvement at risk. It is therefore of crucial importance to the Government's delivery agenda."*

OCG Publication – "A Formula for Success"

## 4.2. Interview Analysis Results

The interviewees were asked to consider the factors that constitute best practice for effective account management with public sector clients. This study focuses on identifying the activities which make a real difference in the public sector. It is not intended to look at the totality of the key account management process but to identify those activities which can be considered by the interviewees to constitute best practice.

The interview results were analysed to identify the specific activities that were felt to have made a difference during 3 phases of the procurement process:

- Early Engagement ( before formal procurement initiated)
- The competitive phase
- After the contract is awarded.

The key activities for the B2G relationships are summarised in the model below. Each component of the model is then explained in order to deliver the insight gained from the interview process.

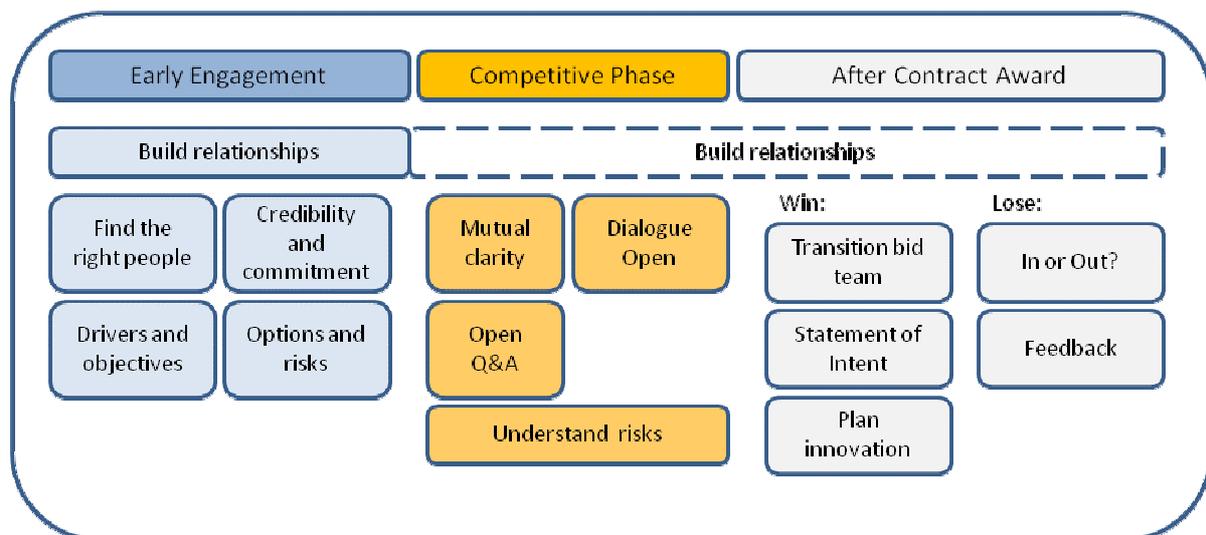
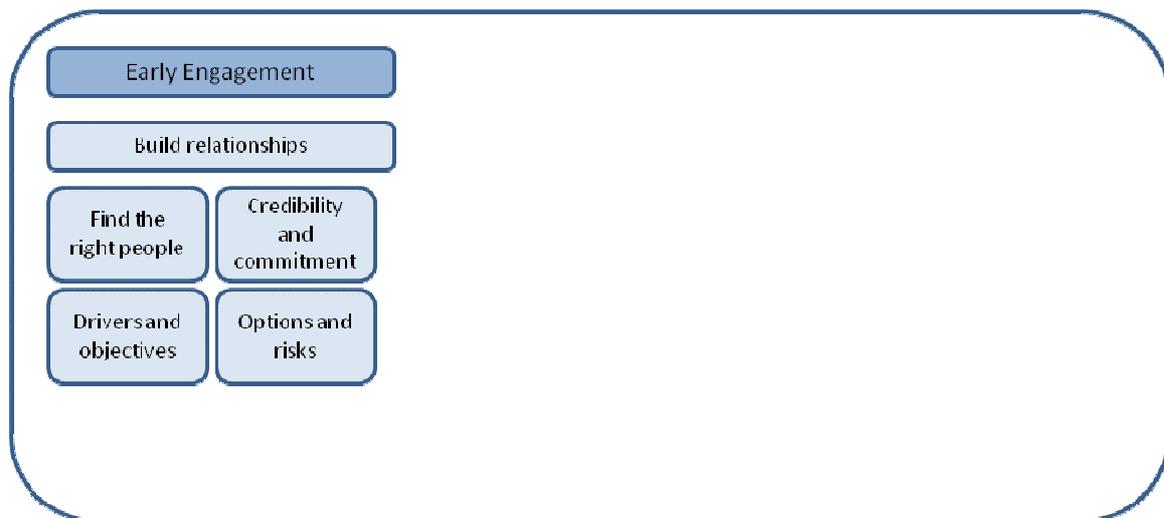


Figure 1. Relationship building actions for B2G contracts

### 4.2.1. Early Engagement



The interviewees with significant experience of B2G procurement from either the public sector or supplier sides stressed the need for early engagement. This enables several things to be accomplished before the more formal processes start and become more restricted due to fair competition rules. The key activities in this phase are:

- **Relationship building.** It takes time to build effective relationships with public sector organisations and both customers and suppliers must appreciate the need to start talking early. Some recommend opening dialogue 2-3 years before an opportunity is likely to arise. The rationale for this is twofold; to gain a deep understanding of the customer issues and to try to influence the future tender process by discussing ideas and options before the formal process starts. Best practice examples recommend establishing relationships at a senior level with the person described generically as the Senior Responsible Owner (SRO). Building this relationship is an ongoing process, leading practitioners in the large consulting led suppliers ensure engagement is at Partner level and is maintained regularly with the SRO – see Figure 2. These are not sales led discussions as the purpose should be to understand policies and issues (see below) and to provide information and insight on industry developments. One objective for these meetings should be to always deliver value to the SRO, making these meetings mutually beneficial. The key point here is that relationships should last beyond the duration of specific opportunities. This means that decisions on which public sector organisations to target are critical as maintaining this level of investment in relationship building is expensive and has to demonstrate returns over the long term. One interviewee uses opportunity review tools to ensure they only target the best opportunities as they need to ensure scarce and expensive resources are aligned to these opportunities.

*“We need to move away from being perceived as merely a vendor or credible source towards problem solver and trusted advisor to avoid vendor jail. This necessitates a more consultative approach, focussing on better understanding our clients’ business.”*

Technology Supplier

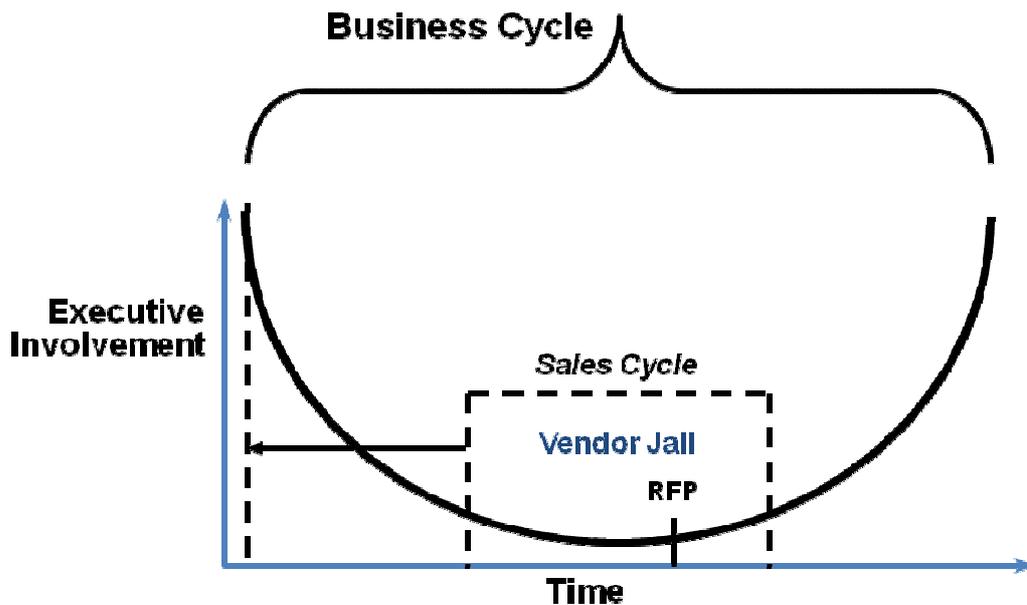


Figure 2. Avoiding vendor jail through senior involvement early in the process.

- **Find the right people.** The real influencers and decisions makers in public sector organisations can be hard to identify and harder to meet. Consultants engaged by these organisations can make this process more difficult and can unintentionally (or intentionally!) form a barrier to accessing the key decision makers. It is common that relationships will be needed at more than one level in an organisation, whilst the Partner level discussions are essential, best practice indicates that effective relationships should exist at several levels covering strategic and operational viewpoints.
- **Credibility and Commitment.** Getting established as a recognised supplier to the public sector is not easy. The main challenge is getting through the initial vetting process and onto the “short” lists for those invited to tender or respond to RFI’s. Experience is often critical to success but getting that initial experience is hard. Nor is it easy to “transfer” experience gained in another government department as most departments conduct their own supplier pre-qualification. One answer is for a new entrant to work as a sub-contractor to an established provider and build credibility that way. The discussion above regarding taking the time to build relationships will also start to address the commitment requirement. Suppliers need to convince public sector procurers that they are a reliable and long term option. Government procurement and project staff tend to be risk averse, risk management is a major and increasingly important aspect of procurement, and therefore tend towards suppliers they know and trust. Again, it is a challenge for new entrants to demonstrate credibility and commitment - the answer is to be involved over time, engage in ongoing dialogue and demonstrate the value they can add during these discussions.

### How can B2G relationships be built?

As for any sector, there will be many opportunities to be seen at events and exhibitions. These can be expensive and some interviewees question whether they are worthwhile. It may pay to consider more targeted marketing activity, such as inviting clients to seminars which might be run with other suppliers, which might provide a better return on investment. However, if you are looking to expand your market share, it can be important to be seen as a key player. Things which should be done:

- Establish excellent relationships with your buyer/s and end-users, build their trust and loyalty.
- Keep abreast of changes in the organisation's priorities, structure and political 'flavour'
- Budgets – these will shift and change over quite short periods, budgets can be refocused or taken away at very short notice.
- Put forward innovative ideas and offer opportunities for your customer to improve their own performance and/or reduce their risk – these will establish your role as a strategic partner rather than just a supplier.
- Use the relationship to provide you with marketing collateral that you can use with other organisations. Public sector managers will often talk to their contacts in neighbouring organisations or via their peer group networks to find out whether you are seen as a 'safe' bet. Encourage this – give the name of your primary contact to prospective clients.

Figure 3. Practical guidance on how to build B2G relationships

- **Drivers & objectives.** Public sector organisations are policy led and objectives can be subject to surprisingly quick changes in direction. The best practice observations from both suppliers and procurers is consistent in that good suppliers will ensure they fully understand the underlying drivers, objectives, issues and risks involved. Understanding that politically sensitive issues, for example the Government's 2010-11 carbon reduction target of 12%, can have a huge impact very quickly means that suppliers must ensure they are continually up-to-date. Early engagement in this context is not about features and benefits but should concentrate on understanding the impact of the policies and the issues which may arise. Suppliers will be expected to be pro-active in assessing the impact of policy changes and this is an example of how value can be added during pre-contract dialogue. As there may well be some expenditure of time and effort to provide this added value, this is another way of demonstrating commitment and credibility. A supplier who can help the public sector determine their approach to, for example, carbon reduction targets and how this should be included in the next competitive tender will be well regarded and well positioned.
- **Options and risks.** When suppliers consider whether to build the relationships and bid for work for a particular public sector organisation one the chief considerations is the

degree of risk inherent in the opportunity. Best practice suppliers tend to look at two types of risk:

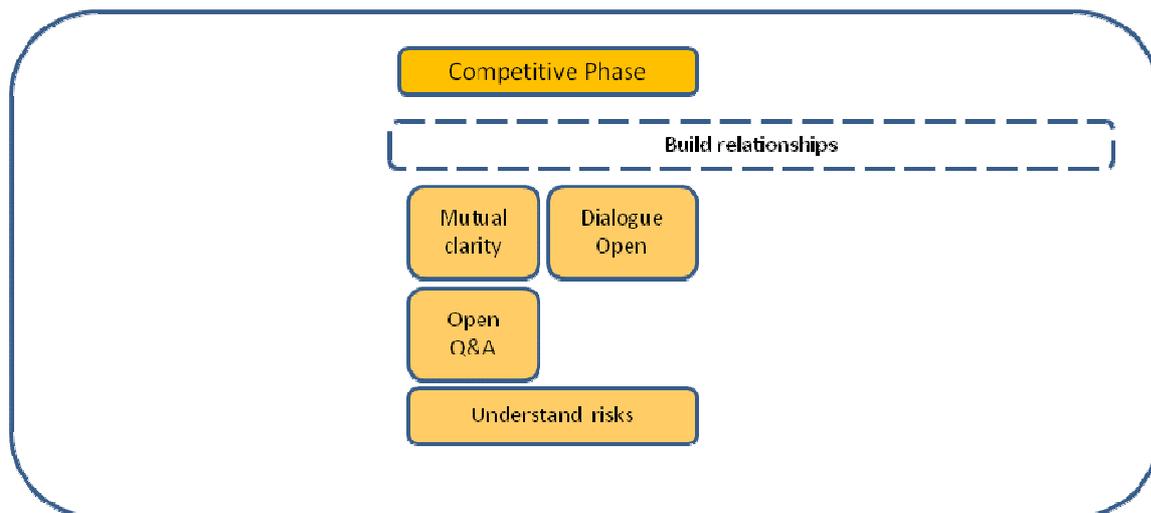
- **The risk the supplier will be required to take as part of the contracted work.**  
Most public sector organisations understand that they cannot simply outsource or transfer risks to suppliers. Expectations need to be well understood and if there is concern that the amount of risk the supplier will be expected to carry is too great, the time to discuss this and seek alternative approaches is before the start of the competitive phase.
- **The risk to the supplier according to how well the procurement is prepared.**  
This is a key part of the opportunity evaluation process that experienced suppliers will undertake. A procurement that is not well prepared will be less attractive and suppliers may choose to deploy their bid resources elsewhere, where there is better certainty of timely completion and return on investment. The public sector is good at procurement with well formed and sophisticated processes and some very good people. However, where this high standard of procurement is not evident suppliers should be cautious and avoid getting into unclear and potentially costly contracts.

This depth of understanding is essential for both parties and the time to ensure that all potential issues are resolved is before the formal competition starts. It may sound difficult to engage in such discussions before the contract bidding process starts but many suppliers make the investment of time and resources to enable this to take place. Both procurer and supplier need to work together to achieve the best solution and the key factor in achieving this is a mutual understanding of what each party expects the outcomes to be. If these are understood and aligned it is possible to discuss options for the delivery of the services to be contracted.

*“Pre-Qualification Tool: OGC, CIO Council and Intellect have jointly developed a tool which helps to assess the preparedness of a department to start the procurement process. It uses four measures: the preparedness of the customer, its business leadership, the market and of the procurement itself. Failure in any one of these measures indicates that the planned procurement will fail to deliver the intended outcome; at best causing delay in the procurement.”*

OCG Publication – “A Formula for Success”

#### 4.2.2. The Competitive Phase



Once the formal procurement phase has started considerable effort is made by the public sector to ensure fair competition is demonstrated. There is a perception amongst some suppliers that the public sector procurement rules constrain suppliers and inhibit them from providing their best solutions. The best practice point of view from both procurers and suppliers is to respect the procurement rules but don't let them get in the way.

*"... don't let procurement rules hinder either party doing the right thing."*

Supplier to the Public Sector.

The "ideal" procurement, as judged by both sides of the process, involves a combination of the SRO's staff, procurement staff and legal or contract staff, all having a role to play. Evidence indicates it is important that the SRO and the senior supplier representative retain control and responsibility for reaching a mutually agreed contract. Support from the procurement and legal teams is important but they should not drive the process as this can lead to a sub-optimal solution. The importance of trust has already been stressed and experience suggests that where there is mutual trust and a common understanding of the desired outcomes, it is much easier to achieve a well balanced contract. The competitive phase of procurement, covering RFI, RFQ and detailed contract negotiations is similar for both private and public sectors. The key differences for B2G procurements are:

- **Mutual Clarity.** If it is not clear what both parties expect to achieve from the procurement then the best advice is not to start the competitive phase. Less haste at this stage to ensure the procurement is well understood and on a sound basis can pay back by reducing uncertainty which in turn may result in delays. This may also jeopardise achieving best value for money as suppliers have to make financial allowance for the uncertainty. Things will change and experienced procurement and bid teams will cater for this without compromising competition rules.
- **Keep talking.** Even though the formal process has started it is vital to keep lines of communication open. If a good relationship has been developed before the competitive phase starts, and trust has been established, it becomes much easier to have open and honest discussions about the tender. Some interviewees expressed concern that asking questions at this stage of the process could harm their chances of winning the tender by

appearing to lack understanding or domain knowledge. Others were less concerned provided that a trusting relationship had been established.

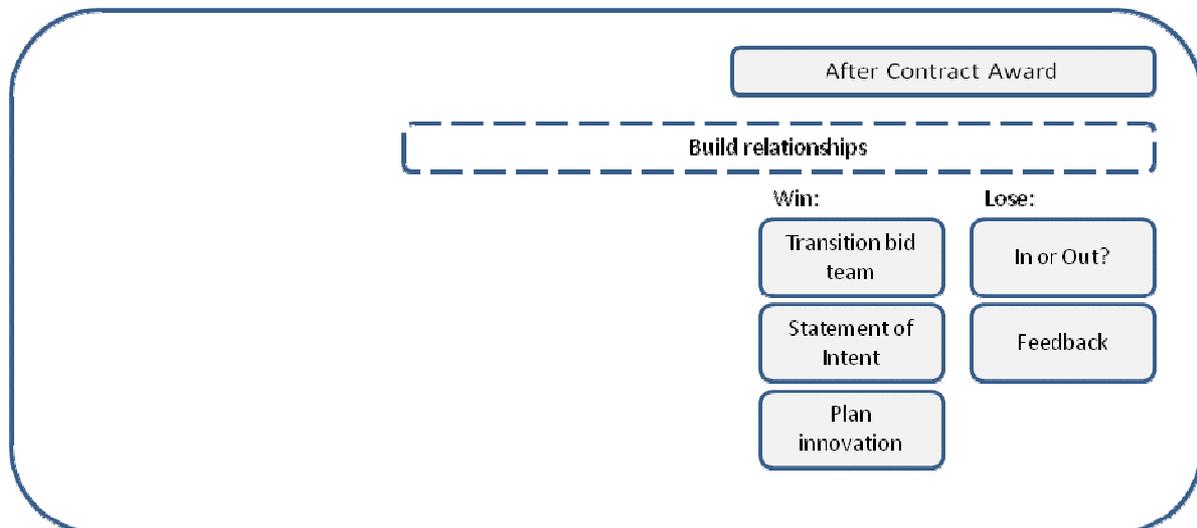
*'...in reality, long-term contracts should be seen as the baseline for a relationship and the platform for constructive dialogue to handle ever changing circumstances.'*

Keith Wilman, CEO Atos Origin UK

- **Open Q & A.** One example of how procurer and supplier can work together is the way the tender defines the requirements. Best practice is to avoid contractually defining how the supplier should deliver the contract but ensure the supplier fully explains how they propose to do it. The approach of specifying what is required rather than how it should be delivered will allow for some variation in supplier proposals without risking non-compliance. The same approach should apply to the risk to be borne by the supplier and payment milestones both at contract start and in the future. Where there are different approaches to delivering the services or the requirements are difficult to define precisely there has to be some flexibility in the procurement approach to attract suppliers to bid. Without this flexibility suppliers are left in a difficult position where they have to assume the worst case scenario and reflect this in their prices.
- **Understand risks.** The reason suppliers are asked to take on risks is not simply to transfer the responsibility but to allow the supplier to manage and mitigate the risks more effectively or more economically. Thus it is essential to understand the risks that are being transferred and the best suppliers ensure that they have control over the factors that are deemed to be risky. Best practice suppliers have risk assessment and mitigation tools which play a key part in determining the likelihood that the suppliers reward will exceed the cost of delivery.

### 4.2.3. After Contract Award

The recommended actions will of course depend on whether the supplier has achieved a win or has suffered a loss. If it is a loss then the key decision is whether or not to continue the relationship with the public sector organisation, many suppliers will want to cease contact as soon as possible but this needs to be a considered rather than hasty decision.



#### *After a contract win*

Once the preferred supplier has been chosen the relationship with the public sector organisation moves into a new phase during which the details of the contract are nailed down. If there are some ideas which would benefit the procurer but could not be presented during the competitive phase these should be brought up at this time. The key activities in the B2G environment identified by the interviewees are:

- **Transition the bid team:** Most respondents believed best practice behaviour following the award of a contract is to transition the key parts of the bid team to become the implementation team. This is always well received by the public sector organisation as they retain the team with whom they have built a relationship and established a degree of trust. Interviewees recognised that this team have retained a large amount of explicit and tacit knowledge which should be retained on the contract. Since building the relationship and establishing trust is a lengthy and expensive undertaking in the B2G situation, most suppliers believe that jeopardising this by changing the core team would not make sense.
- **Joint Statement of Intent.** This is an approach developed between government and industry bodies to establish a non-contractual basis for assessing and resolving issues between the procurer and supplier. To quote the OGC publication:

*“Joint Statement of Intent: OGC, the CIO Council and Intellect have jointly developed a process which leads to a Joint Statement of Intent (JSI). This agreement between senior executives on both the customer and supplier sides becomes a reference point for all those involved in the contract, against which to assess the appropriateness of their response in times of tension. Working towards this non-*

*contractual agreement provides the opportunity for senior-level engagement to provide the clear, visible and joint leadership necessary.”*

Interviewees with experience of this approach spoke highly of the positive impact it has had during the transition, start-up and operational phases of the contract. However, there is an argument that those suppliers and procurers who engage in this type of activity and produce a JSI tend to be those with the most developed expertise in the B2G environment. The question is whether the process of producing a JSI is the result of following good practice and is more important than the JSI itself? In other words, agreeing a JSI will not change a poorly managed procurement into a good one.

- **Plan Innovation.** The majority of contracts let in both the B2B and B2G sectors include commitments to year on year improvements, be they cost saving or performance improvement. The duration of B2G contracts is often lengthy and the intent at the outset can get lost over time as personnel change and, particularly for the public sector, policies change. Interviewees observed that innovation is high up the agenda for both parties at the start of a contract but often diminishes over time as different pressures come to bear, particularly where there are pressures on cost. Logically, this is the opposite of the desired outcome so best practice practitioners try to plan the innovation throughout the duration of the contract. The recommendation is to use innovation to create benefits for both supplier and procurer, with the supplier being pro-active rather than re-active.

### **After a contract loss**

The public sector recognises that responsibilities to unsuccessful bidders do not end immediately the preferred supplier is selected. Bidders not selected are routinely offered opportunities for debriefing on their bids. This is a key activity to gain first hand understanding of the reasons why a bid was unsuccessful. In the B2G sector, there are 2 actions suppliers should consider:

- **Feedback.** Experienced bidders regard the opportunity to receive feedback as vital. Whereas in the B2B context losing one bid may not have any impact on other bids in the private sector, this may not be the case in the public sector. If a bidder is not compliant, or misunderstands procurement policy, this mistake may also be relevant to other public sector bids. The best practice viewpoint is to seek as much feedback as possible and from as many sources as possible. Procurers are frequently very open during feedback sessions and attending these will achieve 2 things:
  - Demonstrate commitment for future bids, with enthusiasm to learn and improve
  - Help bidders address weaknesses in the proposal **and** understand what they could have done differently.
- **In or Out?** After a contract loss interviewees expressed 2 options for how to proceed but there was consensus that the first decision has to be whether to continue to target the public sector organisation for future business. If the answer is NO, then cut the losses and exit gracefully to allow for future changes of heart. If YES, then treat this as part of the initial relationship building exercise for the next opportunity.

## 5. Implications for Management

It is clear that there is a great deal of effort being made in order to improve the effectiveness of public sector procurement and the way government organisations work with the private sector to achieve it. This effort is being driven by 3 issues:

- The chequered track record of past procurements, particularly large central government projects, which have not delivered the expected results for the expected price
- Realisation that the solution to effective procurement is to improve the way the public sector and private sector work together
- The introduction of collaborative procurement exercises which have the potential to deliver significant financial savings to the public purse.

These are the tests to use to guide the appropriate behaviour when building relationships and during the formal bidding process.

### 5.1. The Public Sector needs wooing

The Public Sector procurement processes have been established to provide a level playing field, ensure transparency and provide the public with the best value solution. It can appear that the softer issues, which can be generically called the “relationship”, do not count but the research indicates this is not the case. It is true that public sector decision makers will not make recommendations based on their past experiences with a particular supplier, but they will develop views and opinions on suppliers in just the same way as anyone else. Whilst not appearing in any scoring system, these views will have an influence on deciding who get onto short lists and who they want to work with. Thus, the importance of taking time to build a relationship in order to demonstrate long term commitment and credibility cannot be over estimated.

### 5.2. If you are not serious, don't bother.

Whilst the procurement process does establish a level playing field where new comers can present their solutions, the research suggests that the best and most successful practitioners get involved well before the procurement starts. The exception to this is where the product or service required is more commoditised and can be bought on price. In these cases it may be sensible to take a lower cost path and enter the process later, but even for on-line auctions or bidding procurement all suppliers have to pre-qualify.

### 5.3. Yes, there are rules

Respect the procurement rules as they are well tried and tested and definitely there for a good reason. If you behave well you never know what might happen but if you are perceived to be going outside of the intent of the rules exclusion will be quick. In many procurement processes there are a large number of bidders so if there is a reason to reduce the field by excluding a non-compliant company then it will happen.

#### **5.4. Don't let the rules stop you doing the right thing**

The public sector procurement rules are designed to maintain a level playing field to allow for fair competition and transparency of the use of public funds. The findings section of this report stresses the need to establish excellent communication as early as possible and before the procurement process officially begins. There is evidence from both suppliers and public sector organisations that the procurement rules can be seen as an obstacle to progress or, used as an excuse to avoid fully engaging in discussions. Public sector procurement staffs were keen to stress that the rules should not get in the way of trying to meet the objectives of the procurement. When asked to expand on how to achieve this, there were 2 suggestions:

- Have the key conversations early and use them to help frame the procurement to allow the objectives to be met in the most effective way
- Openly raise any issues with the procuring organisation and agree how they can be handled. If these issues can be addressed at the current stage of the process then it should be possible to accommodate them within the process. If not then it is incumbent on the procuring organisation to make a ruling and provide guidance to all suppliers.

## **6. Opportunities for Further Research**

There is a significant body of practitioner work on the subject of B2G relationships but little academic work published on this sector. The practical advice tends to concentrate on the public sector processes and there is little on the need for relationships or how to establish mutually effective relationships. The findings of this study indicate that there is room for academic research to define the key constructs in B2G relationships and identify whether these are significantly different to B2B relationships.

## 7. Bibliography and Further Reading

### 7.1. Central Government Publications

The OGC are the primary source of information on providing products and services to central government departments. Their website can be found at:

[www.ogc.gov.uk](http://www.ogc.gov.uk)

OGC also provide guidance to suppliers and there is a section of their website dedicated to this:

[http://www.ogc.gov.uk/Where\\_are\\_you\\_from\\_suppliers\\_to\\_government.asp](http://www.ogc.gov.uk/Where_are_you_from_suppliers_to_government.asp)

### 7.2. Local Government

Most county councils provide their own guidance on their procurement rules and processes. Local government procurement is bounded by rules from the EU and Central Government but tend to operate their own procurement exercises. The specific guidance for each county council can be found on their respective websites.

### 7.3. Industry Publications

Industry bodies have been very active in working with government organisations in order to improve the effectiveness of procurement. Two leading bodies are the Construction Industry Council (CIC) and Intellect UK, the UK technology sector representative organisation and both provide considerable amounts of guidance to their members.

#### 7.3.1. The Construction Industry Council

The CIC publish a range of publications which are either free to its members or available for purchase from its website, which can be found at:

<http://www.cic.org.uk/services/publicationsFree.shtml>

#### 7.3.2. Intellect UK

Intellect UK continues to work with the government to help technology companies and government bodies to work together effectively. This has resulted in several publications, and also some services, supporting this objective and these can be found via the following links:

**Intellect IT Supplier Code of Best Practice** - <http://www.intellectuk.org/content/view/449/83/>

Following discussions with key Government customers and Suppliers, Intellect developed the first IT Supplier Code of Best Practice. The Code represents a major commitment by the industry to a more mature procurement environment. It gets to the heart of the key issues that have inhibited success in the past and sets out the practical improvements that are most likely to yield benefit.

**Intellect Contracting Best Practice** - <http://www.intellectuk.org/content/view/4391/83/>

Intellect Contracting Best Practice - Guidance for Suppliers consolidates the ICT industry's views on what constitutes best contracting practice. It outlines the main contract principles, drawing members' experience from both the public and private sectors. It is intended to inform and guide suppliers when they negotiate contracts with the public sector, and contribute to Government's own assessment of best practice in contracting to be adopted its own customers.

**Organisational Professional Guidelines** - <http://www.intellectuk.org/content/view/3613/83/>

These guidelines were written to define organisational professionalism and give guidelines for organisations to implement it.

A number of other initiatives can be found under our Public Sector Council webpages and the link can be found here: <http://www.intellectuk.org/psc>

**Intellect Concept Viability Service** - <http://www.intellectuk.org/conceptviability>

Developed in conjunction with the Office of Government Commerce and the Cabinet Office, Intellect's Concept Viability Service was launched in December 2003. Since its launch the Service has been used for nearly 70 public sector projects and is also recommended by the National Audit Office. This is a service offered by Intellect to the public sector, that enables customers to use our industry as a 'sounding board' on future procurements. It provides the industry with an opportunity to provide feedback on a potential procurement before a tender is written, and within the confines of a technology-neutral environment. This will help the customer to effectively assess the potential risks associated with specific public sector technology projects, before committing themselves to a particular approach.

#### **Benefits of Using Concept Viability - Customers**

- Concepts that are flawed, high-risk or not technically feasible are identified at an early stage (i.e., before investment has been made).
- Provides an opportunity to explore the pros and cons of technical, commercial and delivery approaches.
- Early engagement improves supplier relations and raises the profile of procurement to companies which previously may not have considered the opportunity.
- Allows suppliers to show the customer how the market can meet their need.
- Gateway Reviewers view the Concept Viability process as a sign of a mature procurement approach.

#### **Benefits of Using Concept Viability - Suppliers**

- Flaws in proposals can be highlighted without companies feeling that their position in the procurement is threatened.
- Where innovative solutions are required, emerging technologies can be discussed with a frank dialogue of the risks incurred - allowing suppliers to manage expectations of what the market can and cannot contribute to the proposed programme.
- Suppliers can decide at an early stage whether they intend to bid for this work, thereby saving significant time and financial resources.
- Provides a mechanism through which suppliers can interact with peers with a view to establishing partnering arrangements.

## **The Henley Centre for Customer Management**

The Primary Objective of the Henley Centre for Customer Management is to promote Customer Focus and Service Excellence best practice through observing practice in leading companies and synthesising this into useful knowledge that helps members to improve their own Customer Management and Customer Service plans and implementations.

### **Members**

Each year, the Centre aims to attract a membership of between 10 and 20 organisations, each a leader in their sector.

Members in 2009 were:-

- Vertex (Main Sponsor)
- 3M UK Ltd
- Bausch & Lomb
- Balfour Beatty Infrastructure Services
- Carphone Warehouse
- Cisco
- Cognizant Technology Solutions
- Cooperative Financial Services
- Defence Science and Technology Laboratory
- Ecclesiastical Insurance Group
- GSK
- Kelly Services

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