

# How can procurement drive digital transformation?

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24 August 2021

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There is no doubt that digital transformation is a process, not an event, and one given added impetus since March 2020. But what do we mean by digital transformation? No one answer to this question will apply in the same way to every organisation: the aim may be to empower stakeholders with greater digital access and literacy, transform and streamline processes, or deliver new technical solutions.

In many cases, the programme will involve a public procurement exercise in order to deliver new technology or bring a partner on board. Public sector bodies will have to comply with the procurement regime. Although procurement requirements are sometimes seen by authorities as time consuming and occasionally less than helpful, they are an important tool to support them as they move forward on the next step on their digital journey.

## Choice of process

Competitive dialogue has a bad reputation and with some justification. Some poorly run Competitive Dialogue (CD) processes have historically proved long, expensive and resource-intensive. But it doesn't need to be this way: the dialogue doesn't have to go on until "everything is agreed". It is for a contracting authority to shape and limit the process and, when bringing on board a partner in a significant transformation project, the opportunity to engage with them during procurement can be a valuable one – not least because any hidden uncertainties in the proposals can be identified and corrected at the outset.

Competitive Procedure with Negotiation (CPN) has been seen as a "short form" CD. In fact, the main advantage of CPN relative to CD is that the former allows initial tenders to be accepted. For this reason, CPN can be viewed as a form of "restricted plus", under which the contracting authority hopes to accept the first bids, but scope for any necessary discussions is allowed – rather than a "short form CD". As a result, authorities have the opportunity to discuss their transformation journey with potential partners.

## Contracting for change

Any digital transformation project will look to the future and authorities may seek to future-proof it. As part of any procurement, they should consider carefully what future services or support might be needed and whether this can be included in the deal. This avoids the need for future procurement exercises, reduces procurement risk should contractors claim that a fresh procurement should have been launched as requirements change and enhances an authority's ability to react quickly and dynamically to changing circumstances. This could take the form of pre-agreed changes, menu-pricing, or a clear change mechanism with specified aims, for example. Careful thought would be given to how possible changes are priced by the market and evaluated.

## Encouraging innovation

The digital field is a dynamic one, and authorities will wish to gain the greatest access to innovative ideas. One way to increase the chances of this is to pursue a lot structure, under which smaller and more nimble providers can participate, but which also allows larger

organisations or consortiums to offer economies of scale by providing the whole service. A “combination matrix”, or similar approach, can be used to determine whether smaller lots should be awarded in combination or if an overall bid covering all of the support required should be awarded.

## What is the “best bid”

Bringing together technical and subject-matter experts and those dealing with legal/procurement matters at an early stage gives the procurement and resulting contract the best chance of success. This ensures that bid-back responses can be readily incorporated into the contract; avoiding vague aspirations forming part of bidders’ proposals and setting out award criteria that incentivise the “best” bids. Award criteria generally provide a 60/40 or 70/30 split between price and quality. But different approaches are available. If an authority has a minimum requirement, but subject to that being satisfied just wants the best price, then the scoring can be structured to deliver this by assessing price and technical quality separately.

## Sealing the deal

The “holy grail” of any digital project is to have certainty and transparency across each service package, pricing, service levels and implementation dates. There is a golden thread running through a well-formulated digital procurement which will deliver contractual certainty, required flexibility and the best result for stakeholders.

To achieve this, bidders could be asked a series of “essay questions” about the proposed solution, and the ability of the bidders to meet the technical requirements, as part of the submission requirements. The responses can then be developed into a clear specification.

Although this can be a significant time commitment for authority officers running the procurement and scoring bids, a procurement which is more comprehensive at the start can lead to the same amount of overall time and resources being spent because more work is needed following appointment of a bidder. Additional work following the procurement process would be needed without competitive pressure, possibly leading to a sub-optimum deal, a lack of clarity about what the authority is buying, poor results and potential disputes between the parties about what the project should achieve.

## Setting the tone

There are many elements to a digital project: organisations, technical and, perhaps most importantly, people. Procurement is only a small component, albeit one which authorities are legally obliged to undertake. However, if the procurement process is used strategically and based on the foundations of a well drafted contract, procurement can be a valuable tool with benefits far beyond mere compliance. Procurement can set the tone and determine the successful outcome of a digital transformation project; getting it right will reap dividends further down the line.

First published by [theMJ.co.uk](http://theMJ.co.uk) 19 August.

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