

<b>Institution:</b> University of South Wales		
<b>Unit of Assessment:</b> C17: Business and Management Studies		
<b>Title of case study:</b> Responding to a post-austerity economics by improving procurement policy and practice in Wales		
<b>Period when the underpinning research was undertaken:</b> 2008-2016		
<b>Details of staff conducting the underpinning research from the submitting unit:</b>		
<b>Name(s):</b>	<b>Role(s) (e.g. job title):</b>	<b>Period(s) employed by submitting HEI:</b>
Dr Kath Ringwald	Senior Lecturer	2007-2014
Mr Scott Parfitt	Senior Lecturer	2003-present.
Mr Chris Lee	Senior Lecturer	2004-present.
Professor Gareth R.T. White	Professor of Operations Management	2011-present.
<b>Period when the claimed impact occurred:</b> 2013-2016		
<b>Is this case study continued from a case study submitted in 2014?</b> N		
<b>1. Summary of the impact</b> (indicative maximum 100 words) <p>Public and private sector procurement spend is a subject of perennial concern, and one that has been exacerbated in an era of post-austerity economics. Wales is the lowest performing economy in the UK and research by University of South Wales (USW) academics has led to a range of interventions to improve the effectiveness of procurement and thereby directly contribute to the region's economic well-being. The work led to policy and practice changes within the Welsh Government (WG) that have resulted in a 100% increase in small to medium enterprise (SME) involvement in bidding for public sector contracts and a 400% improvement in their success in winning contracts. Resulting Knowledge Transfer Partnerships and CIPS accredited training delivered by USW have helped transform procurement practice in Welsh public and private sectors, contributing significantly to greater economic sustainability for buyers and suppliers in the region.</p>		
<b>2. Underpinning research</b> (indicative maximum 500 words) <p>Research conducted by University of South Wales (USW) academics in collaboration with Welsh public and private sectors between 2008-2016 comprised two elements: researching and shaping public sector procurement policies and practices with SMEs in Wales, and subsequent work on the synthesis of public and private sector procurement theory and practice.</p> <p><b>USW academics conducted research on public sector procurement policy and practice</b>  The financial crisis of 2007-2008 triggered significant public spending cuts in the UK. Public services procurement forms a considerable proportion of overall government spend and the Welsh Government (WG) were spending £4.3 billion per annum. Consequently, developing an effective and strategic procurement function at central and local levels was an immediate priority for the Welsh public sector. SMEs represent 98% of all businesses in Wales and provide 59% of non-public sector employment. But they face significant difficulties in engaging with the public sector to secure contracts. To address this problem, USW researchers <b>Ringwald</b> and <b>Lee</b> led research funded by the WG's Value Wales division. Value Wales' remit was to help the public sector deliver more from annual expenditure by improving both practice and the outcomes achieved. It largely operates through engagement with public sector organisations in the Local Authority, NHS, Education and Emergency Services sectors and with business.</p> <p>USW research <b>[R1]</b> reviewed current supplier pre-qualification practices used across the Welsh public sector, barriers to SME engagement and identified examples of good practice that could be adopted by the public sector in Wales. <b>Ringwald</b> and <b>Lee</b> led a multi-disciplinary collaborative team from 3 Welsh universities: USW (then University of Glamorgan) researchers' strand investigated procurement practices across the Welsh public sector, with Bangor University and Trinity University College Carmarthen investigating the SME perspective and providing a legislative perspective. The USW team evaluated 25 sets of</p>		

pre-qualification questionnaire (PQQ) documentation from public sector organisations including 3 from across the border in England. This was followed up with focus groups and interviews with public sector buyers and decision makers. USW also evaluated WG's e-procurement tools Buy4Wales, Sell2Wales and xchangewales and three County Borough Council case studies were produced including one with Cardiff City Council (CCC).

The research found that most public sector organisations were concerned with cashable savings, value for money, reducing transaction costs, developing suppliers and meeting front-line service expectations and regulatory frameworks and that this led to significant PQQ barriers for local SMEs [R1]. USW's research recommended improvements to Welsh public sector procurement practice, including the development and evaluation of new PQQ practices across all public sector organisations to improve transparency and standardisation across the sector. Specifically, they recommended using the online procurement system, Sell2Wales, as a central data repository and that all public contracts over £25,000 must be advertised on Sell2Wales to provide transparency. They also recommended that staff training was reviewed across the sector to improve procurement practice. Construction contracts were identified as particularly problematic and an area for further study.

Between 2007 and 2012, **Lee** had undertaken 2 Knowledge Transfer Partnerships (KTP) part funded by ESRC with public sector organisations to research and develop new approaches to procurement and to review procurement policy and practice. The first KTP with a housing association (Gwalia Group) [F1] provided insights into the challenges of meeting Government procurement requirements and ways that e-procurement could be used within the business to improve efficiency. **Lee** then progressed to work with Cardiff City Council on a second KTP to enable them to evaluate and improve their procurement practices. This project provided insights into benefits of using a Category Management approach to organise the resources of the procurement team to focus on the organisation's supply market and the considerable cost savings that could be achieved through this approach [F2] [R5]. The specific categories that were identified were: Social, People & Professional Services contracts, Environment/Construction & Special Projects contracts; and Corporate & ICT / Transport & Facilities Management contracts.

In 2013, USW carried out further research with Value Wales [R2, F4] to specifically evaluate the low-value advertising policy which had been in operation since 2008 as part of the Open Doors Charter. Organisations had agreed to advertise all procurement opportunities over £25,000 and below the Official Journal of the European Union (OJEU) limits. Public sector organisations were found to be sympathetic to the plight of SMEs but also fearful that wider advertising would produce an avalanche of interest from inappropriate sources, and therefore commitment in practice was, at best, patchy. **Ringwald's** investigation assessed the extent to which sub-OJEU advertising (SOA) was taking place and the extent to which increased advertising was impacting on the implications of SOA for buyers and the extent to which SMEs were benefitting from any increases in SOA. The findings were that SOA was increasing steadily in Wales as public sector bodies (PSBs) adopted strategies which made contracts more accessible to SMEs. However, there was no evidence to suggest that local SMEs were winning more business than other companies in the UK. Large scale collaborative purchasing was dominating, making it difficult for SMEs to compete. Also, the introduction of Category Management was having negative impacts on local supply markets. Therefore, SMEs were still having difficulty in accessing public sector contracts, despite the increased advertising. The authors concluded that SOA should remain in place but in conjunction with more flexible processes and closer engagement with the supply market to ensure that SMEs could compete [R2].

#### **Further USW research extended to private sector procurement theory and practice**

In 2014, **Lee** led another KTP with Airbus to analyse their business procurement systems and develop new supply chain management tools [F3, R7]. Further research also addressed the construction sector in Wales [R3] and a review of procurement staff competency in Wales [R4] concluded that the skills of procurement professionals in Wales were a key factor in the

effective improvement of public sector procurement policy and practice. In 2016, USW conducted meta-analysis of its extant UK-wide public and private sector research and, contrary to the dominant discourse, found that both are beset by a similar range of problems [R5]. These comprise a predilection to 'act tactically', poor perception of the value of the procurement function, lack of strategic recognition and input of procurement, ongoing training and development deficiencies, and the wholesale centralization of procurement activities. The research concluded that the failure to recognise the strategic importance of procurement in either setting appeared to be due to a similar situation that termed a 'Cycle of Impotence'.

Informed by research around environmental management, national systems of innovation and sustainable supply chains, USW also developed insights that led to an approach to utilize public sector procurement policy to drive environmental performance improvement throughout Welsh supply chains [R6]. This work conceptualises and operationalizes public sector procurement as a vehicle for initiating and developing sustainable environmental performance.

### 3. References to the research (indicative maximum of six references)

- [R1] Research Report Commissioned by Value Wales: Barriers to Procurement Opportunity Research USW/TenderWise (2009). Available at: <https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.506.6108&rep=rep1&type=pdf>
- [R2] The Impact of Low-Value Advertising on SME Access to Public Sector Procurement in Wales'. Ringwald, Parfitt USW 2012. Available from: [https://pure.southwales.ac.uk/en/publications/value-wales-study-of-procurement-low-value-advertising\(27ed80c3-7806-4b77-80e1-3928d088c41c\).html](https://pure.southwales.ac.uk/en/publications/value-wales-study-of-procurement-low-value-advertising(27ed80c3-7806-4b77-80e1-3928d088c41c).html)
- [R3] Ringwald, K., Parfitt, S. and Ndrecaj, V. (2014) Developing Competitive Advantage for SMEs in the Construction Industry. A Welsh Perspective. The Institute for Small Business and Entrepreneurship Conference, Manchester, UK.
- [R4] All Wales Procurement Competency Report (2014): [https://pure.southwales.ac.uk/en/publications/all-wales-baseline-study-of-procurement-competency-in-relation-to-spend\(6fc0cee4-a207-4e4a-afb2-8047a24c3c65\).html](https://pure.southwales.ac.uk/en/publications/all-wales-baseline-study-of-procurement-competency-in-relation-to-spend(6fc0cee4-a207-4e4a-afb2-8047a24c3c65).html)
- [R5] White, G.R.T., Parfitt, S., Lee, C. and Mason-Jones, R. (2016) Challenges to the Development of Strategic Procurement: a meta-analysis of organisations in the public and private sectors. *Strategic Change: Briefings in Entrepreneurial Finance*, 25(3), 285-298 (ABS2)
- [R6] Razak, A.A., Rowling, M., White, G.R.T., Mason-Jones, R. (2016) Public Sector Supply Chain Management: A Triple Helix Approach to Aligning Innovative Environmental Initiatives. *Foresight and STI Governance*, 10(1), 43-52.
- [R7] Lee, C.J., Stephens, V. and Barrett, J. (2014) The Supply Chain as a Complex Adaptive System. *KES Transactions on Sustainable Design and Manufacturing*, 1(1), Special Edition – Sustainable Design and Manufacturing Conference, Cardiff.

### FUNDING INFORMATION

- F1. KTP 1419 (Gwalia Housing/USW) ESRC/IUK/WG Lee, C. 2007-2009 (£95,029)
- F2. KTP 7371 (Cardiff Council/USW), ESRC/IUK Lee, C., 2009-2011 (£48,400.00)
- F3. KTP 9116 (Airbus/USW), Welsh Government, Lee, C., 2013-2016 (£72,600.00)
- F4 Barriers to procurement opportunity USW/Bangor University Value Wales Ringwald 2008 (£26,306)
- F5. Impact of low-value advertising USW Value Wales Ringwald 2012 (£4750)
- F6. Research into NHS Wales procurement USW Ringwald 2014-16 (£23,000)
- F7. Baseline study of procurement resources in Wales Value Wales USW/Ringwald 2014-16 (£20,000)

### 4. Details of the impact (indicative maximum 750 words)

In a post-recession era of 'austerity economics' that is juxtaposed with growing concerns around societal well-being, public sector spend has been consistently reduced while the demands put upon it have increased considerably. The future of Wales presents a particularly challenging suite of problems, having the [lowest Gross Value Added figure of any region](#) of

the UK) and being encumbered by [issues](#) around income poverty, deprivation, employment, housing, homelessness and criminal justice.

The material presented is the demonstration of USW Business School's long-standing contribution to procurement policy and practice both within the public and private sectors in Wales as a subject of regional and national economic concern and an area through which economic and social reform will be enabled. Our impact in this field comprises of three parts: the impact of our work upon Welsh national public sector policy and practice, the benefits to local public sector organisations and the benefits to private sector organisations in Wales.

**USW research underpinned changes to national Procurement Policy and Practice in Wales leading to improved SME success in winning contracts: Ringwald's and Parfitt's findings [R1 and R2]** reviewed the SME friendly procurement policy in close collaboration with Value Wales, PSB buyers and suppliers. This research fed directly into the new Wales [Procurement Strategy](#) launched by the Welsh Government in spring 2013 [S1a]. This included a mandatory advertisement of all contracts over £25,000 on the web portal 'Sell-2-Wales', which, in 2013 resulted in a 100% increase in the number of low-value contracts that were advertised and a 400% improvement in the success of SMEs securing contracts.

Findings from this research were also recognised in the Procurement Competency Framework adopted in Wales which requires procurement staff to evidence skills leading to 'SME friendly' procurement. The findings also promoted the concept that advertising should be carefully considered as part of a commissioning and procurement strategy that addresses the financial and social objectives of the organisation. Evidence from the Welsh Government's Public Accounts Committee in 2017 shows that "the number of low value contract notices advertised on Sell2Wales have increased from 80% of all adverts placed in 2015-16 to 84% in 2016-17. This has driven up the number of low value contracts being won by Wales-based businesses from 50% in 2015-16 to 55% in 2016-17." [S1b] Lee then went on to deliver Chartered Institute of Procurement and Supply (CIPS) accredited training to over 80 staff at Value Wales between 2013-2016.

**USW procurement models applied to Public Services in Wales:** In 2009 USW researchers led by Lee started a KTP with Cardiff City Council (CCC) [F2, S2] to apply its procurement research to address the need to improve procurement practices and policy drawing upon the knowledge gained in [R1]. Guided by USW academics, Cardiff City Council decided to implement a Category Management system to improve the control of purchasing expenditure [S4]. This resulted in approximately 10% reduction in off-contract spend and between 8% and 40% reduction in non-contract spend. Overall, the first year generated £18.5 million reduction in procurement spend which equates to a £40 million saving in expenditure over the life of the contract portfolio.

The Head of Commissioning and Procurement at Cardiff City Council and Chair of the Welsh Local Government Heads of Procurement Network stated that the work had "*helped to deliver £12m General Fund budget savings which contributed to a cumulative saving of £40 million over a five-year period. The category management approach developed through the KTP has continued to ensure delivery of value for Cardiff Council both through cashable and cost avoidance savings, and increasingly through the delivery of wider priorities such as social value.*"

As a result of the success of the CCC KTP, other Welsh County Borough Councils put plans in place to implement the Category Management approach. In 2014, Denbighshire County Council, Flintshire County Council and Gwynedd County Council included the changes in their planning and forecast savings of at least £3.1m per year after initial setup costs. [S3 p7, p150]. Savings of £18.5m pa and cumulative £40m over 4 years were made for Pembrokeshire Council [S5]. Lee and Ringwald went on to deliver CIPS accredited training to staff from many of the public sector bodies.

In 2014, Ringwald and Lee were commissioned by NHS Wales' Shared Services Partnership to conduct research into the levels of NHS Wales non-staff spend and analyse the supplier population identifying where there is potential for increased spend in Wales by



sector [F6]. This resulted in the NHS identifying CIPS training as a key priority to meet the current and the future needs of services to promote procurement as a career of choice.

**Ringwald** and **Lee** delivered tailored NHS CIPS Level 4 and 5 qualifications to staff at the workplace in Cardiff.

**USW procurement research used by Airbus to revise procurement practice:** In 2013 USW were awarded the first 'enhanced' KTP by Welsh Government to collaborate with Airbus and its sites across the UK, France and Germany [S6]. Supervised by **Lee** the project aimed to deliver a 'sustainable supply chain' during a period of substantial commercial turmoil and restructuring. Partnering with Airbus was a significant undertaking as the results of the KTP would impact across its European and global operations that employed around 40,000 personnel. The KTP delivered three key changes: the adoption of Category Management approach, the implementation of a standardised vendor appraisal/approval system and the foundational implementation of a sustainable supply chain management system. These changes facilitated the formation of a new procurement structure based on Category Management. The total projected cost savings of these interventions to the company were €35 million per annum [S6].

Dr Mike Healey, Airbus Head of Program Procurement commented [S7]: *"We've been able to access a viewpoint and a way of thinking that we were not able to do before. [The project] has given us tools to challenge the ways that we are doing things. For us it means that we now have a mechanism to be able to bid on contracts that we would not have been able to do and some of these are very big contracts that are critical to the future of our company. If we can just improve our interaction [with suppliers] by 1%, and I think the work that we've done will do more than that, then we've saved €7 million on what is a very modest investment, and I suspect the return will be more than that. The University of South Wales was absolutely critical in the process."*

**USW procurement research supports CIPS professional accreditation and educational expansion:** The University of South Wales is now a well-established [Centre of Excellence](#) for delivering the Chartered Institute of Procurement and Supply (CIPS) Professional Diploma and is well-regarded locally for the open programme and the specific public sector route, delivered in conjunction with Value Wales. The University also works in partnership with procurement professionals and has established the Procurement Best Practice Academy to identify, develop and disseminate best practice in procurement and supply chain management. Examples of these collaborations are the KTPs leading to co-authored publications with industry [R7]. Additionally, our researchers have presented the outcomes of our collaborations and research in a range of national and international conferences including the KES Transactions on Sustainable Design and Manufacturing Conference, and the prestigious British Academy of Management Conference [R5, R6].

#### **5. Sources to corroborate the impact** (indicative maximum of 10 references)

[S1a] Value Wales Evaluation Report - Be careful what you wish for'. The impact of low-value contract advertising on SMEs and the Public Sector. USW/Value Wales.

[S1b] National Assembly Public Accounts Committee: Public Procurement 2017 <https://business.senedd.wales/documents/s71688/PAC5-04-18%20PTN3%20-%20Welsh%20Government.pdf>

[S2] KTP Final Report Cardiff City Council USW KTP– 2012 Innovate UK

[S3] Institute for Competition and Procurement Studies 'Three Counties Procurement Service: full business case'. Available from:

<https://committeemeetings.flintshire.gov.uk/documents/s24720/Appendix%20-%20Procurement.pdf?LLL=0>

[S4] Testimonial Letter, Head of Commissioning and Procurement, Cardiff Council

[S5] 'Pembrokeshire County Council Presentation Category Management: a case for implementation' 2015.

[S6] KTP Final report USW Airbus (EADS Cassidian) 2016 Innovate UK

[S7] USW Airbus KTP Joint Video featuring Airbus Head of Procurement Sept 2016 -

<https://www.youtube.com/watch?v=GwU5zDgCS6s>