



## MRS Policy Unit

### Submission to the Public Administration Select Committee (PASC) inquiry into public procurement

#### Summary

- Not all procurement is the same and a *one size fits all* approach works against effective and efficient procurement, and can stifle innovation and jeopardize optimum outcomes.
- Market, social, opinion and economic research are all used to support critical policy and operational decisions in all areas of public life. When procuring research, government is procuring evidence on which important decisions are based. The procurement practices should be structured to reflect this.
- Research is an intellectual capital and creative service depending on skills, training and intellectual capacity. It is highly labour intensive, which requires high levels of customisation and interaction between procurers and suppliers, which can be achieved without conflicting with European legislative restrictions.
- Any criteria used to evaluate service procurement which is based on a high level of intellectual capital such as research, should be based on assessing whether a proposed solution is fit for purpose and good value for money; not on lowest cost. Lowest cost does not equate with value for money.
- MRS welcomes Cabinet Office initiatives to open Government contracts to SMEs and to improve public sector procurement.
- The Civil Service overall has the necessary skills to procure research services, via the network of excellent government researchers and experienced procurement professionals who have expertise built-up in public service evidence generation, but these skills are dispersed across Government and are not located centrally.
- Any procurement of research within the public sector must include research specialists who can advise on framing the business or policy problem to be addressed and the suitability of proposed solutions.
- The procurement process must permit and foster communication between buyers and suppliers, with reference to their information, policy and business needs, and not over-rely on technology to drive efficiency. Communication and consultation early in procurement is considerably more efficient in the longer-term.
- Administrative procedures should be significantly streamlined, enhancing efficiency and effectiveness, by adopting some simple changes e.g. standardising core documentation and information requirements, and storing such information centrally.

#### Introduction: About MRS and the Research Market

The Market Research Society (MRS) is the world's largest research association. It's for everyone with professional equity in market, social and opinion research and in business intelligence, market analysis, customer insight and consultancy. MRS supports best



practice by setting and enforcing industry standards. The commitment to uphold the MRS Code of Conduct is supported by the Codeline service and a wide range of specialist guidelines.

The UK is the second largest research market in the world (second to the US) and the UK research sector is recognised as leading the way in the development of creative and innovative research approaches.

According to the Office for National Statistics' (ONS) Annual Business Survey<sup>1</sup> it is estimated that the total UK turnover of the 3,143 enterprises involved in market research and opinion polling to be £3,401 million in 2010. Further in 2012, MRS with PWC undertook an assessment of the size and impact of the UK research and evidence market, producing the MRS report *The Business of Evidence*<sup>2</sup>. One of the main findings from this report is the that the UK 'business of evidence' market is substantially larger than previously estimated, employing up to 59,000 people and generating £3billion in annual gross value added (GVA).

Within the research market, the supplier market is dominated by SMEs. For example, based on the MRS 2010 League Tables<sup>3</sup>, outside the Top 15 companies, all other suppliers are SMEs and there are a considerable number of small and micro business suppliers.

### **MRS's Current Procurement Position**

In 2011 MRS contributed to a pan-European research response to the European Commission's *Green Paper on the modernisation of EU public procurement policy*<sup>4</sup>. Within this response recommendations were made on improvements that could be made to research procurement within the Europe.

In 2012, MRS engaged with the Government Procurement Service (GPS) to advise on the arrangements for procuring market research following the closure of the COI.

In response to the GPS's request for further information, MRS undertook extensive consultation with MRS stakeholders, including research suppliers and in-house government research buyers; following which MRS compiled a report submitted to the GPS, *Improving Market Research Procurement: MRS Recommendations on the Creation of Framework 2 for Research Services*<sup>5</sup>. Within this report there are numerous recommendations on how the GPS could not only to improve the efficiency and effectiveness of research procurement but, in doing so, reinforce the competitiveness of the UK.

MRS is also leading, with the Social Research Association, a *Research Commissioning Group* which is working to improve the practice of public sector research procurement. The *Group* consists of representatives of different types of research provider, together with social researchers and procurement staff working in government.

### **Response to the Issues and Questions Paper**

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<sup>1</sup> Office of National Statistics (ONS), (2011) Annual Business Survey. Standard Industrial Classification (SIC) 73.2: Market research and opinion polling.

<sup>2</sup> See [www.mrs.org.uk/pdf/The\\_Business\\_of\\_Evidence\\_Final\\_08102012.pdf](http://www.mrs.org.uk/pdf/The_Business_of_Evidence_Final_08102012.pdf) for a copy of the full report.

<sup>3</sup> See [www.mrs.org.uk/intelligence/industry\\_statistics](http://www.mrs.org.uk/intelligence/industry_statistics) for more information about the MRS league tables.

<sup>4</sup> The response was prepared by EFAMRO and ESOMAR and is available via <http://www.efamro.eu/Files/2011-04-18%20EFAMRO%20ESOMAR%20procurement.pdf>

<sup>5</sup> See [www.mrs.org.uk/pdf/MRS\\_Procurement\\_document\\_for\\_GPS%20\\_FINAL\\_version.pdf](http://www.mrs.org.uk/pdf/MRS_Procurement_document_for_GPS%20_FINAL_version.pdf) for a copy of the full MRS report.



**1. How successful has the Cabinet Office been at improving public procurement policy and practice?**

- 1.1. MRS welcomes the recent work by the Cabinet Office to improve procurement, in particular to improve access by and opportunities for SMEs.
- 1.2. The launch of Contract Finder and the elimination of PQQs for central government contracts are generally welcome developments.
- 1.3. However, whilst the Cabinet Office efforts are laudable, they have not as yet had a significant effect on research procurement policy and practice. There was little evidence of the Cabinet Office's recommendations being taken on board during MRS's recent experience with the GPS in regard to the replacement research framework following the closure of the COI.

**2. What should be the strategic aim of the Government's public procurement policy?**

- 2.2. For research procurement the strategic aim of the Government's procurement policy should:
  - 2.2.1. reduce costs and improve value for money via 'intelligent procurement' of research services i.e. buying research that addresses specific business or policy challenges within Government, is fit for purpose and good value for money; not necessarily lowest cost. Lowest cost does not equate with value for money.
  - 2.2.2. reduce administration by reducing duplication and waste e.g. standardising core documentation and information requirements (e.g. Health & Safety policies, data protection and so on) and storing such information centrally.
  - 2.2.3. build on what already works within Government by utilising the capability and knowledge that has already been invested in government research data and insight e.g. utilising the effective elements of the former COI framework and developing these.
  - 2.2.4. support SMEs for example by significantly reviewing the Government's standard terms and conditions which place a disproportionate burden on SMEs such as unlimited indemnities, warranties, etc.
  - 2.2.5. ensure procured research is legal, ethical, in accordance with research standards and bought only from reputable, regulated research suppliers. In an era of high levels of public and press scrutiny, confidence in the quality of research evidence used must be high, and this can only be guaranteed if regulated suppliers are used.
  - 2.2.6. support innovation and ensure best practice by retaining some flexibility in procurement approaches. The UK is the world's second largest research market after the US, and is characterised by the innovation and adaptability of its research specialists. In order to ensure Government has access to the most up-to-date and innovative methods and ideas, access to government contracts should be flexible with a degree of openness to enable access to new suppliers entering the market.



**3. Does the Government have the right skills and capabilities to procure effectively?**

➤ ***Does the civil service have the skills and capabilities required to negotiate and manage contracts effectively?***

3.1. In regard to research, the civil service has the skills and capabilities required to negotiate and manage research contracts effectively. The issue is that the expertise is not located in procurement departments, but rather spread throughout the civil service.

3.2. One of the main benefits of the COI approach to buying research was that researchers were employed within COI who understood research and knew how to buy it effectively.

3.3. The skilled professionals who understand how to purchase research effectively should be able to do so with a greater degree of discretion. At present there is a tendency for civil servants to go beyond the requirements of the EU Procurement Directive to ensure full adherence to the legislation. More specific detailed advice from the Cabinet Office, allowing for discretion, would significantly assist this situation.

➤ ***What skills do procurement authorities require in-house, what skills can be bought in and what skills can be contracted out?***

3.4. Good research procurement demands expertise in procurement techniques, together with a sound knowledge of the methods of research and analysis, and an understanding of the policy or delivery area. Without specialist research knowledge, poor research can be purchased which does not address the business or policy challenges or problems it is sought to answer.

3.5. The Government model for research procurement has traditionally applied a combination of research and policy subject skills, with expertise in procurement, and this model was largely successful. A similar approach is required going forward.

➤ ***What lessons can central government learn from local government on procurement?***

3.6. On the whole, anecdotal experience gathered by MRS is that central Government is more effective at procuring research services than local Government, as it does so much more often and on a larger scale.

3.7. Recently there have been some research procurement tenders which have been conducted centrally on behalf of local government. The impact of this has been that local suppliers are suffering with larger, nationally based suppliers faring better. This approach appears to be at odds with the Government's broader localism agenda.

➤ ***How successful are government departments and their agencies at communicating their needs to potential suppliers?***

3.8. Communication is essential in defining the business or policy problem that research is to address. Research is not a widgets business, it is an intellectual capital professional service, and its procurement cannot be standardised or



centralised without loss of efficacy or value for money. Research procurement has worked well where in-house Government researchers and research procurement professionals work together to ensure the right and best research solutions are being procured within Government.

3.9. One of the key issues with centralised procurement is that government departments may be restricted to requesting particular (and “lower cost”) research methodologies, without reference to whether these methodologies will obtain the appropriate insight and evidence to meet the required information, policy and business needs.

3.10. Any framework for procurement of research must be sufficiently flexible to clearly understand and document the policy and business needs of end buyers of research, who should not be expected to define their needs in research methodologies but rather by research business specialism

**4. *How should the civil service ensure it recruits and retains staff with the right skills to run procurements, to negotiate and manage contracts and to deliver major projects effectively?***

4.1. The skills of managing procurement are not so unique that civil servants cannot develop them with appropriate experience. What determines effective and efficient research procurement is that individuals are trained to understand the three main angles:

4.1.1. the business/policy area to be addressed;

4.1.2. the right research approaches that can address this business/policy need; and

4.1.3. understanding how to undertake procurement to meet these needs.

4.2. Without the training in all requirements effective research procurement cannot result. If centralised procurement is to be used by Government this must be complemented with strong research skills, by utilising the excellent network of in-house government researchers, to ensure that the other two dimensions – policy need and research requirements – are addressed to ensure that effective research is procured.

**5. *Does the Government have the organisational structures in place to enable it to procure effectively? (For example, how far should the Government centralise responsibility for public procurement? Do central government procurement ‘framework agreements’ enable more effective public procurement?)***

5.1. One of the most difficult areas when buying research is ensuring that the business or policy problem or challenge to be addressed has been properly identified and defined, and as a consequence the best research approach procured. In COI, having specialists that understood research as a discipline meant that, for the most part, the right research solutions were procured and there was less wasted research, resources and time as a result.

5.2. Any approach for procuring research should include some research specialists. The recommended way to address this is to use the existing skills of good research suppliers much more in the early stage of the procurement process,



setting the business or policy problem to be addressed and effectively using suppliers to suggest and reason a suitable research solution.

5.3. Another part of the solution would be much greater involvement and inclusion of professional researchers already employed in government (in government departments, etc.) in the procurement process. As the 'in-house consultants' within government, they are essential in ensuring that the most appropriate research is being procured, and would provide the check and balance to ensure research suppliers are providing the right research solutions to address the right research problems. When internal expertise is not available and a buyer desires independent advice, there are also a wide range of practitioners who can act in a consultative capacity for buyers (this already occurs in some government departments).

5.4. Including researchers properly (both in-house resources and research suppliers) in the research procurement process, should result in better value for money for government as the research procured will be fit for purpose, address the right business and policy challenges and provide the right answers to the right questions being asked within government.

**6. Does the Government collect the management information it needs to understand how public procurement is working?**

6.1. MRS applauds the activity of the Crown's Representative for SMEs, Stephen Allott, and the 'Mystery Shopper Scheme' enabling SMEs to report examples of good and bad practice within public sector procurement. Using research to provide Government with feedback is the ideal way to measure the effectiveness of current procurement approaches.

6.2. However, this initiative needs to be adopted much more broadly for all public sector procurement – not just those affecting SMEs – and requires a higher degree of promotion to ensure that all those with an interest are aware of its existence.

**7. Question 7: How should Government ensure that European directives on public procurement do not inhibit public bodies' ability to procure effectively?**

7.1. Procurement rules, both UK and EU, are over-prescriptive, administratively burdensome and are not widely understood. There is a tendency for civil servants to be too stringent in interpreting the requirements due to fears of breaching these rules, rather than pragmatic within the confines of the legislative requirements.

7.2. An example of this is the reluctance of some procurers to engage in pre-contract engagement discussions. Not engaging with suppliers to clearly define what is required, can lead to inefficiencies in the procurement of research.

7.3. MRS submitted, via EFAMRO<sup>6</sup> the European trade federation of which it's a member, evidence to the European Commission's 2011 consultation on public procurement. MRS argued strongly that it is necessary to distinguish services that are based on intellectual capital rather than supplies of material products or services that require a low level of interaction or customisation (such as hotels,

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<sup>6</sup> EFAMRO is the European Federation of Associations of Market Research Organisations – see [www.efamro.eu](http://www.efamro.eu)



catering, etc). Following the consultation, the Commission is proposing reforms to simplify rules and procedures, which if undertaken we welcome.

**8. How should Government assess and manage risk when negotiating procurement contracts? (For example, how much risk should Government be prepared to accept and what are the limits on the transfer of risk to the private sector?)**

8.1. MRS fully appreciates that Government will want to manage risks by including key outcome requirements as part of research contracts (e.g. a required response rate in a research project). The issue is how those requirements are set, particularly if penalty clauses are being used and how these are balanced with broader Government objectives such as encouraging greater involvement of SMEs in Government procurement. Current standard terms and conditions being proposed by the GPS include significant indemnity and warranty requirements that effectively disenfranchise smaller research suppliers from engaging with Government procurement.

8.2. Target setting should be conducted openly and there should be an opportunity for the suppliers to comment and contribute to the targets.

8.3. Service credit regimes used to manage risk should also include incentives for good performance as well as penalties for poor performance.

**9. What is the best role for 'prime contractors' and what are the advantages and disadvantages of relying on 'prime contractors'?**

9.1. MRS believes that any procurement approach should be flexible and open to new suppliers and/or new and emerging techniques.

9.2. Having a procurement process which enables contractors to partner in a consortium under the leadership of one organisation is generally a good thing – for suppliers and commissioners. However, fixed supply chains should be discouraged as they favour the lead supplier at the expense of other suppliers and ultimately don't provide value for money.

**10. What are the key lessons to be learned from the experience of cost overruns, delays and project failures in central Government procurement over the past five years or so?**

10.1. Research contracts are generally modest in size and therefore MRS has no direct experience of large scale failures within research.