Workshop Report

Creating the Conditions for Innovation

Towards a Good Practice Guide

Sustainable Energy Europe

Lead Market Initiative for Europe

Creating the Conditions for Innovation: Towards a Good Practice Guide

Workshop Report

This informal report has been prepared to disseminate the findings of a workshop organised by the LCB-HEALTHCARE project: a Public Procurement Network sponsored by the European Lead Market Initiative. The overall aim of LCB-HEALTHCARE is to share experience and information on best practice procurement, lead market innovation methodologies and case studies related to the design, construction and refurbishment of low carbon buildings in the healthcare sector.

The project consortium comprises national partners from England, Netherlands, Norway and Poland and a pan-European network (the European Health Property Network). It is coordinated by the UK Department for Business, Innovation and Skills that is leading a pioneering national programme to help the public sector better meet its policy goals through new approaches to procurement of innovative products and services.

The report is based on the presentations and words of the workshop participants and findings from the pilot projects being undertaken by the LCB-HEALTHCARE partners.

September 2011

Feedback on this report may be sent to *info@lowcarbon-healthcare.eu*
or by adding comments on the related Blog at *www.lowcarbon-healthcare.eu*

Contents

Executive Summary

Innovation will be essential in a healthcare sector that is facing rapid change and increasing expectations, considerable financial and efficiency challenges, and a move to low carbon operations. Yet there appears to be a lack of strategic leadership or management for innovation. Opportunities for innovation are frequently lost and the potential for innovation to solve current and future problems is not recognised. This makes it difficult for the healthcare sector to adapt to changing circumstances and prepare for the future.

The role that procurement can play in delivering innovative solutions to address problems and maximise opportunities is poorly understood. A message from all participants was that many healthcare organisations are unaware of the benefits that pro-active, pro-innovation procurement can bring.

Both innovation procurement and low carbon procurement remain new concepts to the majority of clients in the healthcare sector. Estates and facilities departments do not prioritise procurement as a strategic tool to deliver what is needed; procurement staff are themselves often unaware of innovation procurement techniques and how they can deliver better outcomes.

Procurement techniques that support innovation, such as market engagement, outcome based specifications and whole life costing, are rarely utilised. Healthcare procurement functions are often characterised by risk aversion, in both the procurement process and in product selection, and a failure to engage with suppliers.

Participants reported that much procurement is based on lowest price, rather than value for money and whole life cost.

Organisational culture and structures seem not to be fully encouraging or supportive of innovative ideas, and professional boundaries mean that cross-departmental working is the exception. In other words, policy, operations and procurement staff are rarely part of the same procurement team. This perpetuates the gap between an organisation's policy objectives and operational requirements, and its procurement activities.

Yet there is growing evidence of an appetite for new and better solutions, and there are some good examples of individuals and hospitals trying new approaches to support innovation and low carbon solutions. Visibility of these projects is essential to raise awareness of the benefits that can be delivered. Enablers, such as capacity building, peer learning and access to practical tools and real examples, will be needed if innovation procurement and low carbon solutions are to be more widely adopted.

Most important however is leadership for innovation; people in a position of influence who encourage innovation and who are committed to procuring better, more cost effective solutions, and to bringing about the changes in organisational culture and procurement practice that will make this a reality.

Creating the Conditions for Innovation: Towards a Good Practice Guide
The consortium members will continue to explore and share success factors, barriers and enablers through their pilot projects and seek to exchange experience with other networks. A Good Practice Guide will be published in September 2012.

1. Introduction

The LCB-HEALTHCARE project is aimed at creating a European Lead Market Public Procurement Network to stimulate innovation for Low Carbon Building Solutions in the Health Service Sector.

Buildings account for some 40% of EU CO2 emissions and the healthcare sector (due to its scale and 24/7 operation) is a major source. The project includes demonstration pilots in four countries and aims to create a sustainable European Network to enable the spread of best practice in innovation procurement and adoption of low carbon solutions.

This is a report of the findings of a workshop held during the LCB-HEALTHCARE 9th Consortium Meeting, held in Oslo on 12-13 May 2011. The report also draws on the emerging findings from the LCB-HEALTHCARE pilot projects in the Netherlands, Norway, Poland and England.

Participants included the LCB-HEATHCARE Team and invited experts.

1.1 Context for the workshop

Europe needs to meet very challenging CO2 reduction targets over the next decade and the healthcare buildings that are built, updated and refurbished in the coming years will determine their carbon legacy for the future. The LCB-HEALTHCARE State of the Art Report [1] found that the carbon footprint of the European healthcare sector can be estimated to be at least 5% of total EU emissions; similar to that from EU international aviation and shipping activities.

Innovation in low carbon design, construction, renovation practice, and estate and facilities management is urgently needed to reduce the sectors carbon footprint and create the low carbon, sustainable, patient-centric healthcare service models of the future.

The LCB-HEALTHCARE Barriers to Innovation survey conducted in 2010/11[1] found that the critical barrier to innovation is that low carbon policies have not yet influenced wholesale changes in procurement culture and there was a lack of low carbon innovation leadership from both the healthcare sector and the design & construction supply chain.

The result is that the low carbon products we need don't exist, and so we don't ask for them; because we don't ask for them, they don't exist. Innovation procurement aims to resolve this paradox by creating the missing market demand. This leads to a win-win situation: suppliers get a visible market; customers get the solutions that they need. However, this requires changes in the way in which procurement is managed, and the way in which tenders are specified and evaluated.

[1] LCB-HEALTHCARE State of the Art Report March 2011

1.2 Purpose

The purpose of the workshop was to draw on the perspectives and experience of the invited speakers and the pilot projects to better understand how procurement practices and other factors can support or hinder innovation and take-up of low carbon building solutions in the healthcare sector.

The workshop provided a forum to:

- Exchange experience on the different barriers encountered across Europe;
- Share the lessons learnt and examples of good and bad practice;
- Begin to explore what constitutes 'good practice' and how this might be promoted and enabled at the national and European level.

1.3 Format and presentations

The participants shared and discussed their experience in applying the principles of innovation procurement across Europe. They examined the barriers they had encountered and drew conclusions on what factors make innovation procurement a reality in practice. In addition they made suggestions as to how to widen the adoption of innovation procurement methods.

Invited speakers and pilot project leads were invited to address the following questions in their presentations:

- What does good practice look like in your experience?
- What are the barriers you have encountered?
- What can be done at the national and European level to enable good practice?

This was followed by a wide-ranging discussion amongst participants.

2. Barriers - what gets in the way of innovation?

Five key themes emerged during the discussion on barriers:

1. People, capacity and capability
2. Organisation and culture
3. Lack of awareness of innovation procurement techniques
4. The policy-procurement gap
5. Price based decision making and evaluation criteria

"Innovation procurement is not on the radar of professionals in the healthcare sector."

"Innovation relies on individuals and their enthusiasm. This is rarely supported by the pervading culture."

2.1 People, capacity and capability

The message from participants was that innovation needs committed and capable people. Public sector procurers often have limited understanding of how supply chains work and how suppliers are motivated. Very few are exposed to pro-active procurement techniques. When new processes such as innovation procurement are introduced there is often a lack of willingness to accept them and to change 'the way we do things'.

The healthcare procurement environment is, for the most part, conservative and anything that is perceived as new and risky is avoided. People are typically not rewarded for taking risks, which leads to risk aversion.

People are not ambitious in what they ask for and only tend to ask for what they know they can get. Ambition needs to be encouraged.

Operations / policy staff are unaware of the benefits of pro-active procurement and tend to over specify and base their specification on the latest version of what they bought last time.

The use of functional or outcome based specifications is not widely adopted. Over specification that stifles innovation remains the norm.

Some technical barriers have been encountered by participants. These included a lack of methodologies for calculating total cost of ownership, whole life cost, and measuring factors such as energy efficiency. A lack of knowledge and criteria for comparing projects and use of different methodologies to measure energy efficiency means that projects cannot be compared against each other and the standards.

There is very limited exposure to dialogue based procurement such as Competitive Dialogue and few have access to effective training.

"Hospitals procure low quality at high prices, and hospital structure and decision making processes present barriers to effective procurement; cross-departmental teams would set better criteria."

"People are not eager to adapt process and methods that are new to them."

Leaders for change - Rawicz Hospital, Poland

Overcoming barriers to changing procurement practices

Becoming a member of the LCB-HEALTHCARE project induced the need for a major change in the approach to procurement. In the past all procurements were carried out in the same way and in common with all other healthcare units in Poland. That is, detailed specifications were drawn up and selection was based mainly on lowest price. The concepts of outcome based specifications and whole life-cycle costing were not known.

Therefore for quite a while it was difficult for the Rawicz Hospital employees to conceptualise the idea of what the pilot project is trying to achieve. To overcome this barrier, and enable staff to 'try out' new approaches a 'pre-pilot project' on a more simple, smaller scale contract was developed.

Pre-pilot supporting project – hospital uniform:

The contract for the supply of hospital uniforms is due for renewal in 2012 and the project team is using this as an opportunity to explore new approaches to public procurement.

1. Consultation with users

Together with project facilitators, the procurement officer began by interviewing nurses, who were asked for their feedback on the current uniforms for example what they liked and didn't like, and what their 'ideal' uniform would look like. The team were surprised how valuable this proved to be.

2. Developing an outcome based specification

This consultation exercise resulted in a new outcome based requirement.

3. Whole-life costing

For the first time, the evaluation criteria will use factors other than price and will look at the whole life benefits and links with the hospital's environmental objectives.

4. Collaboration to achieve a critical mass of demand

The project team contacted other hospitals, partner healthcare centres, associations and other LCB-HEALTHCARE project partners, and explained to them the changes in the way it wanted to purchase hospital clothes and its desire to stimulate an innovative response from potential suppliers. Nine other hospitals have expressed interest in the project and the new approach to procurement.

5. Communication with the supply chain

Next, the hospital will pro-actively communicate this requirement and wider market demand to potential suppliers. The hospital estimates that the contract for the new clothing will be signed before 30th June 2012.

The pre-pilot is helping to overcome the barriers to the adoption of innovation procurement techniques, and the hospital can now make use of this new procurement knowledge when buying other supplies and services.

Leaders for change - St Olav's Hospital, Norway

Providing an exemplar of how innovative leadership can drive energy reduction targets that initially seem unachievable

The re-building of St Olav's is a decade-long, NOK 12.5 billion project to completely reconfigure the secondary and tertiary hospital campus that serves Trondheim and the mid-Norway region.

The construction team were aware at the start of the project that they had an opportunity to set a very high standard for low carbon building and energy efficiency, but realised that traditional project management and procurement practices could potentially stand in the way of their ambitions.

The construction team leadership therefore started with a premise that they were going to change the culture of procurement from 'antagonism and distrust to collaboration and trust'. They implemented a philosophy of open information management (data shared and discussed between hospital engineers and designers, procurement experts and contractors), and decided at a very early stage to give the contractors real freedom to offer their own innovative input to the process. As a result, the initial targets for energy efficiency were abandoned, and the hospital aimed to be a 'passive house' – a facility with almost no need for (active) heating.

This project is a clear example of how inspirational leadership can lift the horizon. Instead of thinking only about energy reduction, the integrated team of commissioners, procurers and contractors was encouraged to look further, from energy reduction to energy recovery and control and onwards to renewable energy and even energy supply. The contractor organisations responded positively to the new environment, to such an extent that they set the new targets and persuaded St Olav's that they were achievable.

"Everyone said it was impossible to achieve class A with a 10 year pay back."

"The architects focussed on design not energy efficiency. You need to introduce energy efficiency early in the design phase."

"When asked, consultants only presented expensive solutions. The passive house ambition came out of a culture of collaboration."

2.2 Organisation and culture

Organisational issues can create obstacles for innovating individuals. For example, poor and ill-defined decision making structures or a lack of clarity on who has the responsibility for the final decision on a specific procurement.

Legislative restrictions (procurement regulations) and lack of resources are commonly used to justify the status quo. A belief that market engagement was somehow 'illegal' was not unusual amongst procurement staff.

In some cases tensions between capital expenditure and revenue cost hindered effective decision making. Pressure to cut expenditure at the expense of better value, whole life savings, and sustainability was reported by participants.

In all but a minority of organisations it seems that it is no-one's job to future scan or innovate, to identify opportunities, or anticipate problems and the need for better or different solutions. This is made worse by a lack of cross-departmental working,

It is rare that procurement staff are involved at the early stages of projects, i.e. procurement staff are simply "executors" of someone else's decision, rather than active participants in supply chain management and buying better solutions.

"The barriers we encounter can be summarised as culture, legislation, language: It's the people."

Innovation procurement for the majority represents a completely different approach and this can be challenging. The introducton of new practices can be dismissed as 'the latest fad', or 'not how we do things here'.

Lack of staff resources was another common reason given as to why innovation procurement practices couldn't be adopted. Often this reason disappeared when challenged or capable capacity provided in the form of an external facilitator who, for example, creates a project structure, maintains momentum, and drafts documents.

In some cases it was reported that operational staff had tried to be innovative but came across conservative senior management and boards that made them reluctant to try again.

Any organisational change takes time and conscious effort, but there was agreement from participants that changes in procurement practices are necessary if organisations are to be fit to meet the societal and market challenges of the future.

"Commitment, knowledge and the competence is crucial. This is important on all levels: decision makers, project leaders, architects and consultants."

2.3 Lack of awareness of innovation procurement techniques

In practice, procurement is not recognised as a tool for innovation. The benefits of proactive innovation procurement are poorly understood at all levels in organisations. People are simply not exposed to the benefits of more pro-active, pro-innovation procurement and what it can achieve.

Market engagement is rare, outcome specifications are poorly used. The typical procurement process does little to support innovation and instead hinders new ideas and creativity in the supply chain.

There is a failure to ask for what is needed. Customers instead ask for what they think is available and affordable. This hinders innovation and perpetuates the status quo. Perceived legal barriers were again highlighted, in particular regarding dialogue and engagement with suppliers. Lack of practical information on how to conduct market sounding in a way that procurers find 'safe' and limited awareness on how to access supply chains were very real barriers to supplier dialogue.

Invitations to tender being 'left to the last minute' is the norm; day-to-day pressures mean that the procurement process is initiated only weeks and months rather than years before a solution is needed.

Experience from participants is that innovation procurement projects increase the professionalism of the people and teams involved, and foster better future cooperation.

"Day to day pressures often threatened the project; it needed a facilitator to maintain momentum and focus."

"Procurers are not able to interpret the EU law on public procurement correctly and there are cases for legal uncertainty, due to lack of clarification of the law. Therefore procurers are less inclined to take risks in changing the call for tender adding specific sustainability criteria."

Leaders for change - The Rotherham NHS Foundation Trust, UK

The first NHS Trust to adopt the Forward Commitment Procurement (innovation procurement) Process

The Trust worked in partnership with the Department for Business, Innovation and Skills and the Department of Health in a Forward Commitment Procurement (FCP) project that identified the following 'unmet needs' :

- **A step change in the patient experience**
- **A step change in the efficiency of lighting**
- **To be delivered in a cost effective way**
- **Future-ready to adapt to new lighting technology**

The opportunity for innovation was presented by an 8 year refurbishment programme beginning in 2010. The vision of the CEO for a 'Hospital of the Future' was a key driver.

The Trust communicated their requirement and the market consultation via a Prior Information Notice in the OJEU some two years before the solution would be needed on site. This gave the supply chain a chance to organise and innovate.

The pro-innovation approach involved cross-departmental cooperation, use of outcome based specifications, market engagement and the development of a pro-innovation procurement strategy agreed by the whole evaluation team.

The innovation procurement approach has brought to the market an integrated 'future ward' modular solution, with integrated bio-dynamic lighting, trunking and storage.

Detailed costings, verified by an independent quantity surveyor, show that the innovative solution will cost the same as a standard ward solution with not only the required step change in patient experience and lighting efficiency but also with reduced on-site build time and additional benefits.

The project was enabled by training, coaching and practical project support.

"The key to success was to begin by asking for what was needed – not what we thought was available or affordable. The results have exceeded all expectations. FCP really works."

Leaders for change - Erasmus University Medical Centre, Rotterdam, The Netherlands

Organisational change for innovation procurement

Erasmus University Medical Centre (Erasmus MC) is the largest (academic) hospital in the Netherlands and, as part of a major project to completely renew the hospital's infrastructure, the old bed washing facility that currently provides clean and disinfected beds and mattresses for the hospital's daily operational needs is being replaced.

The bed washing facility currently processes more than 70,000 beds per annum and this is expected to increase in the future. The existing machine is labour intensive, and uses a large volume of water and energy to operate. In brief, it is expensive and out of step with the hospital's sustainability policies and objectives. Moreover, the current machine is nearing the end of its life and needs to be replaced by summer 2013. This gives the hospital time and opportunity to explore the possibility of procuring a more efficient, more effective and sustainable solution.

Erasmus MC launched a market sounding exercise in September 2011 to explore new approaches and ideas from across the supply chain to find better solutions than currently exist. The project is being driven by the policy direction of energy saving, efficiency, reducing water use and wastewater discharge, to create a more efficient and effective way of dealing with soiled beds to support the day-to-day operations of the hospital.

By engaging early with the market and adopting 'innovation procurement' thinking, it hopes to receive the best possible (future) offers through the procurement process.

The pilot project led to changes in the way the procurement process is managed.

Creating a Decision Making Unit brought clarity and transparency

A new way of managing the procurement was introduced at the start of the project; a so called 'Decision Making Unit' or DMU was created.

The project team noticed that procurement is usually dealt with at the level of a budget holder (usually a head of department) aided by procurement staff and sometimes users or other staff from that specific department. It was soon realised that a low carbon solution needed a wider perspective and involvement of more stakeholders from within the organisation.

The DMU was created in order to give all stakeholders a voice and to make sure that they were represented and informed. From the start it was made clear that all members of the DMU have their own role to play. The information within the DMU is shared, but responsibilities vary.

The Tender Board of Erasmus MC has given a vote of confidence to continue this work and use innovation procurement practices.

2.4 The policy-procurement gap

"Use of market engagement is very limited: some see it as disallowed by procurement regulations."

The gap between an organisation's policy and its procurement practices is a well documented problem. A number of points relating to this problem came up in the discussions.

Energy efficiency and carbon reduction remain relatively new policy concepts for many and are often lost in the complexity and multiplicity of demands involved in managing and planning healthcare buildings. Yet colleagues from Germany highlighted that healthcare is the second most energy intensive sector in commercial buildings; in the UK the English National Health Service (NHS) has calculated its carbon footprint at more than 18 million tones of CO2 each year – 25% of total public sector emissions.

Energy and carbon still represent a relatively low proportion of the total budget of a healthcare organisation (the majority being staffing) and in most countries remains short of attention at board level. In some cases (e.g. Poland) 'low carbon' is an unfamiliar phrase and 'climate change' is not an important issue for the majority.

The assumption that buying goods and services that are 'sustainable' and 'low carbon' will be more expensive is a widespread mis-conception. In a sector that is always looking to maximise resources for patient care it can therefore seem 'dangerous' to ask for infrastructure and operational goods and services when they are assumed to be more expensive.

It also emerged that customers are concerned that 'quality' will be lost in the drive for energy efficiency. For example ventilation is energy intensive; and if ventilation is reduced in a bid to reduce energy consumption this will decrease the quality of the internal environment.

This concern reflects a lack of understanding by customers. An effective functional specification would state that energy savings (and other low carbon criteria) cannot be at the detriment of function and quality and indeed the solution should enhance function and quality. The Rotherham NHS Foundation Trust Ultra Efficient Lighting for Future Wards project asked for a step change in patient experience, energy efficiency and cost effectiveness.

The health effects of climate change are rarely highlighted yet present another important reason why healthcare organisations have a moral imperative to reduce their carbon footprint.

"There is little understanding of both the importance of the procurement process in delivering better outcomes, and of how to get the best out of suppliers."

Project benefits of a 30% reduction target for EU climate policy

- 140,000 additional years of life
- 13 million fewer days of restricted activity respiratory and cardiac suffers
- 1.2 million fewer days of respiratory medication used by adults and children
- 142,000 fewer consultations for upper respiratory symptoms and asthma each year
- 3,776 fewer hospital admissions for respiratory and cardiac conditions

Source: Acting now for better health, HCWH Europe and HEAL report

"In Poland research of tender specifications has shown that the price is in 90% of cases the only factors in the decision making process [Lewandowska 2009]. Tender evaluations do not consider life cycle costs."

2.5 Price based decision making and evaluation criteria

Selection of goods based simply on price rather than whole life costs or total cost of ownership is (surprisingly) still widespread in practice. This means the value of, for example, a more energy efficient option, is invisible to the buyer. Consideration of embedded carbon is simply not on the agenda.

Some participants felt that this is in part due to a limited understanding of concepts such as Total Cost of Ownership, Return on Investment, and Whole Life Costing at certain levels within healthcare organisations.

Price remains the main selection criteria in the majority of procurements. Over 90% of procurements in Poland are based on price alone. This makes it easier for the buyer who is not then responsible for showing that the savings were realised over the life of the product and so are not open to accusations of fraud.

Simplistic use of evaluation criteria fails to recognise the value of innovative and low carbon solutions and over-emphasises purchase price.

"There is an underlying belief that that 'low carbon and sustainable' costs more; are sustainability standards perhaps creating a 'tick box' culture that makes sustainability look expensive?"

Healthcare organisations are largely budget-driven instead of commercially managed. This is one of the reasons that these business concepts tend to not get used. Others include a lack of policy regarding their adoption, lack of access to tools, or confusion over the methods that should be used.

Participants reported that the content of Pre Qualification Questionnaires (PQQs) often excludes new-comers to the field who could bring fresh thinking and innovative ideas to the table.

The mechanics of the evaluation process are poorly understood and there seems to be little critical examination of how price criteria are applied and influence decisions, even when the relative weighting is low.

"The criteria for how you calculate and measure energy demand are unclear; Calculation of the extra cost for implementing new solutions differs widely between projects and hinders comparative learning."

Emerging Theme

Leadership and Cultural Change

Adopting innovation procurement approaches requires leadership and cultural change. This is a necessary change in the way procurement is managed if the healthcare sector is to be equipped to face the challenges of the future. Like any organisational change, it requires 'agents of change' who bring fresh thinking and innovative ideas.

3. Enablers - what helps overcome barriers and supports innovation?

Messages from the workshop presentations and pilot projects

The presentations and discussions highlighted a number of potential enablers ranging from the sharing of experience, for example through communities of learning and case studies, to provision of technical information, for example on whole life costing.

"Our 'Communities of Learning' visits broke down barriers and showed what innovation procurement can achieve."

Unfortunately lack of time prevented a detailed discussion of innovation procurement and low carbon enablers. This will be the subject for further research and discussion.

Six key enablers were highlighted:

- **Promoting leadership for innovation:** Without leadership, innovation procurement projects struggle to find direction and momentum. The participants considered how leaders for innovation could be created.
- **Communities of learning:** People meeting people. Exchange visits among hospitals and practitioners have proved extremely informative and inspiring, enabling cross-exchange of information and frameworks for future collaboration and exchange.
- **Awareness raising activities:** The need to continue to find ways to expose more people to pro-active, pro-innovation procurement and make the most of case examples. Presentations at conferences, magazine articles and training programmes are all needed to fill the 'information and awareness gap'.

"We need case studies and examples to expose people to the value of pro-innovation procurement."

- **Case studies:** Showing by example is invaluable. Real examples of innovation procurement, low carbon solutions and leadership demonstrate what is possible, inform about the different methods that are used in practice, and highlight the benefits to be gained.
- **Technical guidance and criteria:** Access to technical support on issues such as total cost of ownership, measuring energy efficiency, alternative financing models would give confidence to procurers. Common criteria for comparing solutions at a European level would support learning across projects.
- **Capacity building:** Access to training and awareness in innovation procurement, identifying unmet needs, market engagement, use of functional specifications, whole life costing, and dialogue based procurement approaches.

Emerging Theme

Filling the information and awareness gap

Raising awareness about the benefits of innovation procurement and training in innovation procurement techniques were highlighted as a way to create a common language amongst staff on pro-active, pro-innovation procurement. The message from the participants was that we need to "be visible and keep talking" about pro-active procurement in order to expose more people to innovation procurement practices and the benefits they can bring.

"Peer-to-peer exchange is invaluable."

4. Success factors – what supports innovation?

When discussing what supports innovation, three overarching themes emerged from the presentations and discussion:

1. **People and leadership:** Success is all about people; those that refuse to accept the status quo, and inspire, enable and lead innovation. Innovation procurement involves cultural change, and this takes time. Persistence, active facilitation, engagement with suppliers and know-how transfer all help to create 'leaders for innovation', be they teams, individuals or organisations.
2. **Communication and collaboration:** Proactive communication and a collaborative approach between suppliers, between customers and the supply chain, and between customer stakeholders and departments is a key ingredient in innovation based procurement and needs active facilitation.
3. **Visible and credible market demand:** Providing the supply chain with accurate, credible information on unmet needs and opportunities in outcome terms, creates the missing market demand to which suppliers can respond. Information about a customer's needs is invaluable to potential suppliers, especially if it is presented in a way that enables them to respond innovatively, i.e. by using functional specifications and allowing sufficient time.

In addition, a series of success factors that can also be seen as 'indicators' of innovation procurement emerged from discussions:

- **Demanding customers** that know what they want to achieve and tell the supply chain. Not what they think is available or affordable. Need to be credible, committed, intelligent customers.
- **Motivated and committed individuals,** innovation 'leaders' that are willing to look and act beyond 'business as usual' and challenge the status quo are a key factor in initiating, and seeing through, innovative projects.
- **Cross-departmental teams** are required to take forward innovative projects, bringing together, for example, users, and operations, estates, facilities, and procurement staff.
- **Outcome or functional specifications** allow room for suppliers to present innovative solutions rather than being tied to supplying existing products.

"Leadership is vital. The pilot project was transformed by a cultural 'sea change' at Board level and leadership from the Director of Facilities."

"To succeed we need to include green criteria in the overall tender. Above all we need to convert the theory of sustainable and innovative procurement into practical change."

- **Early engagement with suppliers** gives them time and opportunity to respond to the customers needs and create new supply chain connections where necessary.
- Innovative projects need the **support of senior management,** the backing of the CEO and be part of the organisations' forward strategy.
- Evaluation criteria need to **prioritise outcomes and deliverables** including carbon savings over price – the price will still be competitive!
- **Pro-innovation procurement,** with innovation as a theme throughout the procurement process. For example Pre-Qualification Questionnaires (PQQs) can open up the market or close it down, yet often 'standard' PQQs are used. The Rotherham NHS Foundation Trust project used a pro-innovation PQQ which opened up the opportunity to new suppliers with innovative ideas drawn from outside the healthcare sector.
- **Helping suppliers to help you:** Customers need to understand the point of view of suppliers and what motivates them in order to create a basis for a mutually beneficial relationship i.e. fostering a cooperative rather than antagonistic relationship.
- **Agents of change and facilitation** are needed, internal or external agents and facilitators who expose staff to new ways of working, enable questioning of the 'way things are done' and provide focus for a new approach.
- **New management models should be explored,** for example projects in the Netherlands and Norway show how management tools can be adapted and adopted to support the introduction of new approaches in a structured way.

"The knowledge on how to stimulate and procure better, innovative solutions exists; our challenge now is to enrol others to adopt new practices."

5. Next Steps

The consortium members will continue to explore and share success factors, barriers and enablers through their pilot projects and seek to exchange experience with other networks.

A paper will be developed and presented at the joint EuHPN/LCB-HEALTHCARE Conference in Bologna in October 2011.

A Good Practice Guide will be published in September 2012.

Information about the pilot projects can be found at http://lowcarbon-healthcare.eu/

Register on the LCB-HEALTHCARE network at: http://lowcarbon-healthcare.eu/cms/members/stakeholder.php

Acknowledgements

With thanks to the invited speakers, pilot project coordinators and participants, and consortium members for sharing their insights and experience.

Appendix

Workshop participants

Consortium members

Sue Creese, Policy Advisor, Innovation Procurement, Department for Business, Innovation and Skills (BIS), UK

Jonathan Erskine, Executive Director, European Health Property Network (EuHPN)

Angus Hunter, Managing Director, Optimat, UK

Marcin Kautsch, LCB-HEALTHCARE Coordinator (Rawicz Hospital), Poland

Asmund Myrbostad, Senior Project Advisor, SINTEF, Norway

Joram Nauta, Project Manager, Dutch Centre for Health Assets, The Netherlands

Ashley Stewart, Consultant, Optimat, UK

David Whiteley, Chief Engineer, Department of Health (England) (DH), UK

Gaynor Whyles, Director, JERA Consulting, UK

Invited speakers

Lars Abrahamsen, Construction Manager, St Olavs Hospital, Norway

Annegret Dickhoff, Healthcare Project Manager, BUND, Germany

Anja Leetz, Executive Director, Health Care Without Harm Europe (HCWH)

Simona Agger, Professor of Architecture and Urban Planning, Italy