

November 2018

# Regional Experiences with PPI

**Analysis Regarding Regional Use of New Tender Opportunities to Support Public-Private innovation**

Analysis by INNOBA ApS for Clusterix 2.0

# Background and Purpose

There is a need for new solutions in the public sector: new approaches to welfare services, more efficient use of resources, and a future oriented approach to challenges within health care, environmental sustainability, ICT, transport, etc.

Public-private innovation partnerships (PPI) can be a key driver for this development and at the same time a means for business development among corporate suppliers to the public sector.

The European Union as well as local public authorities in EU countries work to support PPI via more innovation oriented procurement processes, business clusters, innovation programmes and other initiatives on local, regional and state levels. In 2014, the EU approved a new European Tender Directive to promote more flexible public tendering making room also for more public-private cooperation.

The Region of Southern Denmark has asked the innovation company INNOBA to look into **how the new Tender Directive has affected regional approaches to PPI – and in what ways regional clusters can strengthen PPI efforts.**

Overall conclusions and detailed insights from the analysis are available in the following pages.

# Survey Approach

A first **overall study** of tendencies on a regional level. Snap shot rather than a full European study.

Research focus **on 6 different regions** in France, Belgium, Czech Republic, Romania, Austria, and Denmark.

Report and analysis part of the EU programme **Clusterix 2**. Results will be presented via video conference to partner regions.

**Qualitative interviews** with 11 respondents in the selected regions.

**Desk research** into relevant reports and previous analysis.

**Expert dialogue** with legal specialists and persons with an overall knowledge of European innovative procurement.

Use of INNOBAs **background knowledge** of PPI, innovation tendering and public-private innovation processes.

# Main Conclusions

The report answers the following questions: how do the selected regions work with PPI?, to what extent do they make use of the new Tender Directive to promote innovation oriented procurement and PPI?, what prevents and supports PPI on a regional level?, and what is a possible role for business clusters to promote PPI?

Main insights are:

- Regions understand and use PPI in **very different manners**. This makes discussions on PPI complex and sometimes confusing.
- Overall, regions work with **4 overall types of PPI** ranging from informal knowledge sharing to long-term strategic partnerships. Only very few regions work with PPI on a strategic level.
- There are many legal aspects of PPI depending of the type of PPI and the ambition of the PPI efforts. **Tender law affects the four types of PPI in different manners**.
- Especially four aspects of the new Tender Directive could be use to promote PPI: a broader access to **procurement procedures with negotiation**, easier access to **pre-tender market dialogue**, clear basis for **research cooperation** and the new tender format **Innovation Partnership Tendering**.
- However, many of the interviewed regions are **still in the process of fully implementing the Directive** and most mention that changes take time. Hence, for the main part, regions have **not yet used** the New Tender Directive to promote PPI and innovative procurement.
- None the less, especially the Western and Nordic regions **experience general changes** in procurement processes towards more open procurement processes and PPI. The new Tender Directive is expected to support these changes in the longer term.
- Clusters can promote PPI and innovative procurement by supporting the further use and **awareness** of the new Tender Directive, share best practice **cases**, work as a **match maker** between public institutions and private companies, and support **funding** for PPI projects.
- In an effort to support PPI, clusters should bear in mind the many different roles and players, the diverse opportunities for different types of PPI and the importance of **changing mindsets** as much as the more formal structures.

# Table of Contents

<p><b>A</b></p> <p><b>PPI - and Introduction</b></p> <ul style="list-style-type: none"> <li>➤ Definitions</li> <li>➤ Potential</li> <li>➤ Legal Aspects</li> <li>➤ The New Tender Directive</li> </ul>	<p><b>B</b></p> <p><b>Status of Regional PPI</b></p> <ul style="list-style-type: none"> <li>➤ PPI Light</li> <li>➤ Explorative PPI</li> <li>➤ Innovative Procurement PPI</li> <li>➤ Strategic PPI</li> </ul>	<p><b>C</b></p> <p><b>Barriers to Regional PPI</b></p> <ul style="list-style-type: none"> <li>➤ Slow Start</li> <li>➤ Little Knowledge</li> <li>➤ Risk Aversion</li> <li>➤ Tender Habits</li> <li>➤ Getting Started</li> </ul>	<p><b>D</b></p> <p><b>Promoting Regional PPI</b></p> <ul style="list-style-type: none"> <li>➤ Awareness</li> <li>➤ Cases</li> <li>➤ Match-Making</li> <li>➤ Culture</li> <li>➤ Funding</li> </ul>
--	--	--	---

**A**

**PPI - and  
Introduction**

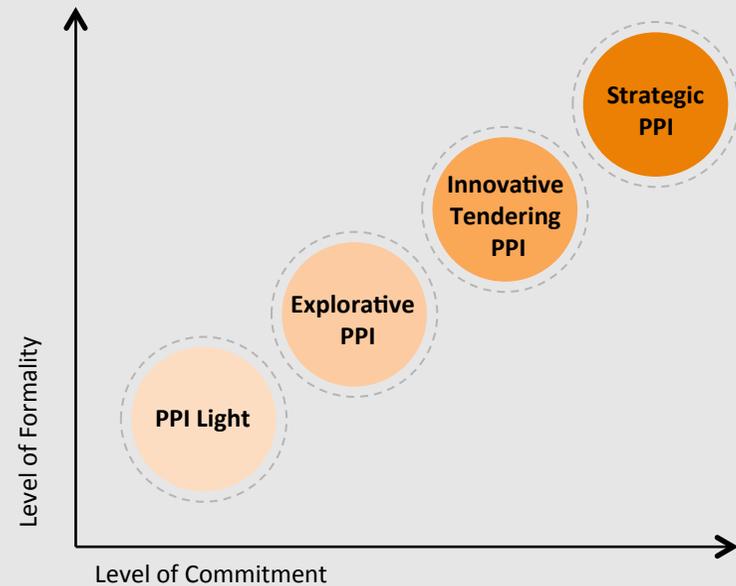
# Public-Private Innovation

## Definition and Typology

- Public-private innovation happens when **private companies work with public organisations to develop new innovative solutions.**
- The term “Public-Private Innovation Partnerships” – or “PPI” – is often used to describe many different things. This can create confusion and misunderstandings when communicating about PPI. In this report, **PPI is defined broadly** as any type of cooperation between a public institutions and a private company around the development of new and innovative solutions for the benefit of public welfare.
- The PPI cooperation can be more or less formal and binding ranging from informal knowledge sharing (**PPI light**) and co-development of prototypes and experiments (**Explorative PPI**) to the more formal types of PPI connected directly to procurement and implementation (**Innovative Tendering PPI**). Finally, PPI can be on a strategic level in binding and long-term development partnerships (**Strategic PPI**)\*.
- **Please note** that transfer of knowledge from public institutions to private companies solely for the purpose of business development within the private companies is not part of this PPI definition and typology framework.
- In the performed interviews it has become clear, that the selected **regions understand and approach PPI in very different manners.** Section B of this report describes regional practices connected to each type of PPI.

*Public-private innovation (PPI) is the cooperation between public institution(s) and private company(ies) around the development of new and innovative solutions for the benefit of public welfare.*

*This cooperation can be more or less formal and include everything from development of initial ideas and prototypes to purchase and implementation of fully developed, radically new, products, services or concepts.*

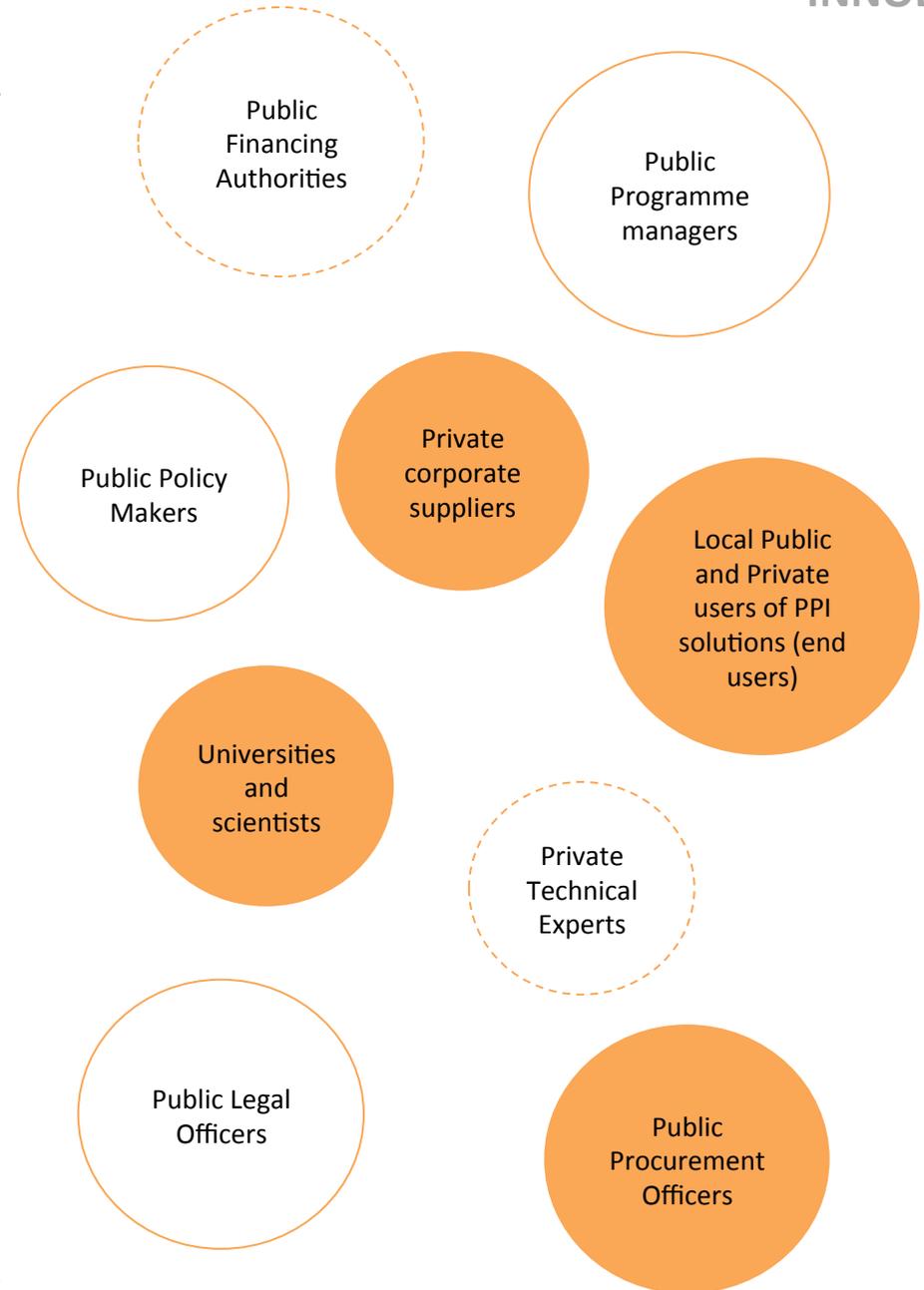


\* The terminology is based on previous analysis of PPI practices performed by INNOBA in 2017 and 2018 and the subsequent development of INNOBA’s PPI Typology Model.

# Public-Private Innovation

## The Potential

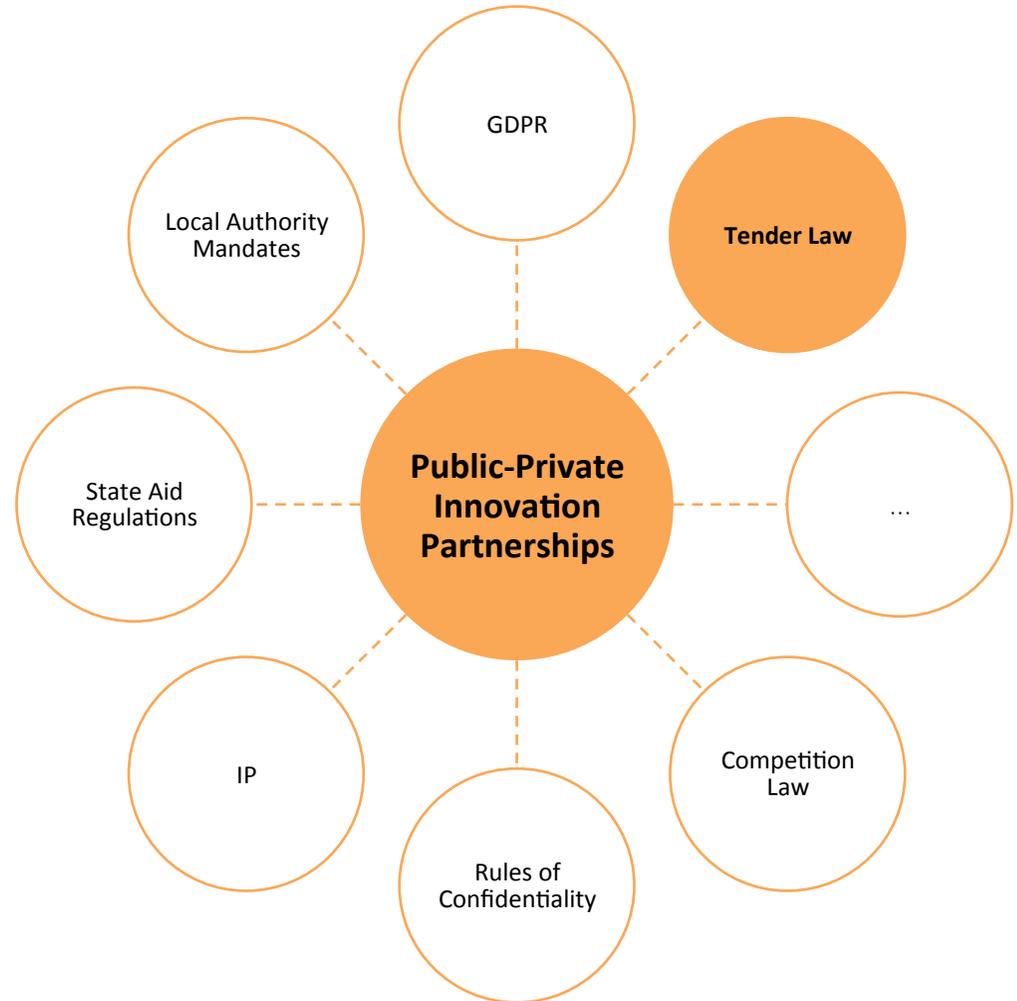
- Public-private innovation is about **transferring knowledge and ideas** between the public and the private sector.
- PPI has the potential to **solve welfare challenges** in the public sector by creating new innovative solutions that can improve welfare services, leverage the use of welfare resources or radically change the whole approach to public welfare. At the same time, private companies can use PPI to improve their own products and services and **commercialise knowledge** gained from the public sector.
- In a successful PPI, public and private participants work together to generate new innovative ideas for the benefit of both parties.
- Different types of people in regions affect PPI projects. All have **different interests and success criteria**:
  - *Policy makers* try to promote PPI in order to create better public welfare and/or industrial development.
  - *Financing authorities* issue funding for PPI projects to support innovation policies and the building of PPI competencies.
  - *Public programme managers* seek to initiate and support concrete PPI projects via assistance to private and public organisations.
  - *Local public authorities* are interested in using PPI results (end users).
  - *Public procurement officers* generally want to buy the best and most cost efficient solutions.
  - *Legal officers* want to make sure no rules are broken and uphold tender law as well as other legal parameters.
  - *Universities and scientist* work within PPI projects to transfer scientific knowledge to the private and public sector.
  - *For private companies* PPI is a means to improve business.



# Public-Private Innovation

## Legal Aspects

- A **variety of legal aspects** play a role when public institutions work closely together with private companies to develop and implement new ideas.
- PPI is affected by EU law, state regulations, local rules and regulations as well as a number of legal aspects related to private companies' rights and interests.
- **Tender law is only one aspect** of what forms the legal basis for PPI. However, tendering is paramount to the implementation of PPI results. For this reason, public tender law plays a key part in the promotion or prevention of PPI.
- Examples of legal framework affecting PPI:
  - *Intellectual property rights (IP)* are important for the private companies in their efforts to commercialise PPI solutions.
  - *Confidentiality* rules and regulations protect PPI parties from any misuse of shared knowledge.
  - Rules regarding *State Aid* set limits for public funding of PPI projects.
  - *Local authority mandates* define how local public organisations can take part in PPI.
  - GDPR (the European General Data Protection Regulation) sets rules and boundaries for exchange and use of personal data in PPI projects.
  - Private companies in PPI must adhere to *Competition Law* and other legal regulations of business development.
  - *Tender law* forms the basis for the public purchase and implementation of PPI solutions.



# Public-Private Innovation

## The New Tender Directive

- In 2014, the European Union approved a **new European Tender Directive**, Dir. 2014/24/EU which was to be implemented in all member countries. One of the goals of the directive was to create new opportunities for more flexible, innovation oriented, and open tendering processes.
- Regions can use the new Tender Directive to promote PPI. **Four elements are specifically relevant:**
  - With the new Tender Directive, there is a broader access to pre-tender *market dialogue*. Market dialogue prior to procurement opens up for more innovative solutions via early knowledge sharing and pre-commercial testing.
  - The Directive supplies a broader access to competitive *procurement procedures with negotiation*. This could open up for more innovative solutions because it becomes possible to discuss different approaches prior to the final procurement.
  - The basis for early experiments and *research cooperation* is more clear with the new Directive. It is possible for public institutions to work together with private companies and research institutions to co-develop and test prototypes at an early and experimental stage.
  - A new tender format has been developed; *Innovation Partnership Tendering*, which makes it possible to tender both innovative development of a solution and the purchase of this solution in one single tender process.
- The potential effect of each tender element **depends on what type(s) of PPI** regions want to promote.
- The Directive was to be implemented in European countries by 2016. However, many European regions are **still in the process** of fully implementing the new legal framework into regular practices.

	Market Dialog	Research Cooperation	Tender Negotiation	Innovation Partnership
PPI Light	✓			
Explorative PPI	✓	✓		
Innovative Tendering PPI	✓	✓	✓	✓
Strategic PPI	✓	✓	✓	✓

Relevance of selected elements from the New Tender Directive to each type of PPI.

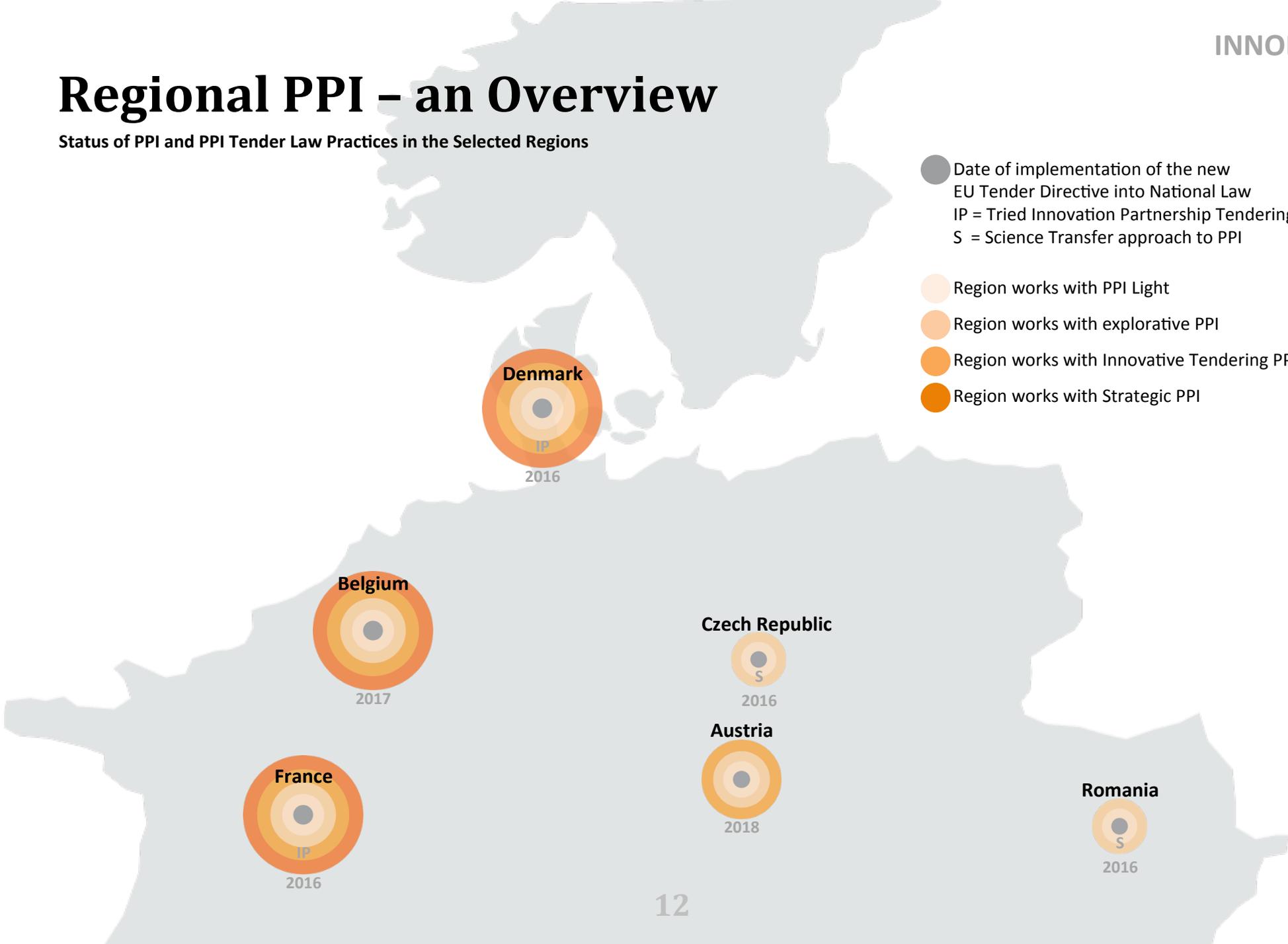
**B**

**Status of  
Regional PPI**

# Regional PPI - an Overview

Status of PPI and PPI Tender Law Practices in the Selected Regions

- Date of implementation of the new EU Tender Directive into National Law
- IP = Tried Innovation Partnership Tendering
- S = Science Transfer approach to PPI
- Region works with PPI Light
- Region works with explorative PPI
- Region works with Innovative Tendering PPI
- Region works with Strategic PPI



# PPI Light: Status

## Growing Use of Informal Knowledge Sharing

- *PPI Light is informal knowledge sharing between a private company (supplier) and that company's existing or potential public clients.*
- *It could be client feedback on products used enabling further product development. The public institution might also buy or rent innovative solutions from the private company in order to test these solutions on a small scale and gain knowledge of user needs, technical opportunities and innovative approaches.*
- PPI Light **happens more in the Nordic and Western countries** of the EU than the Eastern European regions. The approach to tendering seems more traditional and conservative in the Eastern regions. Dialogue between public institutions and private suppliers takes place but is more limited in these regions because of fear of for example unequal tendering processes or corruption.
- In the Western and Nordic regions, there is a **growing use of informal dialogue** in connection to tendering. This dialogue is sometimes used as a first stepping stone for innovative solutions.
- Some Western regions experiment systematically with a more innovation oriented informal dialogue and knowledge sharing between public institutions and private companies in the form of **match-making programmes** etc.

*\* Rules regarding the principle of equal treatment in tender law still apply to PPI light if, at some point, the public participants want to purchase the solution. In those cases, PPI light could be seen as a form of pre-tender market dialogue.*



# PPI Light: Legal Aspects

## More Pre-Tender Dialogue

- New opportunities for open **pre-tender market dialogue** in the new Tender Directive could be used as a leverage point for PPI light\*.
- However, due to the relatively recent implementation of the Directive, **effects are still limited**.
- The regions that have had time to fully implement and promote the new opportunities say that the new set of rules have primarily acted as a **legal safe guard for existing practices**.
- Primarily, clearer rules for pre-tender information sharing removes some of the fear of legal repercussions from information sharing among public employees.
- In addition to pre-tender dialogue, it is **possible for a public organisation to test innovative products** by simply buying a few and try them out. This opportunity has not been removed with the new Tender Directive and can be a safe way to experiment with public-private innovation.

*"In the past they [public employees] were really afraid to talk to suppliers before tendering "*

*"Innovation is important... But we don't just start gambling with a whole public service area... The first step is, you can come to us, so we can test it"*

\* Rules regarding the principle of equal treatment in tender law still apply to PPI light if, at some point, the public participants want to purchase the solution. In those cases, PPI light could be seen as a form of pre-tender market dialogue.



# LIGHT

# PPI Light: Cases

## Examples of Informal Dialogue

### Heart Measuring in Space, Austria

A private company has developed a new product that can measure the human heart's pressure wave. The technology makes it possible to see if a heart attack is coming and thereby warn people in advance. It is relevant in the healthcare sector but also in space for space travel. The company contacted the European Space Agency and selected healthcare clinics for informal feedback on the solution. Both got new knowledge and insights from the dialogue.

### Innovative Laser Beam System, Czech Republic, UK, US

A private company has developed a new innovative laser beam system. The company cannot develop the system without inputs from potential users and top researchers. They invited world leading scientists from a grand laser infrastructure research project to give informal feedback on the functionality and design of the new system. The scientists are experts but also potential users (and purchasers) of the solution. The company gained insights into user needs and top qualified technical inputs. The public institution (scientists) got expertise and knowledge from the supplier about new innovative solutions and how to work with the equipment.

# LIGHT



# Explorative PPI: Status

## Two Different Approaches to Co-Development

- *Explorative PPI is when a public institution and a private company decides to co-develop and test a new innovative solution (product/service/concept).*
- *The company delivers technical knowledge into the project and develop a prototype on the basis of user tests and idea development together with employees, users (citizens) – and sometimes science institutions.*
- *Explorative PPI can also be science and research projects.*
- Most regions have experience with Explorative PPI. However, **the approach differs.**
- In the **Nordic countries**, regions have experimented for many years with collaboration projects between public organisations (e.g. hospital clinics or municipalities) and private suppliers. The parties work closely together to build radical new ideas in the form of prototypes that can be further developed into products/solutions. Focus is on user-centred innovation involving the public users of solutions in product innovation together with suppliers.
- In **Eastern Europe** focus is more on collaboration between science institutions and private companies to insure knowledge transfer from academia to the private sector (science centred and technical innovation)\*.

\* This type of Explorative PPI also happens in the Western and Nordic Regions but is not always seen as PPI.



# Explorative PPI: Legal Aspects

## A Clearer Basis for Experiments

- The New Tender Directive has a clear description of **both informal market dialogue** and the basis for **research cooperation**. In this way, the Directive supports Explorative PPI
- However, most regions are **still insecure** on how to do public-private innovation in the form of very early experiments and co-development of radical new solutions.
- For this reason, **many regions do not work** with explorative co-development between private companies (suppliers) and users of their products in the public sector. Focus is instead on the transfer of science knowledge to private companies.
- In Denmark, authorities have developed a **contract format** for Explorative PPI in order to provide a legal framework in accordance with tender law.

*"We are working on a programme where public authorities and private companies can share the knowledge and risk of innovation projects. The Government identifies welfare challenges and then invites enterprises to invent ideas."*

*"Because of our open way of working, our open communication of public sector needs, many young innovative companies participate – this is very different from the classical procurement system".*



# Explorative PPI: Cases

## Examples of Co-Development

### **New Innovative Drug Deliver System , Rumania (Science Transfer)**

There is a need for better ways to administer drugs to patients. A private enterprise, a public chemistry institute and a public university work together to develop a new innovative solution. The result is a completely new drug delivery system. It makes pain treatment possible via transdermal delivery: drugs that normally do not pass the skin barrier are transferred directly through the skin. The project is funded by the EU. The university does research on technical and biological aspects and supplies a research Lab for testing. The private enterprise has submitted a patent.

### **Robots for Better Elder Care, Denmark (User-Centred Innovation)**

Regions in Denmark and Germany work together to find new innovative solutions to future demographic challenges. The Health-CAT project works with robot solutions for elder care. Regional Authorities, private robot companies, scientists and PPI experts work together to develop and test prototypes that will change elder care. Hospitals and nursing homes participate as test locations and feed into the project their inputs and ideas.

*More information: <https://www.innosouth.dk/international-projects/>*



# I-Tendering PPI: Status

## Only Used in a Few Regions

- *Innovative Tendering PPI is when a public institution initiates a tender process to purchase innovative solutions. The tender process is designed to make room for innovative knowledge sharing, idea development and solution development prior to implementation.*
- In all countries it is possible to purchase new solutions from the market. These solutions can be more or less innovative. However, **not all regions work with tendering processes that make room for co-development of new solutions** between the tender authority and the tendering company.
- In **Eastern Europe** Innovative Tendering PPI does not seem to be widespread. The approach to tendering as traditional with classic public tenders based on principles of equal treatment and open tender information.
- In **Western Europe**, the regions are changing their tender practices towards a more innovation facilitating process. The change is slow but several are experimenting with new tender formats and approaches.
- Only very few have tried the new tender format “Innovation Partnership Tendering” which is part of the new EU Tender Directive. **The Nordic countries** have a head start.



# I-Tendering: Legal Aspects

## A New Tender Format

- Innovation oriented tendering has been legally possible for many years. Also prior to the new Tender Directive. However, the **Directive strengthens and further supports** this type of tendering.
- The Introduction of Innovation Partnership tendering makes it possible to **tender for products and/or services that do not exist** in the market at the time of the tender.
- In one tender it is possible to enter into agreement on both the development and the possible purchase of a new and innovative solution.
- So far, **only few have tried the new tender format**. Denmark was first, then France, Germany, Finland, The Netherlands and others. The experience is, that it takes time to introduce new tender procedures\*.
- More countries have tried the tender format Pre-Commercial Procurement or Tendering with Negotiation. These formats were also available before the new Tender Directive.

*“Public Procurement of Innovation is a focus point in our strategy”.*

*“Maybe the new directive has motivated the public institutions to use tenders with more variety”.*

*“It takes time to use a new tender instrument [innovation partnerships] – it is a process”.*

\* According to TED statistics, no countries have had more than 10 Innovation Partnership tenders in 2017.



# I-Tendering: Cases

## Examples of Innovative Tendering

### **Prevent Dehydration and Limit Hospitalisation, Denmark**

In Denmark, 3 municipalities together with the Danish state issued a tender for dehydration solutions. The goal was to innovative new solutions that can prevent dehydration within elders. More than 30 companies participated in the initial market dialogue. 5 consortia were prequalified and 2 won on the basis of tender dialogues. Currently, companies and public institutions work together in two parallel development projects to develop solutions that will minimise dehydration problems. Municipalities will buy and implement solutions without further tendering if they live up to the agreed demands. A national process model for Innovation Partnership Tendering was developed in the project.

*More information: <https://bedreudbud.dk/innovationspartnerskaber> [in Danish]*

### **New Hospital Bed for Psychiatric Patients, Denmark**

Two Danish regions started an innovation project to develop a new hospital bed for patients with mental health issues. They kick-started the project with user research to identify needs. They chose to collaborate with two companies on the basis of pre-commercial procurement procedure (tender). In a co-creation process prototypes were tested and developed together with patients and healthcare staff. This resulted in a completely different approach to hospital beds for psychiatric patient. After the development phase the two regions bought the beds. Today the two companies have sold more than 1000 new innovative beds to hospitals and psychiatric institutions.

*More information: <https://www.innosouth.dk/international-projects/a-new-bed-for-mental-health-services-developed-by-the-users-1/>*



# I-TENDERING

# Strategic PPI: Status

## The Most Ambitious Type of PPI

- *Strategic PPI is when a public institution decides to enter into a long-term strategic partnership with a private company in order to improve a broader part of the public sector.*
- *It can be via outsourcing or it could take form of a number of experiments in order to radically renew approaches and systems.*
- This type of PPI is **relatively rare** in most countries.
- However, there are interesting examples of this relatively new type of PPI, e.g. in the Nordic Countries.
- Sometimes a public institution, e.g. a hospital, needs to work with a new type of technology on many levels of the organisation. Instead of doing a regular tender, the organisation can choose to enter into a **long-term partnership** with a private supplier with the aim to not only implement, but also continuously innovate and improve, the technology.
- Other times, public authorities might want to **outsource** parts of public welfare services to a private supplier. In the outsourcing process, the authority might want new approaches and innovative solutions – and to participate in this development together with the private supplier.
- In these cases, there is an element of public-private innovation in a strategic partnership.



# Strategic PPI: Legal Aspects

## Better Legal Basis for Strategic Innovation

- In order to initiate a Strategic PPI project one must find a legal framework for the collaboration.
- Different approaches are possible: outsourcing via the rules for **PPP** (Public-Private Partnerships), continuous knowledge sharing via the rules for **market dialogue**, a long-term innovation partnerships based on the rules for **Innovation Partnership Tendering**, etc.
- Whatever the approach, **the legal framework is complex** and usually lawyers are involved to create the legal basis.
- Many do not enter into Strategic PPI because of the complexity of rules and regulations.
- However, there are a **growing number of Strategic PPI cases** and it could be a sign of how PPI will develop in the future.

*“We should not innovate on standard production but in selected areas where we believe there is a potential for innovation. We should use more of a strategic approach”*

*“Public Procurement of Innovation is a focal point in our strategy”*



# Strategic PPI: Cases

## Examples of Strategic Partnerships

### Artificial Intelligence in the Healthcare Sector, Denmark

A large multinational IT company has entered into a strategic agreement with one of the main regions in Denmark. The IT company aims to develop and test AI (artificial intelligence) in a number of areas in the healthcare sector. The region wants to see how the new technology can play a role in the future care of patients, innovative treatment procedures, etc. Both parties will work closely together in coming years to co-develop future healthcare solutions making full use of big data and digital solutions.

### A Hospital Designed for Children, Denmark

A private fund and a Danish Hospital are working together to create a hospital solely for children and parents. They want a world class innovative hospital with completely new and innovative solutions to the treatment of children. A private company specialising in toys production will offer their knowledge into the project to introduce play as a key factor in children's healthcare. The project expect to include other private companies in the coming years an continuous experiments to create the best possible hospital.





C

## Barriers to Regional PPI

# Five Main Barriers

Old Habbits Die Hard

**Slow Implementation of  
Legal Framework**

**Low Level of  
PPI Knowledge**

**Risk Aversion**

**Tender Habits**

**Getting Started**

# Legal Implementation

## Only Recent Implementation of the New Tender Directive

- The New EU Tender Directive has **only recently been implemented** in many EU countries.
- It **takes time** to implement the new legal framework in state law – and it takes even longer to change tender practices.
- Most regional employees are **not fully aware** of PPI opportunities and there is still wide apprehension towards legal ramifications of innovation oriented procurement.
- For employees with no legal training it is **even harder to understand** what is allowed and what is not allowed in terms of PPI.
- However, changes are being made in tender practices and in the way public institutions and private companies interact. A **more open approach is evolving** especially in the Western and Nordic regions towards more PPI.
- In **Eastern Europe** PPI efforts are more difficult due to historic traditions and a firm focus to live up to EU traditions tender standards.

*“The EU has a double message – sometimes they say: be very careful when you use this, sometimes: use this new opportunity to innovate.”*

*“All this hysteria about potential corruption means that our regulation is extremely strict.”*



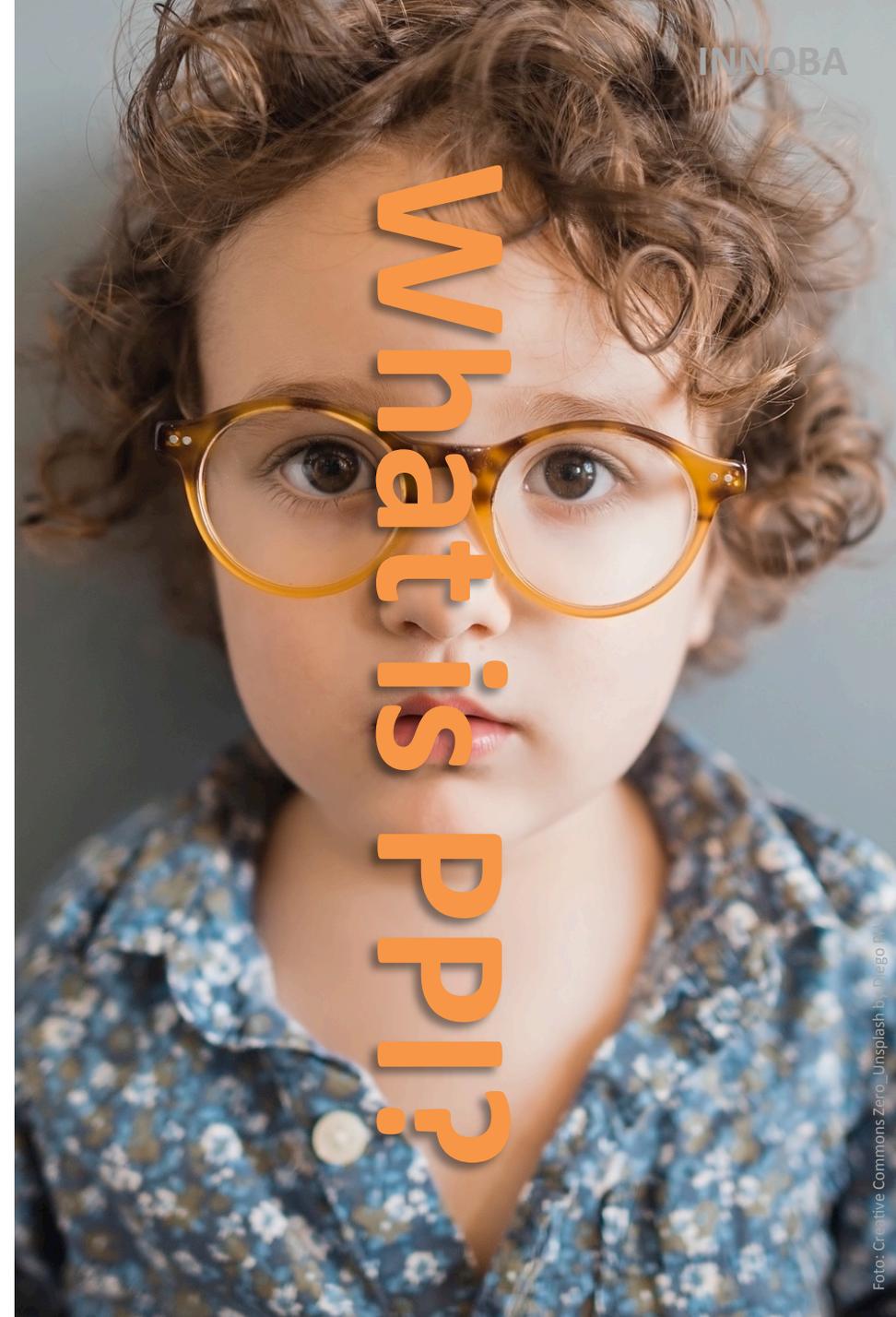
# Lack of Knowledge

## Low Level of Experience with PPI

- Different people mean **different things** when they talk about PPI. This has also been evident in interviews in this survey.
- There is a need for a **common language** for the different types of PPI and PPI approaches – internally in organisations and across partnerships.
- The PPI typology model presented in this report developed by INNOBA could be a **starting point**.
- In general, there is a **tendency to know very little** about PPI – and to know only of one's own PPI practices.
- **Success stories** and case examples are typically not shared. Not across borders – and not within borders.
- If you do not know what is possible it is difficult to think of new and better ways to combine and use the innovation potential of the public and the private sectors.
- To make confusion even worse, many different types of people within the public organisations are involved in PPI and innovative procurement. They all have **different success criteria** and perspectives on PPI.

*"I need more cases to show that this is possible."*

*"What do you mean by PPI?"*



# Risk Adversion

## Low Levels of Risk Acceptance Among Both Public and Private Parties

- Innovation can be a **risky business**. You invest in new approaches to harvest results in the future.
- Most tender officials **focus on minimising risks and save money** in tendering.
- They are not taught to take risks on short term innovation in order to gain long-term results.
- On one hand public organisations pressure for innovative thinking on a political level. On the other hand tendering is organised to avoid innovation and any kind of risk.
- This **makes it difficult** to promote open and innovation oriented tender processes as well as early experiments and new approaches.
- Companies can also **be afraid to invest** in innovation projects with public organisations. There is no guarantee for success in an experiment. Sometimes it is easier to sell what you already have instead of developing tomorrow's solutions.

*"We are not interested in being first movers. We buy from the standard production - we don't want to be first movers."*

*"For companies, research is limited... They are not always willing to invest."*

*"Some people are really aware of the need to innovate. On the other hand you have the more traditional procurers."*



# Old Habits Die Hard

## Conservative Tender Habits

- Even with new tools it is **difficult to change the old ways** in organisations.
- People do what they know and what they were trained for. Many employees prefer to **stick to the known** instead of taking risks with new approaches that have not yet been tested.
- Also, tender officials are more often **rewarded for efficient tendering** with costs saved and known solutions bought – than experimental tendering with insecure outcomes.
- Even with managerial support and knowledge of the new PPI opportunities **it takes practice – and time – to change** what you are used to do.
- Hence, the biggest barrier to PPI might not be the legal framework but rather old habits and an internal culture around tendering and cooperation that needs to change.

*“It is a cultural issues. It is very difficult to make the transition from a traditional mentality to something that works.”*

*“We will not do that [PPI], we will evaluate on the basis of price – that’s it.”*

*“Most of the people still feel most comfortable with the procedures they now.”*

*“We use traditional tenders. It is a habit. It is seen as the easies way.”*



# Difficulties Starting Up PPI

## Obstacles to Find and Finance Partnerships

- When employees have overcome other barriers to PPI and are ready to start up a PPI project, they often **need further assistance**.
- You have to **decide on the right type of PPI** and understand the different steps and phases. If you have no previous experience with PPI this can be difficult.
- You also need to **find your private/public sector partners** for the PPI project. You will not find an easily available list of ready partners and you do not have an overview of market players...
- For private companies, it is difficult to find **who to contact** for PPI collaboration in the public sector. It is also difficult to get an overview of PPI and innovation tender opportunities.

*“People in the government are not used to be innovative.”*

*“The public institutions are not used to ask for help – especially not from the industry.”*

*“There are two main barriers to PPI:*

*One: It is difficult to contact the right people – there is a need for matchmaking. Two: Mentality has to change.”*

*\* In Denmark, a process tool has been developed (by the Copenhagen Municipality and INNOBA) to guide employees through the different steps and choices of PPI. There is also a website for knowledge sharing managed by WelfareTech – the PPI guide.*





**D**

**Promoting  
Regional PPI**

# Possible Role of Clusters

A Motor for Change

**Awareness**

**Best Practice Cases**

**Funding**

**Matchmaking**

**A New Tender Culture**

# Be a Knowledge Broker

## Explaining Possibilities

- Clusters can support PPI and the further implementation of the new opportunities in the EU Tender Directive in several ways.
- First of all, it is **important to create more awareness** of the opportunities within PPI and innovation oriented tendering.
- This means **explaining the different possible approaches** to PPI (from light informal dialogue to long-term strategic partnerships).
- It means **supplying an easy overview** of the legal framework for PPI including an introduction to the new opportunities within market dialogue, early experiments and research cooperation, tender negotiation and innovation partnership tendering.
- It also means **talking to potential PPI participants** about the processes of PPI projects and how to manage PPI. In Denmark there are several tools already designed for this. These could be shared with other countries. Alternatively, there is a need for similar process guidelines to private and public organisations interested in PPI.
- Most of all, there is a need for better awareness **across all stakeholders** involved in PPI of the opportunities to create value with PPI.



# Show, Don't Tell

## Sharing Best Practice

- One of the most efficient ways of promoting PPI might be to **collect and share best practice** cases.
- PPI can be a complex field. It is much easier to understand and relate to a real life example of successful PPI than to understand all the legal and technical details of the field.
- There is a **need for knowledge sharing** across national borders as well as across different types of public employees. Cases could be the stepping stone.
- There is currently **no overview of European PPI cases** available. Therefore, no common inspiration to do PPI and understand the different possible approaches.
- Cases could show case relevant areas for PPI, good methods, and document the value of PPI.
- Cases could also facilitate knowledge sharing about the difficulties of PPI and tools to overcome these difficulties.



# Do Matchmaking

## Connecting People

- Clusters have a **unique role as connection spot** between different sectors. They are used to overcome barriers between public authorities, research institutions, and different types of private companies.
- One of the first challenges when you try to initiate a PPI project is to find relevant partners. Clusters could play an important role as a **match-maker** between public organisations and private companies interested in PPI (possibly also across national borders).
- The role would differ depending of the type of PPI in question: to **promote PPI light** clusters could create meetings, seminars, conferences and events where companies and public authorities can meet and exchange ideas. Clusters could do this in a manner that ensures that all legal rules and regulations are taken into account incl. tender issues.
- To **promote explorative PPI** clusters could start up relevant PPI projects and proactively find relevant partners that are willing to take risks and invest in the search for future solutions.
- To promote **innovative procurement PPI** clusters could help public tender managers contact relevant companies for market dialogue, spread information to companies about coming innovation tendering, etc.
- **Strategic PPI** could be promoted by informing stakeholders of the possibilities - specifically companies with new technology that could change the whole basis for public service in the future.



# Change Cultures

## Pushing for New Habits

- **Culture and habits is a main barrier** to PPI and to innovation oriented tendering. Clusters could play a role in removing this barrier – or pushing forward changes.
- It takes time to change cultures. However, someone has to start the process and continuously press for change. Clusters are often “outside” of the classical organisational structures and **could pinpoint structural barriers**.
- Also, clusters could play a role in changing culture and **habits in the private sector**. Private companies are also often set in old ways and need inspiration and information to understand that things could be different.
- An important starting point for changing cultures and mindsets is the ability to **communicate directly and clearly the benefits of PPI**. Why is PPI better than the traditional approach? What do I get out of it? Why take the risk?...
- Especially private companies need information to decide the potential economic and commercial return on investment in PPI. This is typically paramount to their participation.
- Finally, clusters could play a role **in tearing down barriers** between different internal stakeholders to PPI in the public sector. More communication and cooperation between development units and tender units within public organisations might be one way.



# Do Fundraising

## Minimising Risks for PPI Participants

- Participating in innovation projects takes risk. **Risk cost money.** It is a short-term investment for long-term results.
- **The public sector** will often need funding to participate in PPI projects. Or an acceptance that investments will pay off in the long run rather than tomorrow...
- **Private companies** often also need extra resources in order to invest in innovative product development or innovation processes. Participation in PPI should be commercially sound. However, companies (especially SME's) might not have the necessary funds to make the initial investment.
- For this reason, many PPI projects will need **external funding or investors.** Clusters could play a role in applying for PPI funding or assisting stakeholders in their own efforts to secure investments.
- Please note, that it is possible to initiate and complete PPI without external investment (especially if the focus of the PPI project is cost savings). Furthermore, **PPI should always pay off** in the long-run in the form of welfare improvements and commercial results.
- However, often an initial investment of resources will be necessary to set in motion a PPI collaboration.

# Fundings



# Contacts

This report has been prepared for the Region of Southern Denmark by the innovation company INNOBA. The analysis is part of the EU Clusterix 2 project.

INNOBA is an innovations consultancy based in Denmark that specialises in Public-Private Innovation and Open Innovation Processes. The company assists public institutions and private companies with PPI project planning, needs analysis, partnership facilitation and innovation process management. INNOBA also assist in innovative procurement together with legal partners.

INNOBA has developed the Danish State process guide for Innovation Partnership Tendering based on the new EU Tender Directive and a number of other tools for PPI.

For further information about this report please contact:

**Helle Knudsen**

Senior Consultant  
Region of Southern Denmark  
E-mail: [Helle.Knudsen@rsyd.dk](mailto:Helle.Knudsen@rsyd.dk)  
Telephone: +45 2920 1905  
[www.rsyd.dk](http://www.rsyd.dk)

**Rikke Bastholm Clausen**

CEO and PPI Expert  
INNOBA ApS  
Email: [rbc@innoba.dk](mailto:rbc@innoba.dk),  
Telephone: +45 3131 8776  
[www.innoba.dk](http://www.innoba.dk)