

# Executive summary

Procurement and market stimulation, management and development skills are business instruments that have been missing from the toolkit available to NHS healthcare commissioners. The modernisation agenda has developed reform and redesign skills, business case skills and, more recently, contract management skills. It is now, via the commercial agenda, developing market management skills, including stimulation and procurement. The drive to do this is apparent from the fact that two World Class Commissioning competencies are directly to do with procurement and market stimulation and other competencies align very closely.

This publication sheds light on the procurement and market stimulation framework, the opportunities within it and the potential it has for NHS commissioning. These skills can be overused and they can be underused – achieving the right balance is a key to World Class Commissioning and to optimising the healthcare available to the population, within the finite resource available to primary care trusts (PCTs).

Procurement professionals are best placed to deliver the best approach to market management within the framework set by national and regional policy. However, a working knowledge is essential for executives, senior managers and finance professionals. This knowledge, leading to corporate engagement, endorsement and support, is integral to success and to attaining world-class status.

Procurement, market management, development and stimulation are key enablers of value for money and long-term financial balance for a health economy. Understanding this is vital if finance professionals are to deliver their financial objectives and PCTs to deliver their obligations.

## WHY PROCUREMENT AND MARKET STIMULATION?

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A perfect free market delivers:

- a perfect allocation of resources
- changes in what is produced, driven by changes in demand
- the fluid movement of labour, from moribund to thriving providers.

This means that a perfect free market does not contain wasteful, failing companies delivering services that are not effective, efficient or wanted. Sound familiar? A perfect market does not create itself. The credit crunch of 2008 and 2009 proves this, where the banking system was left to its own devices and failed. Perfect markets require management and the healthcare market is no different. The characteristics and look of a perfect market are very much dependent on that particular market but all require some form of management to work at or near an optimal level.